

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

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

Audit Period  
January 1, 2011 through December 31, 2011

Report No. 1009002

Issue Date  
January 22, 2013



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

January 22, 2013

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,

**TROY KELLEY**  
STATE AUDITOR

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King County  
January 1, 2011 through December 31, 2011**

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**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, 2011 through December 31, 2011

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, 2011, and have issued our report thereon dated December 20, 2012.

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.



**TROY KELLEY**  
STATE AUDITOR

December 20, 2012

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

**City of Woodinville  
King County  
January 1, 2011 through December 31, 2011**

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, 2011. 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, 2011, 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 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.

The report is intended for the information and use of the management and the Council of the City. 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 cursive script that reads "Troy X. Kelley".

**TROY KELLEY**  
STATE AUDITOR

December 20, 2012

# **Financial Section**

**City of Woodinville  
King County  
January 1, 2011 through December 31, 2011**

## ***FINANCIAL STATEMENTS***

Fund Resources and Uses Arising from Cash Transactions – 2011  
Notes to the Financial Statements – 2011

## ***SUPPLEMENTARY INFORMATION***

Schedule of Liabilities – 2011

## CITY OF WOODINVILLE

## FUND RESOURCES AND USES

## ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2011

BARS CODE		Total for All Funds	001 General	101 Street
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$2,273,083	\$2,190,318	\$0
308.80	Unreserved	22,994,779	\$12,331,737	915
	Prior Period Adjustments (388.80 and 588.80)	0	\$0	0
<b>Revenues and Other Sources</b>				
310	Taxes	9,453,421	\$7,739,395	0
320	Licenses and Permits	430,858	\$193,620	0
330	Intergovernmental	1,216,910	\$768,205	230,851
340	Charges for Goods and Services	1,627,615	\$120,913	0
350	Fines and Penalties	6,827	\$6,827	0
360	Miscellaneous	162,847	\$142,787	0
370	Capital Contributions	8,818	\$0	0
390	Other Financing Sources	4,478,817	\$32,634	508,000
<b>Total Revenues and Other Financing Sources</b>		<b>17,386,116</b>	<b>9,004,381</b>	<b>738,851</b>
<b>Total Resources</b>		<b>42,653,978</b>	<b>23,526,436</b>	<b>739,765</b>
Operating Expenditures:				
510	General Government	2,339,021	2,339,021	0
520	Public Safety	2,422,855	2,422,855	0
530	Physical Environment	1,226,528	430,820	0
540	Transportation	792,886	35,424	686,574
550	Economic Environment	1,216,553	163,349	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	320,489	0	0
<b>Total Operating Expenditures</b>		<b>8,318,332</b>	<b>5,391,469</b>	<b>686,574</b>
591-593	Debt Service	531,207	0	0
594-595	Capital Expenditures	3,522,713	18,012	45,964
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>12,372,252</b>	<b>5,409,482</b>	<b>732,539</b>
596-599	Other Financing Uses	4,478,817	1,666,207	6,423
<b>Total Expenditures and Other Financing Uses</b>		<b>16,851,069</b>	<b>7,075,689</b>	<b>738,961</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>25,802,909</b>	<b>16,450,748</b>	<b>804</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	2,356,746	2,204,574	0
508.80	Unreserved	23,446,164	14,246,174	804

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, 2011

BARS CODE		104	110	111
		Dev. Services	Adm. Tax	Park and Rec.
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	38,504	38,329	255
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
<b>Revenues and Other Sources</b>				
310	Taxes	0	193,508	0
320	Licenses and Permits	237,238	0	0
330	Intergovernmental	14,905	0	0
340	Charges for Goods and Services	285,586	0	137,297
350	Fines and Penalties	0	0	0
360	Miscellaneous	0	217	610
370	Capital Contributions	0	0	0
390	Other Financing Sources	515,000	0	204,500
<b>Total Revenues and Other Financing Sources</b>		<b>1,052,729</b>	<b>193,725</b>	<b>342,407</b>
<b>Total Resources</b>		<b>1,091,233</b>	<b>232,054</b>	<b>342,661</b>
Operating Expenditures:				
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	1,035,496	0	(457)
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	320,489
<b>Total Operating Expenditures</b>		<b>1,035,496</b>	<b>0</b>	<b>320,032</b>
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	0	0
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>1,035,496</b>	<b>0</b>	<b>320,032</b>
596-599	Other Financing Uses	52,623	92,500	2,430
<b>Total Expenditures and Other Financing Uses</b>		<b>1,088,119</b>	<b>92,500</b>	<b>322,463</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>3,114</b>	<b>139,554</b>	<b>20,199</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	2,370	0	0
508.80	Unreserved	744	139,554	20,199

