

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**City of Woodinville**  
**King County**

Audit Period  
**January 1, 2010 through December 31, 2010**

**Report No. 1006710**

Issue Date  
**November 14, 2011**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

November 14, 2011

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,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

# Table of Contents

**City of Woodinville  
King County  
January 1, 2010 through December 31, 2010**

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with <i>Government Auditing Standards</i> .....	1
Independent Auditor’s Report on Financial Statements.....	3
Financial Section.....	5

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

City of Woodinville  
King County  
January 1, 2010 through December 31, 2010

Council  
City of Woodinville  
Woodinville, Washington

We have audited the financial statements of the City of Woodinville, King County, Washington, as of and for the year ended December 31, 2010, and have issued our report thereon dated October 7, 2011.

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.

## ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

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

A *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.

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

## **COMPLIANCE AND OTHER MATTERS**

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

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

This report is intended for the information and use of management and the Council. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

October 7, 2011

# **Independent Auditor's Report on Financial Statements**

**City of Woodinville  
King County  
January 1, 2010 through December 31, 2010**

Council  
City of Woodinville  
Woodinville, Washington

We have audited the accompanying financial statements of the City of Woodinville, King County, Washington, for the year ended December 31, 2010. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Woodinville, for the year ended December 31, 2010, on the basis of accounting described in Note 1.

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

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Long-Term Liability 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 has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

October 7, 2011

# **Financial Section**

**City of Woodinville  
King County  
January 1, 2010 through December 31, 2010**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2010  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2010  
Notes to the Financial Statements – 2010

