



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

City of Woodinville

King County

For the period January 1, 2013 through December 31, 2013

Published September 18, 2014

Report No. 1012567





**Washington State Auditor
Troy Kelley**

September 18, 2014

Mayor and City Council
City of Woodinville
Woodinville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Woodinville's financial statements and compliance with federal laws and regulations.

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

Sincerely,

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

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King County
January 1, 2013 through December 31, 2013**

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Federal Summary

**City of Woodinville
King County
January 1, 2013 through December 31, 2013**

The results of our audit of the City of Woodinville are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The City did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Prior Federal Audit Findings

**City of Woodinville
King County
January 1, 2013 through December 31, 2013**

This schedule presents the status of federal findings reported in prior audit periods. The status listed below is the representation of the City of Woodinville. The State Auditor's Office has reviewed the status as presented by the City.

Audit Period: 1/1/2009-12/31/2009	Report Ref. No.: 1004291	Finding Ref. No.: 1	CFDA Number(s): 20.205
Federal Program Name and Granting Agency: Highway Planning and Construction, U.S. Department of Transportation, Federal Highway Administration		Pass-Through Agency Name: Department of Transportation	
Finding Caption: The City did not have adequate internal controls and comply with federal procurement regulations for its federal Highway Planning and Construction Grant.			
Background: Federal grant regulations require grant recipients to follow state procurement laws when purchasing goods and services needed for federal grant projects. Prior to July 2009, state law allowed cities to use the small-works roster process in lieu of formally bidding public work contracts under \$200,000. In April 2009, the City awarded a construction contract for its Northeast 175th Street/140th Avenue Sidewalk Replacement Project in the amount of \$143,628. In June 2009, the City approved one change order in the amount of \$49,369 to expand the area of the sidewalk replacement beyond the area specified in the original bid and approved contract. Both the original project contract and the change order were funded by the federal Highway Planning and Construction grant passed through to the City from the state Department of Transportation. We determined the change order was for work not included in the original specifications and should have been awarded as a separate contract using competition.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> No Corrective Action Taken <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The City only approved the change order in 2009 after receiving approval from the funding grantor. It was during the audit that both the funding grantor and the City learned that the change order represented a material change in scope of the project. The City's corrective action has been to bid out projects with optional phases so that project expansion and/or reduction can be accomplished without re-bidding the project. When it is not practical to bid a project in optional phases and the bids necessitate a change in project scope the City rejects all bids and re-bids to ensure compliance.</i>			

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**City of Woodinville
King County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Woodinville
Woodinville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Woodinville, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated September 10, 2014.

We issued an unmodified opinion on the fair presentation of the City's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the City using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System (BARS)* manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

September 10, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**City of Woodinville
King County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Woodinville
Woodinville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the City of Woodinville, King County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The City's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

September 10, 2014

Independent Auditor's Report on Financial Statements

**City of Woodinville
King County
January 1, 2013 through December 31, 2013**

Mayor and City Council
City of Woodinville
Woodinville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the City of Woodinville, King County, Washington, for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the City of Woodinville has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Woodinville, for the year ended December 31, 2013, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the City used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the City of Woodinville, as of December 31, 2013, or the changes in financial position or cash flows for the year then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Schedule of Liabilities is also presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

September 10, 2014

Financial Section

**City of Woodinville
King County
January 1, 2013 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General	101 Street	104 Developmental Services
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,371,773	2,195,665	0	2,370
30880	Beg Fund Bal-Unreserved	25,063,475	15,417,804	8,010	17,680
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	9,674,686	7,764,403	0	0
320	Licenses & Permits	452,803	185,475	0	267,328
330	Intergovernmental Revenues	1,358,636	695,518	226,825	0
340	Charges for Goods and Services	2,040,032	64,977	0	476,693
350	Fines & Penalties	8,705	8,705	0	0
360	Miscellaneous Revenues	207,658	185,749	441	0
Total Operating Revenues:		13,742,519	8,904,826	227,265	744,021
Operating Expenditures					
510	General Government	2,156,447	2,148,798	0	0
520	Public Safety	2,893,667	2,893,667	0	0
530	Utilities	918,819	0	0	0
540	Transportation	1,317,347	480,969	781,771	0
550	Natural and Economic Environment	1,456,223	145,120	0	1,234,648
560	Social Services	0	0	0	0
570	Culture And Recreation	331,877	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		9,074,380	5,668,555	781,771	1,234,648
Net Operating Increase (Decrease):		4,668,139	3,236,272	-554,506	-490,627
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	54,911	3,125	14,373	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	3,884,201	0	584,000	497,000
Total Nonoperating Revenues:		3,939,112	3,125	598,373	497,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	528,287	0	0	0
594-595	Capital Expenditures	2,528,170	39,717	50,986	0
597	Transfers-Out	3,884,201	1,980,287	0	0
Total Nonoperating Expenditures:		6,940,658	2,020,004	50,986	0
Increase (Decrease) in Cash and Investments		1,666,593	1,219,393	-7,119	6,373
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,338,920	2,136,920	0	2,370
50880	End Fund Balance-Unreserved	26,762,922	16,695,942	891	24,054