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, 2011

BARS CODE		114	115	116
		Park Impact	Hotel/Motel Tax	Traffic Impact
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	36,948	121,097	897,594
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
<b>Revenues and Other Sources</b>				
310	Taxes	0	48,316	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	3,175	0	31,288
350	Fines and Penalties	0	0	0
360	Miscellaneous	70	238	1,430
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	0	0
<b>Total Revenues and Other Financing Sources</b>		<b>3,245</b>	<b>48,554</b>	<b>32,718</b>
<b>Total Resources</b>		<b>40,192</b>	<b>169,650</b>	<b>930,312</b>
Operating Expenditures:				
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	18,165	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		<b>0</b>	<b>18,165</b>	<b>0</b>
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	0	0	0
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>0</b>	<b>18,165</b>	<b>0</b>
596-599	Other Financing Uses	0	0	739,144
<b>Total Expenditures and Other Financing Uses</b>		<b>0</b>	<b>18,165</b>	<b>739,144</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>40,192</b>	<b>151,485</b>	<b>191,168</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	0	0	0
508.80	Unreserved	40,192	151,485	191,168

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, 2011

BARS CODE		201	301	302
		Debt Service	Capital Improve.	Special Cap. Imp.
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	2,522	1,263,887	3,481,433
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
<b>Revenues and Other Sources</b>				
310	Taxes	0	231,918	231,918
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous	0	2,694	6,594
370	Capital Contributions	0	0	0
390	Other Financing Sources	531,207	135,722	0
<b>Total Revenues and Other Financing Sources</b>		<b>531,207</b>	<b>370,335</b>	<b>238,513</b>
<b>Total Resources</b>		<b>533,729</b>	<b>1,634,222</b>	<b>3,719,946</b>
Operating Expenditures:				
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 Recreational	0	0	0
<b>Total Operating Expenditures</b>		<b>0</b>	<b>0</b>	<b>0</b>
591-593	Debt Service	531,207	0	0
594-595	Capital Expenditures	0	0	0
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>531,207</b>	<b>0</b>	<b>0</b>
596-599	Other Financing Uses	0	206,000	240,000
<b>Total Expenditures and Other Financing Uses</b>		<b>531,207</b>	<b>206,000</b>	<b>240,000</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>2,522</b>	<b>1,428,222</b>	<b>3,479,946</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	0	0	0
508.80	Unreserved	2,522	1,428,222	3,479,946

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, 2011

BARS CODE		303 Cap. Street Resv.	316 Utility Taxes	338 SR 202/148th Ave
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	120,808	2,296,492	711
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
<b>Revenues and Other Sources</b>				
310	Taxes	0	978,329	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	814	0	0
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous	9	4,237	0
370	Capital Contributions	0	0	0
390	Other Financing Sources	1,569,181	0	0
<b>Total Revenues and Other Financing Sources</b>		<b>1,570,004</b>	<b>982,566</b>	<b>0</b>
<b>Total Resources</b>		<b>1,690,813</b>	<b>3,279,059</b>	<b>711</b>
Operating Expenditures:				
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 Recreational	0	0	0
<b>Total Operating Expenditures</b>		<b>0</b>	<b>0</b>	<b>0</b>
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	1,600,253	0	0
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>1,600,253</b>	<b>0</b>	<b>0</b>
596-599	Other Financing Uses	90,000	1,238,438	711
<b>Total Expenditures and Other Financing Uses</b>		<b>1,690,253</b>	<b>1,238,438</b>	<b>711</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>560</b>	<b>2,040,621</b>	<b>0</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	0	0	0
508.80	Unreserved	560	2,040,621	0

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, 2011

BARS CODE		339 SR 522/202	351 SR 522/195th	354 Parks Cap. Projects
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0	\$0	\$82,765
308.80	Unreserved	76,175	38	166,047
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
<b>Revenues and Other Sources</b>				
310	Taxes	0	0	30,037
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	0	135,722
340	Charges for Goods and Services	0	0	0
350	Fines and Penalties	0	0	0
360	Miscellaneous	1	2	289
370	Capital Contributions	0	0	0
390	Other Financing Sources	90,000	771,572	53,000
<b>Total Revenues and Other Financing Sources</b>		<b>90,001</b>	<b>771,574</b>	<b>219,048</b>
<b>Total Resources</b>		<b>166,176</b>	<b>771,612</b>	<b>467,861</b>
Operating Expenditures:				
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 Recreational	0	0	0
<b>Total Operating Expenditures</b>		<b>0</b>	<b>0</b>	<b>0</b>
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	165,715	770,297	181,986
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>165,715</b>	<b>770,297</b>	<b>181,986</b>
596-599	Other Financing Uses	460	0	135,722
<b>Total Expenditures and Other Financing Uses</b>		<b>166,176</b>	<b>770,297</b>	<b>317,709</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>0</b>	<b>1,315</b>	<b>150,152</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	0	0	149,802
508.80	Unreserved	0	1,315	350