## ***SUPPLEMENTAL INFORMATION***

Schedule of Long-Term Liability – 2010

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		Total for All Funds	001	101
			General	Street
		Total Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$28,601,810	\$11,632,712	\$441
308.10	Reserved	\$1,675,293	\$1,675,293	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>		\$0		
310	Taxes	\$9,017,863	\$7,477,828	\$0
320	Licenses and Permits	\$759,905	\$174,087	\$0
330	Intergovernmental	\$3,531,829	\$812,183	\$231,305
340	Charges for Goods and Services	\$1,801,425	\$123,103	\$0
350	Fines and Penalties	\$4,910	\$4,910	\$0
360	Miscellaneous	\$329,700	\$109,706	\$52
370	Capital Contributions	\$1,069	\$0	\$0
390	Other Financing Sources	\$8,669,432	\$0	\$453,000
<b>Total Revenues and Other Financing Sources</b>		\$24,116,133	\$8,701,817	\$684,357
<b>Total Resources</b>		\$54,393,236	\$22,009,822	\$684,798
<b>Operating Expenditures:</b>		\$0		
510	General Government	\$2,753,328	\$2,726,034	\$0
520	Public Safety	\$2,706,199	\$2,706,199	\$0
530	Physical Environment	\$1,217,976	\$428,187	\$0
540	Transportation	\$731,550	\$0	\$683,883
550	Economic Environment	\$1,408,277	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$937,951	\$0	\$0
<b>Total Operating Expenditures</b>		\$9,755,281	\$5,860,420	\$683,883
591-593	Debt Service	\$528,359	\$0	\$0
594-595	Capital Outlay	\$10,108,784	\$45,305	\$0
<b>Total Expenditures</b>		\$20,392,424	\$5,905,725	\$683,883
597-599	Other Financing Uses	\$8,681,931	\$2,064,807	\$0
<b>Total Expenditures and Other Financing Uses</b>		\$29,074,355	\$7,970,532	\$683,883
<b>Excess (Deficit) of Resources Over Uses</b>		\$25,318,881	\$14,039,290	\$915
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$50,716	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$23,410,143	\$12,301,513	\$915
508.10	Reserved	\$1,858,022	\$1,737,777	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		104	108	110
		Dev Services	Mitigation	Admission Tax
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$128,408	\$98,572	\$578,912
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$0	\$0	\$197,201
320	Licenses and Permits	\$585,818	\$0	\$0
330	Intergovernmental	\$0	\$0	\$0
340	Charges for Goods and Services	\$325,287	\$0	\$0
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$0	\$226	\$216
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$392,000	\$0	\$0
<b>Total Revenues and Other Financing Sources</b>		\$1,303,105	\$226	\$197,417
<b>Total Resources</b>		\$1,431,513	\$98,798	\$776,329
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$0
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$1,393,011	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$0	\$0	\$0
<b>Total Operating Expenditures</b>		\$1,393,011	\$0	\$0
591-593	Debt Service	\$0	\$0	\$0
594-595	Capital Outlay	\$0	\$0	\$0
<b>Total Expenditures</b>		\$1,393,011	\$0	\$0
597-599	Other Financing Uses	\$0	\$48,082	\$738,000
<b>Total Expenditures and Other Financing Uses</b>		\$1,393,011	\$48,082	\$738,000
<b>Excess (Deficit) of Resources Over Uses</b>		\$38,502	\$50,716	\$38,329
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$50,716	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$1,022	\$0	\$38,329
508.10	Reserved	\$37,480	\$0	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		111	112	114
		Park & Rec	System Replace	Park Impact
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$47,261	\$452,541	\$375,820
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$0	\$0	\$0
320	Licenses and Permits	\$0	\$0	\$0
330	Intergovernmental	\$0	\$0	\$0
340	Charges for Goods and Services	\$254,929	\$0	\$3,175
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$58,394	\$0	\$163
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$579,100	\$0	\$33,690
<b>Total Revenues and Other Financing Sources</b>		\$892,423	\$0	\$37,028
<b>Total Resources</b>		\$939,684	\$452,541	\$412,848
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$0
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$1,478	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$937,951	\$0	\$0
<b>Total Operating Expenditures</b>		\$939,429	\$0	\$0
591-593	Debt Service	\$0	\$0	\$0
594-595	Capital Outlay	\$0	\$0	\$0
<b>Total Expenditures</b>		\$939,429	\$0	\$0
597-599	Other Financing Uses	\$0	\$0	\$375,900
<b>Total Expenditures and Other Financing Uses</b>		\$939,429	\$0	\$375,900
<b>Excess (Deficit) of Resources Over Uses</b>		\$255	\$452,541	\$36,948
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$255	\$452,541	\$36,948
508.10	Reserved	\$0	\$0	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		115	116	201
		Hotel Motel	Traffic Impact	Debt Service
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$90,543	\$863,171	\$202,674
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$44,073	\$0	\$0
320	Licenses and Permits	\$0	\$0	\$0
330	Intergovernmental	\$0	\$0	\$0
340	Charges for Goods and Services	\$0	\$32,324	\$0
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$269	\$2,098	\$0
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$0	\$0	\$328,207
<b>Total Revenues and Other Financing Sources</b>		\$44,342	\$34,422	\$328,207
<b>Total Resources</b>		\$134,885	\$897,593	\$530,881
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$0
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$13,788	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$0	\$0	\$0
<b>Total Operating Expenditures</b>		\$13,788	\$0	\$0
591-593	Debt Service	\$0	\$0	\$528,359
594-595	Capital Outlay	\$0	\$0	\$0
<b>Total Expenditures</b>		\$13,788	\$0	\$528,359
597-599	Other Financing Uses	\$0	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>		\$13,788	\$0	\$528,359
<b>Excess (Deficit) of Resources Over Uses</b>		\$121,097	\$897,593	\$2,522
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$121,097	\$897,593	\$2,522