The accompanying notes are an integral part of this Statement.

BARS Code		110 Admission Tax	111 Parks & Rec Special Revenue	114 Park Impact Fees	115 Hotel/Motel Tax
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	6,236	0	0
30880	Beg Fund Bal-Unreserved	255,605	850	30,550	175,116
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	205,546	0	0	57,161
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	200,688	6,400	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	536	957	47	274
Total Operating Revenues:		206,082	201,645	6,447	57,435
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	76,455
560	Social Services	0	0	0	0
570	Culture And Recreation	0	331,877	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:			331,877		76,455
Net Operating Increase (Decrease):		206,082	-130,232	6,447	-19,020
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	33,250	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	202,500	0	0
Total Nonoperating Revenues:			235,750		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	0	32,303	0	0
597	Transfers-Out	92,500	0	0	0
Total Nonoperating Expenditures:		92,500	32,303		0
Increase (Decrease) in Cash and Investments		113,582	73,216	6,447	-19,020
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	6,273	0	0
50880	End Fund Balance-Unreserved	369,188	74,029	36,997	156,096

The accompanying notes are an integral part of this Statement.

BARS Code		116 Traffic Impact Fee	201 Debt Service	301 Capital Improvement	302 Special Capital Improvement
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	155,335	1,653	1,390,048	3,318,482
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	371,905	371,905
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	78,184	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	225	0	2,401	5,317
Total Operating Revenues:		78,409		374,306	377,222
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		78,409	0	374,306	377,222
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	0	528,287	0	0
Total Nonoperating Revenues:			528,287		
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	528,287	0	0
594-595	Capital Expenditures	0	0	0	0
597	Transfers-Out	114,000	0	114,000	97,846
Total Nonoperating Expenditures:		114,000	528,287	114,000	97,846
Increase (Decrease) in Cash and Investments		-35,591	0	260,306	279,376
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	119,743	1,653	1,650,354	3,597,858

The accompanying notes are an integral part of this Statement.

BARS Code		303 Capital Street Reserve	316 Utility Taxes	351 Utility Taxes	354 Parks Capital Project
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	167,503
30880	Beg Fund Bal-Unreserved	72	2,010,167	2,928	25,897
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	873,203	0	30,562
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	0	0	0
340	Charges for Goods and Services	0	0	0	0
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	2,733	3,356	3	302
Total Operating Revenues:		2,733	876,559	3	30,865
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	0	0
540	Transportation	0	0	0	0
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:					
Net Operating Increase (Decrease):		2,733	876,559	3	30,864
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	1,753,568	0	38,846	19,000
Total Nonoperating Revenues:		1,753,568		38,846	19,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	1,751,112	0	41,777	22,540
597	Transfers-Out	0	1,485,568	0	0
Total Nonoperating Expenditures:		1,751,112	1,485,568	41,777	22,540
Increase (Decrease) in Cash and Investments		5,189	-609,009	-2,928	27,324
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	193,357
50880	End Fund Balance-Unreserved	5,261	1,401,159	0	27,367

The accompanying notes are an integral part of this Statement.