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, 2011

BARS CODE		358 Facilities Cap. Projects	361 Samm. Bridge Replacement	410 Surface Water Management
<b>Beginning Cash and Investments</b>				
308.10	Reserved	\$0	\$0	\$0
308.80	Unreserved	206,958	311,011	800,952
	Prior Period Adjustments (388.80 and 588.80)	0	0	0
<b>Revenues and Other Sources</b>				
310	Taxes	0	0	0
320	Licenses and Permits	0	0	0
330	Intergovernmental	0	66,414	0
340	Charges for Goods and Services	0	0	934,823
350	Fines and Penalties	0	0	0
360	Miscellaneous	376	415	1,347
370	Capital Contributions	0	0	0
390	Other Financing Sources	0	68,000	0
<b>Total Revenues and Other Financing Sources</b>		<b>376</b>	<b>134,829</b>	<b>936,170</b>
<b>Total Resources</b>		<b>207,334</b>	<b>445,840</b>	<b>1,737,122</b>
Operating Expenditures:				
510	General Government	0	0	0
520	Public Safety	0	0	0
530	Physical Environment	0	0	795,708
540	Transportation	0	0	0
550	Economic Environment	0	0	0
560	Mental and Physical Health	0	0	0
570	Culture and Recreational	0	0	0
<b>Total Operating Expenditures</b>		<b>0</b>	<b>0</b>	<b>795,708</b>
591-593	Debt Service	0	0	0
594-595	Capital Expenditures	14,256	445,093	281,135
598	Other Expenditures	0	0	0
<b>Total Expenditures</b>		<b>14,256</b>	<b>445,093</b>	<b>1,076,843</b>
596-599	Other Financing Uses	0	0	8,159
<b>Total Expenditures and Other Financing Uses</b>		<b>14,256</b>	<b>445,093</b>	<b>1,085,002</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>193,077</b>	<b>747</b>	<b>652,120</b>
380	Nonrevenues (Except 384)	0	0	0
580	Nonexpenditures (Except 584)	0	0	0
<b>Ending Cash and Investments:</b>				
508.10	Reserved	0	0	0
508.80	Unreserved	193,077	747	652,120

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0822  
CITY OF WOODINVILLE  
FUND RESOURCES AND USES  
ARISING FROM CASH TRANSACTIONS  
For the Year Ended December 31, 2011

BARS CODE		501 Equipment Rental
<b>Beginning Cash and Investments</b>		
308.10	Reserved	\$0
308.80	Unreserved	802,367
	Prior Period Adjustments (388.80 and 588.80)	0
<b>Revenues and Other Sources</b>		
310	Taxes	0
320	Licenses and Permits	0
330	Intergovernmental	0
340	Charges for Goods and Services	114,533
350	Fines and Penalties	0
360	Miscellaneous	1,532
370	Capital Contributions	8,818
390	Other Financing Sources	0
<b>Total Revenues and Other Financing Sources</b>		<b>124,884</b>
<b>Total Resources</b>		<b>927,251</b>
Operating Expenditures:		
510	General Government	0
520	Public Safety	0
530	Physical Environment	0
540	Transportation	70,888
550	Economic Environment	0
560	Mental and Physical Health	0
570	Culture and Recreational	0
<b>Total Operating Expenditures</b>		<b>70,888</b>
591-593	Debt Service	0
594-595	Capital Expenditures	0
598	Other Expenditures	0
<b>Total Expenditures</b>		<b>70,888</b>
596-599	Other Financing Uses	0
<b>Total Expenditures and Other Financing Uses</b>		<b>70,888</b>
<b>Excess (Deficit) of Resources Over Uses</b>		<b>856,363</b>
380	Nonrevenues (Except 384)	0
580	Nonexpenditures (Except 584)	0
<b>Ending Cash and Investments:</b>		
508.10	Reserved	0
508.80	Unreserved	856,363

The Accompanying Notes Are An Integral Part Of This Statement.