508.10	Reserved	\$0	\$0	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		301	302	303
		Capital Improvement	Special Cap. Improv	Street Reserve
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$1,441,937	\$3,576,860	\$3,069,481
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$146,000	\$146,000	\$0
320	Licenses and Permits	\$0	\$0	\$0
330	Intergovernmental	\$0	\$0	\$209,671
340	Charges for Goods and Services	\$308	\$0	\$0
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$3,242	\$8,880	\$6,228
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$0	\$0	\$558,435
<b>Total Revenues and Other Financing Sources</b>		\$149,550	\$154,880	\$774,334
<b>Total Resources</b>		\$1,591,487	\$3,731,740	\$3,843,815
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$0
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$0	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$0	\$0	\$0
<b>Total Operating Expenditures</b>		\$0	\$0	\$0
591-593	Debt Service	\$0	\$0	\$0
594-595	Capital Outlay	\$0	\$0	\$1,072,907
<b>Total Expenditures</b>		\$0	\$0	\$1,072,907
597-599	Other Financing Uses	\$327,600	\$250,000	\$2,650,100
<b>Total Expenditures and Other Financing Uses</b>		\$327,600	\$250,000	\$3,723,007
<b>Excess (Deficit) of Resources Over Uses</b>		\$1,263,887	\$3,481,740	\$120,808
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$1,263,887	\$3,481,740	\$120,808
508.10	Reserved	\$0	\$0	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		316	338	339
		Utility Tax	SR202/148th	SR522/202
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$2,462,306	\$63	\$86,646
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$978,072	\$0	\$0
320	Licenses and Permits	\$0	\$0	\$0
330	Intergovernmental	\$0	\$775,822	\$0
340	Charges for Goods and Services	\$0	\$0	\$0
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$6,515	\$167	\$216
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$300,000	\$1,191,400	\$0
<b>Total Revenues and Other Financing Sources</b>		\$1,284,587	\$1,967,389	\$216
<b>Total Resources</b>		\$3,746,893	\$1,967,452	\$86,862
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$0
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$0	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$0	\$0	\$0
<b>Total Operating Expenditures</b>		\$0	\$0	\$0
591-593	Debt Service	\$0	\$0	\$0
594-595	Capital Outlay	\$0	\$1,966,742	\$10,688
<b>Total Expenditures</b>		\$0	\$1,966,742	\$10,688
597-599	Other Financing Uses	\$1,450,400	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>		\$1,450,400	\$1,966,742	\$10,688
<b>Excess (Deficit) of Resources Over Uses</b>		\$2,296,493	\$710	\$76,174
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$2,296,493	\$710	\$76,174
508.10	Reserved	\$0	\$0	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		351	354	358
		SR522/195th	Park and Rec Cap. Projects	Facility Capital Projects
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$282	\$54,917	\$20,937
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$0	\$28,689	\$0
320	Licenses and Permits	\$0	\$0	\$0
330	Intergovernmental	\$0	\$1,375,504	\$0
340	Charges for Goods and Services	\$0	\$0	\$0
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$1	\$125,309	\$130
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$80,100	\$1,441,500	\$3,312,000
<b>Total Revenues and Other Financing Sources</b>		\$80,101	\$2,971,002	\$3,312,130
<b>Total Resources</b>		\$80,383	\$3,025,919	\$3,333,067
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$0
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$0	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$0	\$0	\$0
<b>Total Operating Expenditures</b>		\$0	\$0	\$0
591-593	Debt Service	\$0	\$0	\$0
594-595	Capital Outlay	\$80,345	\$2,777,107	\$3,126,109
<b>Total Expenditures</b>		\$80,345	\$2,777,107	\$3,126,109
597-599	Other Financing Uses	\$0	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>		\$80,345	\$2,777,107	\$3,126,109
<b>Excess (Deficit) of Resources Over Uses</b>		\$38	\$248,812	\$206,958
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$38	\$166,047	\$206,958
508.10	Reserved	\$0	\$82,765	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		360	361	410
		SNAP Projects	Sammamish Bridge	Surface Water Management
		Actual Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>				
308.80	Unreserved	\$34,960	\$602,494	\$2,020,155
308.10	Reserved	\$0	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0	\$0
<b>Revenues and Other Sources</b>				
310	Taxes	\$0	\$0	\$0
320	Licenses and Permits	\$0	\$0	\$0
330	Intergovernmental	\$0	\$0	\$127,344
340	Charges for Goods and Services	\$0	\$0	\$917,510
350	Fines and Penalties	\$0	\$0	\$0
360	Miscellaneous	\$82	\$1,276	\$4,553
370	Capital Contributions	\$0	\$0	\$0
390	Other Financing Sources	\$0	\$0	\$0
<b>Total Revenues and Other Financing Sources</b>		\$82	\$1,276	\$1,049,407
<b>Total Resources</b>		\$35,042	\$603,770	\$3,069,562
<b>Operating Expenditures:</b>				
510	General Government	\$0	\$0	\$0
520	Public Safety	\$0	\$0	\$0
530	Physical Environment	\$0	\$0	\$789,789
540	Transportation	\$0	\$0	\$0
550	Economic Environment	\$0	\$0	\$0
560	Mental and Physical Health	\$0	\$0	\$0
570	Culture and Recreation	\$0	\$0	\$0
<b>Total Operating Expenditures</b>		\$0	\$0	\$789,789
591-593	Debt Service	\$0	\$0	\$0
594-595	Capital Outlay	\$0	\$292,760	\$736,821
<b>Total Expenditures</b>		\$0	\$292,760	\$1,526,610
597-599	Other Financing Uses	\$35,042	\$0	\$742,000
<b>Total Expenditures and Other Financing Uses</b>		\$35,042	\$292,760	\$2,268,610
<b>Excess (Deficit) of Resources Over Uses</b>		\$0	\$311,010	\$800,952
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0	\$0
<b>Ending Net Cash and Investments</b>				
508.80	Unreserved	\$0	\$311,010	\$800,952
508.10	Reserved	\$0	\$0	\$0