BARS Code		358 Facilities Capital Projects	361 Sammamish Bridge Replacement	410 Surface Water Management	501 Equipment Rental
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	0	0	0	0
30880	Beg Fund Bal-Unreserved	330,114	506,235	506,746	879,957
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	0	0	0	0
320	Licenses & Permits	0	0	0	0
330	Intergovernmental Revenues	0	6,014	430,279	0
340	Charges for Goods and Services	0	0	1,092,205	97,261
350	Fines & Penalties	0	0	0	0
360	Miscellaneous Revenues	1,839	759	1,374	1,332
Total Operating Revenues:		1,839	6,773	1,523,858	98,592
Operating Expenditures					
510	General Government	0	0	0	0
520	Public Safety	0	0	0	0
530	Utilities	0	0	918,819	0
540	Transportation	0	0	0	54,607
550	Natural and Economic Environment	0	0	0	0
560	Social Services	0	0	0	0
570	Culture And Recreation	0	0	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:				918,819	54,607
Net Operating Increase (Decrease):		1,839	6,773	605,039	43,985
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	0	0	4,163	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	261,000	0	0	0
Total Nonoperating Revenues:		261,000	0	4,163	
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	0	0	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	354,132	23,770	211,834	0
597	Transfers-Out	0	0	0	0
Total Nonoperating Expenditures:		354,132	23,770	211,834	
Increase (Decrease) in Cash and Investments		-91,293	-16,997	397,368	43,985
Ending Cash and Investments					
50810	End Fund Bal-Reserved	0	0	0	0
50880	End Fund Balance-Unreserved	238,822	489,238	904,114	923,942

The accompanying notes are an integral part of this Statement.

BARS Code		505 Unemployment Comp Reserve
Beginning Cash and Investments		
30810	Beg Fund Bal-Reserved	0
30880	Beg Fund Bal-Unreserved	30,225
38800/58800	Prior Period Adjustments, net	0
Operating Revenues		
310	Taxes	0
320	Licenses & Permits	0
330	Intergovernmental Revenues	0
340	Charges for Goods and Services	23,625
350	Fines & Penalties	0
360	Miscellaneous Revenues	13
Total Operating Revenues:		23,638
Operating Expenditures		
510	General Government	7,649
520	Public Safety	0
530	Utilities	0
540	Transportation	0
550	Natural and Economic Environment	0
560	Social Services	0
570	Culture And Recreation	0
598	Intergovernmental Payments	0
Total Operating Expenditures:		7,649
Net Operating Increase (Decrease):		15,989
Nonoperating Revenues		
370, 380, 395, 398	Other Financing Sources	0
391-393	Debt Proceeds	0
397	Transfers-In	0
Total Nonoperating Revenues:		0
Nonoperating Expenditures		
580, 596, 599	Other Financing Uses	0
591-593	Debt Service	0
594-595	Capital Expenditures	0
597	Transfers-Out	0
Total Nonoperating Expenditures:		0
Increase (Decrease) in Cash and Investments		15,989
Ending Cash and Investments		
50810	End Fund Bal-Reserved	0
50880	End Fund Balance-Unreserved	46,214

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	631 Deposit
308	Beginning Cash and Investments	31,759	31,759
388 and 588	Prior Period Adjustments, net	0	0
310-360	Revenues	0	0
380-390	Other Increases and Financing Sources	30,637	30,637
510-570	Expenditures	0	0
580-590	Other Decreases and Financing Uses	18,503	18,503
Increase (Decrease) in Cash and Investments		12,134	12,134
508	Ending Cash and Investments	43,893	43,893

The accompanying notes are an integral part of this Statement.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

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 – is 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.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

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.

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

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

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

NOTE 1 - Summary Of Accounting Policies (continued)

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

Funds Rolled Up for Financial Statement Reporting	
Budgeted Funds	Financial Statement Funds
001 General	001 General
112 City Hall Replacement	
113 Strategic Budget Reserve	
503 Equipment Replacement	
410 Surface Water Management	410 Surface Water Management
412 Surface Water Capital Projects	

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	2013 Actual Expenditures	Revised Biennial Appropriation 2013/2014	Variance
001 General Fund	\$7,888,559	\$20,393,253	\$12,504,694
101 Street Fund	\$832,757	\$1,725,550	\$892,793
104 Development Services	\$1,234,648	\$2,780,385	\$1,545,737
110 Admission Tax	\$92,500	\$185,000	\$92,500
111 Parks & Recreation Special Revenue	\$364,179	\$769,602	\$405,423
114 Park Impact Fee	\$0	\$0	\$0
115 Hotel/Motel Tax	\$76,455	\$178,000	\$101,545
116 Traffic Impact Fees	\$114,000	\$180,000	\$66,000
201 Debt Service	\$528,287	\$1,060,863	\$532,576
301 Capital Project	\$114,000	\$1,705,000	\$1,591,000
302 Special Capital Project	\$97,846	\$3,872,000	\$3,774,154
303 Capital Street Reserve	\$1,751,112	\$11,913,058	\$10,161,946
316 Utility Tax	\$1,485,568	\$3,735,000	\$2,249,432
351 SR522/195th Capital Project	\$41,777	\$42,000	\$223
354 Parks and Recreation Capital Projects	\$22,540	\$439,000	\$416,460
358 Facilities Capital Project	\$354,132	\$762,000	\$407,868
361 Sammamish Bridge Replacement	\$23,770	\$6,549,400	\$6,525,630
410 Surface Water Management*	\$1,130,653	\$4,083,469	\$2,952,816
501 Equipment Rental	\$54,607	\$150,500	\$95,893
505 Unemployment Reserve	\$7,649	\$65,000	\$57,351
TOTAL ALL FUNDS	\$16,215,038	\$60,589,080	\$44,374,042