MCAG NO. 0822  
 CITY OF WOODINVILLE  
 FUND RESOURCES AND USES  
 ARISING FROM CASH TRANSACTIONS  
 For the Year Ended December 31, 2011

STATEMENT C-5

	Total for All		622	631
	Fiduciary	Funds	Affordable Housing	Deposit
<b>Beginning Cash and Investments</b>	\$38,060		\$0	\$38,059
Prior Period Adjustments	0		\$0	\$0
Revenue and Other Financing Sources	42,996		0	42,996
<b>Total Resources</b>	<b>81,056</b>		<b>0</b>	<b>81,055</b>
<b>Expenditures And Other Financing Uses</b>	29,543		0	29,543
<b>Excess (Deficit) of Resources Over Uses</b>	<b>51,513</b>		<b>0</b>	<b>51,513</b>
Nonrevenues (Except 384)	0		0	0
Nonexpenditures (Except 584)	0		0	0
<b>Ending Cash and Investments</b>	0		0	51,513

*The Accompanying Notes Are An Integral Part Of This Statement.*

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

**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 purpose 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 Rescue District** - A Washington State recognized special purpose district, the Woodinville Fire and Rescue 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, 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, 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 except those required or elected 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.

**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.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

**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.

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

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

**Funds Rolled Up for Financial Statement Reporting**

Budgeted Funds	Financial Statement Funds
001 General 103 Contingency 112 City Hall Replacement 113 Strategic Budget Reserve 503 Equipment Replacement 505 Unemployment Comp.	001 General
357 Surface Water Capital Projects 410 Surface Water Management 412 Surface Water Capital Projects	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	2011 Actual Expenditures	2011-2012 Biennial Appropriated Amounts	Variance
001 General	\$7,073,689	\$17,023,281	\$9,949,592
101 Street	\$738,961	\$1,700,048	\$961,087
104 Developmental Services	\$1,088,119	\$2,371,254	\$1,283,135
110 Admission Tax	\$92,500	\$395,000	\$302,500
111 Parks & Rec Special	\$322,463	\$755,409	\$432,946
114 Park Impact Fee	\$0	\$22,000	\$22,000
115 Hotel/Motel Tax	\$18,165	\$80,000	\$61,835
116 Traffic Impact	\$739,144	\$930,312	\$191,168
201 Debt Service	\$531,207	\$1,064,076	\$532,869
301 Capital Improvement	\$190,000	\$958,000	\$768,000
302 Special Capital Improvement	\$240,000	\$3,711,000	\$3,471,000
303 Capital Street Reserve	\$1,690,253	\$3,030,000	\$1,339,747
316 Utility Tax	\$1,238,438	\$2,974,000	\$1,735,562
338 SR202/148th	\$711	\$711	\$0
339 SR522/202*	\$166,176	\$165,716	(\$460)
351 SR522/195th	\$770,297	\$1,015,000	\$244,703
354 Parks & Rec CIP	\$317,709	\$399,000	\$81,291
358 Facility CIP	\$14,256	\$500,000	\$485,744
361 Sammamish Bridge Repl.	\$445,093	\$7,159,000	\$6,713,907
410 Surface Water	\$1,085,002	\$2,831,341	\$1,746,339
501 Equipment Rental	\$70,888	\$160,000	\$89,112
622 Affordable Housing Trust	\$0	\$0	\$0

\* The SR522/202 capital project was completed and all expenditures were paid in 2011. The remaining fund balance of \$460 was transferred to the Capital Street Reserve fund, which resulted in a negative variance noted above.

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

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 Investment Note No. 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 the employee's 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 Long-Term Debt Note No. 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, 2011 through December 31, 2011**

The following schedule shows operating transfers during 2011:

FUND DESCRIPTION		TRANSFERS-IN	TRANSFERS-OUT
001	General	\$32,634	\$1,666,207
101	Street	\$508,000	\$6,423
104	Developmental Services	\$515,000	\$52,623
110	Admission Tax		\$92,500
111	Parks & Rec Special	\$204,500	\$2,430
114	Park Impact Fee		
115	Hotel/Motel Tax		
116	Traffic Impact		\$739,144
201	Debt Service	\$531,207	
301	Capital Improvement	\$135,722	\$206,000
302	Special Cap Improvement		\$240,000
303	Capital Street Reserve	\$1,569,181	\$90,000
316	Utility Tax		\$1,238,438
338	SR202/148th		\$711
339	SR522/202	\$90,000	\$460
351	SR522/195th	\$771,572	
354	Parks & Rec CIP	\$53,000	\$135,722
358	Facility CIP		
361	Sammamish Bridge Repl.	\$68,000	
410	Surface Water		\$8,159
622	Affordable Housing Trust		\$0
<b>Total Net Cash</b>		<b>\$4,478,817</b>	<b>\$4,478,817</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 selfinsuring, and / or jointly contracting for risk management services. WCIA has a total of 150 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.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

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.