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fund Resources and Uses Arising From Cash Transactions**  
**for Year Ended December 31, 2010**

BARS CODE		501	505
		Equipment Rental	Unemployment Compensation
		Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>			
308.80	Unreserved	\$702,198	\$57,519
308.10	Reserved	\$0	\$0
388.80 or 588.80	Prior Period Adjustments	\$0	\$0
<b>Revenues and Other Sources</b>			
310	Taxes	\$0	\$0
320	Licenses and Permits	\$0	\$0
330	Intergovernmental	\$0	\$0
340	Charges for Goods and Services	\$144,789	\$0
350	Fines and Penalties	\$0	\$0
360	Miscellaneous	\$1,977	\$0
370	Capital Contributions	\$1,069	\$0
390	Other Financing Sources	\$0	\$0
<b>Total Revenues and Other Financing Sources</b>		\$147,835	\$0
<b>Total Resources</b>		\$850,033	\$57,519
<b>Operating Expenditures:</b>			
510	General Government	\$0	\$27,294
520	Public Safety	\$0	\$0
530	Physical Environment	\$0	\$0
540	Transportation	\$47,667	\$0
550	Economic Environment	\$0	\$0
560	Mental and Physical Health	\$0	\$0
570	Culture and Recreation	\$0	\$0
<b>Total Operating Expenditures</b>		\$47,667	\$27,294
591-593	Debt Service	\$0	\$0
594-595	Capital Outlay	\$0	\$0
<b>Total Expenditures</b>		\$47,667	\$27,294
597-599	Other Financing Uses	\$0	\$0
<b>Total Expenditures and Other Financing Uses</b>		\$47,667	\$27,294
<b>Excess (Deficit) of Resources Over Uses</b>		\$802,366	\$30,225
380	Nonrevenues (Except 384 and 388.80)	\$0	\$0
580	Nonexpenditures (Except 584 and 588.80)	\$0	\$0
<b>Ending Net Cash and Investments</b>			
508.80	Unreserved	\$802,366	\$30,225
508.10	Reserved	\$0	\$0

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, 2010**

	Total for All Funds	622	6313
		Affordable Housing	Deposit Fund
	Total Amount	Actual Amount	Actual Amount
<b>Beginning Net Cash and Investments</b>	<b>\$137,533</b>	\$33,464	\$104,069
Prior Period Adjustments	\$0	\$0	\$0
Revenue and Other Financing Sources	\$12,500	\$12,500	\$0
<b>Total Resources</b>	<b>\$150,033</b>	\$45,964	\$104,069
<b>Expenditures And Other Financing Uses</b>	\$45,964	\$45,964	\$0
<b>Excess (Deficit) of Resources Over Uses</b>	<b>\$104,069</b>	\$0	\$104,069
Nonrevenues (Except 384 and 388.80)	\$245,135	\$0	\$245,135
Nonexpenditures (Except 584 and 588.80)	\$311,144	\$0	\$311,144
<b>Ending Net Cash and Investments</b>	<b>\$38,060</b>	\$0	\$38,060

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

**Note 1 - SUMMARY OF ACCOUNTING POLICIES**

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.

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. A City Manager administers and a seven member City Council establishes policies, with one of its members serving as Mayor. The City Council is elected at large to four-year terms.