*Transfers between rolled-up funds are eliminated to avoid double counting of resources and uses. There are \$140,000 in budgeted transfers for fund 410 that are included in the table above.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

NOTE 1 - Summary Of Accounting Policies (continued)

Department Directors are 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 Washington Public Deposit Protection Commission.

F. Investments

See Investment NOTE 3

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the City of Woodinville 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 31st 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.

I. Long Term Debt

See Long-Term Debt NOTE 6

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

NOTE 1 - Summary Of Accounting Policies (continued)

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.

The following schedule shows operating transfers for fiscal year 2013:

FUND DESCRIPTION		TRANSFERS-IN	TRANSFERS-OUT
001	General	\$0	\$1,980,287
101	Street	\$584,000	\$0
104	Developmental Services	\$497,000	\$0
110	Admission Tax	\$0	\$92,500
111	Parks & Rec Special	\$202,500	\$0
114	Park Impact Fee	\$0	\$0
115	Hotel/Motel Tax	\$0	\$0
116	Traffic Impact	\$0	\$114,000
201	Debt Service	\$528,287	\$0
301	Capital Improvement	\$0	\$114,000
302	Special Cap Improve	\$0	\$97,846
303	Capital Street Reserve	\$1,753,568	\$0
316	Utility Tax	\$0	\$1,485,568
351	SR522/195th	\$38,846	\$0
354	Parks & Rec CIP	\$19,000	\$0
358	Facility CIP	\$261,000	\$0
361	Sammamish Bridge Repl.	\$0	\$0
410	Surface Water Management	\$0	\$0
501	Equipment Rental	\$0	\$0
505	Unemployment Comp. Reserve	\$0	\$0
631	Deposit	\$0	\$0
		\$3,884,201	\$3,884,201

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 162 Members.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

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 \$750,000, 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.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

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

L. Reserved and Designated Fund Balance

Reserved fund balances are both restricted resources and internally committed resources.

- **Restricted resources** are the amounts of cash and investments not available for spending due to the restrictions imposed on City by external parties (e.g., grantors, creditors, etc.).
- **Internally committed resources** are resources with limitations imposed by the City Council through a formal action (ordinance or resolution) that require a similar formal action on the same level to remove them.

Designated fund balances are resources with limitations resulting from intended use (informal action) by either legislators or managers. Designated fund balances are reported as part of the unreserved fund balance.

At the end of December 31, 2013, the City of Woodinville has a reserved fund balance of \$2,338,920 and a designated fund balance of \$1,202,898.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

NOTE 1 - Summary Of Accounting Policies (continued)

Reserved	001 General	104 Development Services	111 Park and Rec.	354 Parks Capital Project
Brick & Tile			6,273	
Cable PEG Fees	31,039			
City Hall Sys. Replacement	452,541			
JAG Property	16,112			
Parks Levy				156,357
Seized Assets	15,907			
Strategic Budget Reserve	1,621,322			
Tree Fund		2,370		37,000
Reserved Total	\$2,136,920	\$2,370	\$6,273	\$193,357

Brick & Tile

Per Ordinance 316 Sale of bricks and tiles, are to be spent as directed for improvements to Wilmot Park, and the costs associated with the brick and tile campaign.

Cable 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 infrastructure.

City Hall Replacement (established with Ordinance 274)

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.

JAG (Jail Advisory Group) Property

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 116th Avenue N.E. just north of NE 12th 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 was \$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

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

opportunities. One cent of the five-cent levy proceeds is to be distributed to cities in King County for specific purposes.

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.

Strategic Budget Reserve (established with Ordinance 334)

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.

Designated	001 General	104 Development Services	110 Admission Tax
Equipment Replacement	881,217		
Technology Surcharge		21,681	
Sports Field Replacement			300,000
Designated Total	\$881,217	\$21,681	\$300,000

Equipment Replacement (established with Ordinance 77)

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

Technology Surcharge (established with the annual fee resolution)

The funds are designated to the implementation of the City's online permit submittal project.