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.

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.

**L. Reserved and Designated 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, 2011, the City of Woodinville has a reserved fund balance of \$2,204,574 and a designated fund balance of \$1,107,743.

<b>Reserved</b>	<b>001 General</b>	<b>354 Parks Capital Project</b>	<b>104 Development Services</b>
Cable PEG Fees	29,191		
Seized Assets	15,199		
JAG Property	86,321		
Strategic Budget Reserve	1,621,322		
Tree Fund		37,000	2,370
Parks Levy		112,802	
City Hall Replacement	452,541		
	<b>\$2,204,574</b>	<b>\$149,802</b>	<b>\$2,370</b>

**PEG Fees**

The collection of cable PEG Fees are part of the provisions required in 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.

**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.

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

**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 - contract #'s 04-066 and 09-091) 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.

**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.

**Strategic Budget Reserve**

The funds are designated 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.

**Tree Fund**

The Tree Fund is established under WMC 21.15. It was approved by the City Council 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.

**City Hall Replacement**

The funds are designated be used 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.

Designated	001 General	110 Admission Tax
Sports Field Replacement		100,000
Equipment Replacement	1,007,743	
	<b>\$1,007,743</b>	<b>\$100,000</b>

**Sports Fields Replacement**

The funds are designated for the replacement of the Woodinville Sports Fields synthetic turf at the end of its useful life.

**Equipment Replacement**

The funds are designated for the replacement of fixed assets not accounted for in the Equipment Rental Fund (501).

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

**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.

**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, 2011 are as follows:

	<u>Balance</u>
Local Government Investment Pool	\$25,021,756

**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 within the month that the funds are received by the County.

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 2011 was \$1.15597 per \$1,000 on an assessed valuation of \$2,547,024,570 for a total regular levy of \$2,944,284.

**Note 5 – INTERFUND LOANS AND ADVANCES**

There was no interfund loan activity during 2011.

**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 2011. The debt service requirements, including interest are as follows:

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

At December 31, 2011, the City had \$3,607,862 in outstanding long-term GO bond debt.

Year	GO Bonds		
	Principal	Interest	Total Debt Service Obligation
2011	\$387,357	\$143,850	\$531,207
2012	\$403,461	\$129,408	\$532,869
2013	\$413,862	\$114,425	\$528,287
2014	\$433,606	\$98,971	\$532,577
2015	\$452,384	\$82,798	\$535,182
2016-2020	\$1,904,549	\$189,040	\$2,093,589
<b>Total</b>	<b>\$3,995,219</b>	<b>\$758,492</b>	<b>\$4,753,711</b>

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. 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 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. 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 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 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.

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

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.

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**January 1, 2011 through December 31, 2011**

Department of Retirement Systems  
 Communications Unit  
 PO Box 48380  
 Olympia, WA 98504-8380

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 were:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	5.31%	5.31%	5.31%**
Employee	6.00%	3.90%	***

Rates applicable through August 31, 2011.

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
Employer*	7.25%	7.25%	7.25%**
Employee	6.00%	4.64%	***

Rates applicable from September 1 through December 31, 2011.

- \* 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:

	<b>PERS PLAN 1</b>	<b>PERS PLAN 2</b>	<b>PERS PLAN 3</b>
2011	\$6,368	\$132,746	\$23,934
2010	\$13,368	\$131,581	\$25,098
2009	\$14,705	\$168,035	\$37,124

**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, 2011 through December 31, 2011**

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 2011 were \$ 141,772 which represents its full liability based on the rate of 6.2%. The City's MEBT covered payroll for the year ending December 31, 2011, was \$2,286,649. There were no significant benefit changes in 2011. Assets of the Plan are not the property of the City, but are maintained in Trust at Northwest Plan Services, Inc.; 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.

City of Woodinville

Schedule of Liabilities

For the Year Ended December 31, 2011

ID. No.	Description	Beginning Balance 01/01/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
251.11	LTGO Refunding 1997 & 2000 Bonds	\$3,995,219	\$0	\$387,357	591.10.71	\$3,607,862
259.11	Compensated Absences	\$305,056	\$219,451	\$191,194	n/a	\$333,313
		<b>\$4,300,275</b>	<b>\$219,451</b>	<b>\$578,551</b>		<b>\$3,941,175</b>

**Notes:**

The compensated absences beginning balance has been adjusted by \$23,539. The prior year's ending balance did not include the liability of benefits that are associated with compensated absences.



## **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**

**Troy Kelley  
Doug Cochran**

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