**Reporting Entity**

The City of Woodinville, hereafter referred to as the "City", is a general-purpose government and provides the following services: public safety, street improvement, parks and recreation, general administration, and planning/permitting services. The City of Woodinville uses single-entry cash basis accounting which is a departure from general accepted accounting principles (GAAP). The combined financial statements do not include the financial position or results of operations of the following organizations:

**Woodinville Water and Sewer District** - Washington State authorizes water and sewer special districts. Its own Board of Commissioners governs the Woodinville Water District. It may levy special benefit assessments, which are subject to county and state authorization, and are submitted to the voters for approval. The City is not financially responsible for the district's deficit, nor is it entitled to its surplus. Therefore, it is not a component unit of the City.

**Woodinville Fire and Life Safety District** - A Washington State recognized special district, the Woodinville Fire and Life Safety District, is governed by its own elected Board of Five (5) Commissioners and has its own taxing authority. Therefore, it is not a component unit of the City.

**A. Fund Accounting**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single entity accounts that comprise its cash, investments, revenues, and expenditures or expenses as appropriate. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. The individual fund types currently used by the City are described as follows:

**Governmental Fund Types**

**General Fund**

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

**Special Revenue Funds**

These funds account for revenues that are legally restricted and derived from specific taxes, grants, or other sources, which are designated to finance particular activities of the City.

**Debt Service Funds**

This fund accounts for the accumulation of resources to pay principal, interest and related costs on certain general, long-term debt.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

**Capital Projects Funds**

These funds account for financial resources, which are designated for the acquisition or construction of general government capital improvements, other than those financed by proprietary funds.

**Proprietary Fund Types**

**Enterprise Funds**

This fund accounts 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 City or to other governmental units on a cost-reimbursement basis.

**Fiduciary Fund Types**

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

**Private Purpose Trust Funds**

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

**Agency Funds**

These funds are used to account for assets that the City holds for others in an agency capacity.

**B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law the City of Woodinville also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**C. Budgets and Budgetary Accounting**

The City of Woodinville budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.33. Biennial appropriated budgets are adopted for the general fund, special revenue funds, debt service fund, capital projects funds, proprietary funds, and internal service funds on the cash basis of accounting. The financial statements include budgetary comparisons for all funds.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

For the purpose of financial reporting the following budgeted funds are rolled up with applicable financial statement funds:

**Funds Rolled Up for Financial Statement Reporting**

Budgeted Funds	Financial Statement Funds
001 General 103 Contingency 113 Strategic Budget Reserve 503 Equipment Replacement	001 General
357 Surface Water Capital Projects 410 Surface Water Management	410 Surface Water Management

Biennial appropriated budgets are adopted at the fund level. The budgets constitute the legal authority for expenditures at that level. Biennial appropriations for all funds lapse at the fiscal period end.

Fund	Final Appropriated Amounts	Actual Expenditure s	Variance
001 General Fund	\$29,518,948	\$7,970,532	\$21,548,416
101 Street Fund	\$1,517,731	\$683,883	\$833,848
104 Development Services	\$2,762,205	\$1,393,011	\$1,369,194
108 Mitigation	\$179,824	\$48,082	\$131,742
110 Admission Tax	\$1,238,900	\$738,000	\$500,900
111 Parks & Recreation Special Revenue	\$2,340,281	\$939,429	\$1,400,852
112 System Replacement	\$455,096	\$0	\$455,096
114 Park Impact Fee	\$386,932	\$375,900	\$11,032
115 Hotel/Motel Tax	\$140,357	\$13,788	\$126,569
116 Traffic Impact Fees	\$1,252,812	\$0	\$1,252,812
201 Debt Service	\$1,065,966	\$528,359	\$537,607
301 Capital Project	\$2,080,615	\$327,600	\$1,753,015
302 Special Capital Project	\$3,771,079	\$250,000	\$3,521,079
303 Capital Street Reserve	\$13,306,347	\$3,723,007	\$9,583,340
316 Utility Tax	\$6,767,896	\$1,450,400	\$5,317,496
338 SR202/148th Ave Capital Project	\$6,220,000	\$1,966,742	\$4,253,258
339 SR522/SR202 Capital Project	\$918,117	\$10,688	\$907,429
351 SR522/195th Capital Project	\$557,002	\$80,345	\$476,657
354 Parks and Recreation Capital Projects	\$4,136,557	\$2,777,107	\$1,359,450
358 Facilities Capital Project	\$5,426,787	\$3,126,109	\$2,300,678
360 Small Neighborhood Action Projects *	\$34,708	\$35,042	(\$334)
361 Sammamish Bridge Replacement	\$598,139	\$292,760	\$305,379
410 Surface Water Management	\$4,177,226	\$2,268,610	\$1,908,616
501 Equipment Rental	\$904,157	\$47,667	\$856,490
505 Unemployment Reserve	\$60,498	\$27,294	\$33,204
622 Affordable Housing	\$45,964	\$45,964	\$0

\* The SNAP fund 360 was closed at the end of the fiscal year. The expenditures noted above include transfers to other funds. The negative \$334 is the result of transfer the remaining fund balance of the SNAP fund to the Capital Street Reserve 303 and the Park Impact Fee 114 funds.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

The Finance Director is authorized to transfer budgeted amounts between object classes within 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.

**Procedures for Adopting the Original Budget**

The City's budget procedures are mandated by Chapter 35A.33 RCW. The steps in the budget process are as follows:

- a. Prior to November 1, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City Departments during the preceding months, and balanced with revenue estimates.
- b. The City Council conducts public hearings on the proposed budget in November and December.
- c. The Council makes its adjustments to the proposed budget and adopts, by ordinance, a final balanced budget no later than December 31.
- d. Within 30 days of adoption, the final budget is available to the public.

**D. Cash**

The City's policy is to invest all temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

**E. Deposits**

The City's deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the State Public Deposit Protection Commission.

**F. Investments: See Note 3**

**G. Capital Assets**

Capital assets are long-lived assets of the City and are recorded as expenditures when purchased.

**H. Compensated Absences**

The maximum number of unused vacation hours an employee may carry forward from one calendar year to the next is limited to two times annual accrual. Any leave accruals exceeding the maximum carryover on December 31<sup>st</sup> of each year will automatically be forfeited. Vacation pay is payable upon resignation, retirement, or death. Sick leave may accumulate without a ceiling and is not payable upon resignation, retirement, or death. Outstanding sick leave liability is not recognized because the payment cannot be deemed probable.

**I. Long Term Debt: See Note 6**

**J. Other Financing Sources & Uses**

The City's "Other Financing Sources or Uses" consist of operating transfers in, operating transfers out, insurance recoveries, and bond proceeds.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

The following schedule shows operating transfers during 2010:

	FUND DESCRIPTION	TRANSFERS-IN	TRANSFERS-OUT
001	General	\$0	\$2,064,807
101	Street	\$453,000	\$0
104	Developmental Services	\$392,000	\$0
108	Mitigation		\$48,082
110	Admission Tax		\$738,000
111	Parks & Rec Special	\$579,100	\$0
114	Park Impact Fee	\$33,690	\$375,900
201	Debt Service	\$328,206	\$0
301	Capital Improvement	\$0	\$327,600
302	Special Cap Improv		\$250,000
303	Capital Street Reserve	\$558,435	\$2,650,100
316	Utility Tax	\$300,000	\$1,450,400
338	SR202/148th	\$1,191,400	\$0
351	SR522/195th	\$80,100	
354	Parks & Rec CIP	\$1,441,500	\$0
358	Facility CIP	\$3,312,000	
360	SNAP		\$35,042
622	Affordable Housing Trust	\$12,500	\$0
	<b>Total Net Cash</b>	<b>\$8,681,931</b>	<b>\$8,681,931</b>

**K. Risk Management**

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 145 Members.

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

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

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

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

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

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

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

The City contributed \$143,321 in January 2010 for coverage from January 1, 2010, to December 31, 2010.

The City's industrial insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the total number of hours worked by employees multiplied by the basic premium rate assigned to the business risk classification. The following are benefits provided by industrial insurance: medical services, damaged clothing, travel expenses, time-loss payments, vocational rehabilitation, partial disability awards, pension awards and survivor benefits.

The City's unemployment insurance is self-insured. It is administered in Washington State by the Employment Security Department in accordance with the provisions of the Employment Security Act. (Chapter 50, Revised Code of Washington).

**L. Reserved Fund Balance**

In fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation, are legally restricted by outside parties, or represent tentative management plans that are subject to change. At the end of December 31, 2010, the City of Woodinville has \$231,848 set aside as reserved fund balance.

2010	General Fund	Dev Svcs Fund	Parks & Rec CIP Fund
Strategic Budget Reserve	\$1,621,322		
Cable PEG Fees	\$15,663		
Seized Assets	\$14,471		
JAG Property	\$86,321		
Tree Fund		\$37,480	
Parks Levy			\$82,765

**Strategic Budget Reserve**

The funds are reserved as a buffer against unanticipated and unexpected economic shortfalls that could affect normal operations. First-line funding is set at 15% of the annual operating expense. It is now fully funded.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

**PEG Fees**

The collection of cable PEG Fees are part of the provisions required to implement the cable television franchise agreement. The agreement requires the cablecasting company to collect an education and government fee, which can only be used for the purchase of cablecasting equipment.

**Seized Assets**

The Revised Code of Washington requires that funds collected or received as a result of drug-related confiscation must be expended on drug investigation related expenditures. 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.

**Jail Advisory Group Funds**

Per the City of Bellevue's Council minutes:

The Jail Advisory Group (JAG) designated the City of Bellevue lead agency for maintaining and disposing of three parcels of land abutting 116<sup>th</sup> Avenue N.E. just north of NE 12<sup>th</sup> St. These parcels were provided to cities through negotiation of the Jail Services Agreement with King County in 2002. As lead agency, Bellevue was holding the proceeds from the sale of the property on behalf of all King County cities. The total amount of proceeds is approximately \$13.1 million. The cities, through the Jail Oversight Assembly, have directed distribution of the proceeds to each city signing the Proceeds Agreement based on a methodology that utilizes an average of each city's assessed valuation and jail population.

Based upon the Oversight Assembly's approved methodology, the City of Woodinville's share of the remaining proceeds is \$86,321. Based upon the 2002 Jail Services Agreement (JSA) with King County, the proceeds must be used for the purpose of providing or contracting for secure jail beds. The City of Woodinville, however, maintains discretion over the specific use of its share of the proceeds, provided the funds are used in a manner consistent with the Jail Services Agreement.

**Tree Fund**

The Tree Fund is established under WMC 21.15. It was approved by the City Council, most recently as part of Ordinance 478 in March of 2009. The purpose of it is to establish a fund for developers, who cannot plant enough trees on their property to meet code by allowing them to pay into a separate tree fund. The fees must be used based on the criteria in WMC 21.15.050.

**Parks Levy**

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

**Note 2 – COMPLIANCE AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions. There have been no expenditures exceeding legal appropriations in any of the funds of the City.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

**Note 3 - INVESTMENTS**

The City's investments are insured, registered or held by the City or its agent in the City's name. Investments by type at December 31, 2010 are as follows:

	<u>Balance</u>
Local Government Investment Pool	\$25,724,432

**Note 4 – PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Collections are distributed (at/after) the end of each month.

Property Tax Calendar

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

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

The City's regular levy for the year 2010 was \$1.10561 per \$1,000 on an assessed valuation of \$2,653,461,513 for a total regular levy of \$2,933,693.

**Note 5 – INTERFUND LOANS AND ADVANCES**

There was no interfund loan activity during 2010.

**Note 6 - LONG-TERM DEBT**

The accompanying Schedule of Long Term Debt (09) provides a listing of the outstanding debt of the City and summarizes the City's debt transactions for 2010. The debt service requirements, including interest are as follows:

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

At December 31, 2010, the City had \$3,995,219 in outstanding long-term GO bond debt.

YEAR	GO BONDS	TOTAL DEBT
2010	\$528,207	\$528,207
2011	\$531,207	\$531,207
2012	\$532,869	\$532,869
2013	\$528,287	\$528,287
2014	\$532,577	\$532,577
2015-2019	\$2,233,267	\$2,233,267
2020	\$395,504	\$395,504
<b>Total</b>	<b>\$5,281,918</b>	<b>\$5,281,918</b>

On 5/28/97 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. These bonds are backed up by the full faith and credit of the City of Woodinville. Advanced refunding in 2005 left \$165,000 as the remaining unrefunded portion and the bond fully matured at the end of 2007.

On 7/5/00 the city issued \$4,990,000 in Limited Tax General Obligation Bonds, and used the proceeds to construct a new City Hall. These bonds are backed up by the full faith and credit of the City of Woodinville. Advanced refunding in 2005 left \$1,025,000 as the remaining unrefunded portion of the bond, and as of December 31, 2010, nothing remains.

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 7 - PENSION PLANS**

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

**A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) Plan 1, 2, and 3**

Plan Description

PERS is a cost-sharing multiple employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and PERS Plan 3 members may opt out of plan membership if terminally ill, with less than five year to live.

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

PERS Plan 1 members are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with 5 years of service, or at the age of 55 with 25 years of service. The annual benefit is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A COLA is granted at age 66 based upon years of service times the COLA amount, increased by 3 percent annually. Plan 1 members may also elect to receive an optional COLA amount that provides an automatic annual adjustment based on the CPI. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of 2 percent of the AFC per year of service. (The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost of living allowance is granted (based on the CPI) capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period.

Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost of living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

There are 2,326 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	74,857
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	28,074
Active Plan Members Vested	105,339
Active Plan Members Nonvested	53,896
<b>Total</b>	<b>262,166</b>

Funding Policy

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

The required contribution rates expressed as a percentage of current year covered payroll, as of June 30, 2010 were:

	<b>PERS PLAN I</b>	<b>PERS PLAN 2</b>	<b>PERS PLAN 3</b>
Employer*	5.31%	5.31%	5.31%**
Employee	6.00%	3.90%	***

\* The employer rates include the employer admin expense fee currently set at 0.16%.

\*\* Plan 3 defined benefit portion only.

\*\*\* Variable from 5% minimum to 15% maximum based on rate selected by the PERS 3 member.

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

	PERS PLAN I	PERS PLAN 2	PERS PLAN 3
2010	\$13,368	\$131,581	\$25,098
2009	\$14,705	\$168,035	\$37,124
2008	\$18,446	\$188,515	\$35,782

**B. Municipal Employees Benefit Trust (MEBT)**

All City regular full-time and qualifying regular part-time employees also participate in the City 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) to be effective March 31, 1993.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2010 through December 31, 2010**

All regular full-time and part-time employees of the City who would normally have been eligible for coverage and benefits under the Social Security system are required to participate. Both the City and the participants are required to contribute an amount equal to the current Federal Insurance Contributions Act 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. In 2009, the Plan was amended where all non-regular employees, including council members, are now covered under the Federal Old Age, Survivors, Disability and Health Insurance Act (Social Security).

City contributions shall also be 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 2010 were \$188,057 which represents its full liability based on the rate of 6.2%. The City's MEBT covered payroll for the year ending December 31, 2010, was \$3,032,391. There were no significant benefit changes in 2009. Assets of the Plan are not the property of the City, but are maintained in Trust at Security Trust; therefore, the assets are not included in the accompanying financial statements.

Actuarial determinations are not required because each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a nonforfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no contributions by the City or the Participant shall be added to his account after retirement), (c) pay a single sum in cash. In the event 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 8 - DISCLOSURES**

- A. On December 31, 2010 12 positions were eliminated as a result of a reduced revenue forecast for the biennium. The reductions included the closure of the community center for City purposes, and all recreation programs and programming.
- B. The City appealed an appellate court decision and will take the issue (Phoenix Development v City of Woodinville) to the State Supreme Court in 2011. A decision is expected in 2011 or 2012.

**City of Woodinville**  
**Schedule of Long-Term Liability**  
**for the Year Ending December 31, 2010**

ID No.	Purpose	Beginning Balance 01/01/2010	Additions	Reductions	BARS Code for Redemption	Ending Balance 12/31/10
251.11	LTGO Refunding 1997 & 2000 Bonds	\$4,135,422	\$0	\$140,203	591.10.71.04	\$3,995,219
251.11	LTGO Bond	\$225,000	\$0	\$225,000	591.10.71.02	\$0
259.11	Compensated Absences					\$281,517
		<b>\$4,360,422</b>	<b>\$0</b>	<b>\$365,203</b>		<b>\$4,276,736</b>



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Performance Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Larisa Benson**  
**Jim Brittain, CPA**  
**Jan Jutte, CPA, CGFM**  
**Ivan Dansereau**  
**Mike Murphy**  
**Mindy Chambers**  
**Mary Leider**  
**(360) 902-0370**  
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