Sports Fields Replacement

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

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, 2013 through December 31, 2013

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, 2013 are as follows:

	<u>Balance</u>
Local Government Investment Pool	\$27,550,739

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 2013 was \$1.22163 per \$1,000 on an assessed valuation of \$2,444,408,335 for a total regular levy of \$2,986,163.

NOTE 5 – Interfund Loans and Advances

There was no interfund loan activity during 2013.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

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 2013. The debt service requirements, including interest are as follows:

At December 31, 2013, the City had \$2,790,539 in outstanding limited tax general obligation (LTGO) bond debt.

LTGO Bonds			
Year	Principal	Interest	Total Debt Service Obligation
2014	\$433,606	\$98,971	\$532,577
2015	\$452,384	\$82,798	\$535,182
2016	\$455,324	\$66,078	\$521,402
2017	\$341,435	\$50,327	\$391,762
2018	\$355,065	\$37,602	\$392,667
2019-2020	\$752,725	\$35,033	\$787,758
Total	\$2,790,539	\$370,809	\$3,161,348

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

A. Department of Retirement Systems - Public Employees' Retirement System (PERS) Plans

Substantially all of the City's full-time and qualifying part-time employees participate in PERS Plan 1, 2, or 3 administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the City's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380

B. Municipal Employees Benefit Trust (MEBT)

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

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 2013 were \$152,502 which represents its full liability based on the rate of 6.2% less the reductions for Employer's survivor and disability insurance premiums. The City's MEBT covered payroll for the year ending December 31, 2013, was \$2,731,877. In 2013, there were two significant changes to the City's MEBT Plan. One, a provision was added to allow for hardship withdrawals. Two, the vesting period for participants was change from a five year period to fully vested at the time of joining the plan. 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.

NOTE 8 – Contingencies and Litigations

As of December 31, 2013, there were a number of damage claims and lawsuits pending against the City. However, in our opinion, neither the potential liability from any single claim or lawsuit, nor the aggregate potential liability resulting from all pending claims nor lawsuits, would affect materially the financial condition of the City.

City of Woodinville, Washington
Notes to the Financial Statements
January 1, 2013 through December 31, 2013

Pending litigations, claims and other matters are as follows:

Roundabout Tract Y Adverse Possession. In 2007, Gorman claimed adverse possession ownership rights to Tract Y associated with the City's Roundabout road improvement project. In 2009 the Court dismissed the suit. In 2011 the Court of Appeals ruled that Gorman was entitled to take his suit to trial. This determination was later affirmed by the Supreme Court. Currently Gorman has taken no action to schedule the suit for trial. Tract Y was required to be dedicated by the owner of the Woodinville Village Property and the current owner of the property would be brought into the lawsuit to indemnify the City were it necessary for the City to purchase the property by condemnation or inverse condemnation.

Woodinville Village Development Agreement. The City contends that the money owed from a development agreement is superior to a Deed of Trust lien on the Woodinville Village property currently held by Woodinville Village Partners, LLC. No additional liability will accrue to the City if it is unsuccessful in the lawsuit.

Utility Taxes Overpayment. New Cingular Wireless has claimed that it overpaid utility taxes to multiple Washington municipalities from November 2005 to September 2010 by remitting utility taxes on Internet services. Municipalities are prohibited by State and Federal law from collecting taxes on Internet services. The city was recently dismissed from the lawsuit brought by New Cingular without prejudice (meaning the lawsuit could be refilled). The amount of refund sought by New Cingular is not significant.

Schedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	251.11	LTGO Refunding 1997 & 2000 Bonds	12/1/2020	3,204,401	0	413,862	2,790,539
	259.11	Compensated Absences		285,286	233,796	221,900	297,183
		Total General Obligations:		3,489,687	233,796	635,762	3,087,722
		Total Liabilities:		3,489,687	233,796	635,762	3,087,722

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Department Of Justice/City of Seattle, Seattle Police Department	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government	16.804	2009-SB-B9-0769	637		637	1, 2, 3
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA 8207 COW Contract #13-074	500,000		500,000	1, 2
Federal Highway Administration (fhwa), Department Of Transportation/Washington State Department of Transportation	Highway Planning and Construction	20.205	LA 6489 COW Contract #07-153	22,583		22,583	1, 2
Total CFDA 20.205				522,583	0	522,583	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	COW Contract #13-077	798		798	1, 2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	State and Community Highway Safety	20.600	COW Contract #13-106	1,169		1,169	1, 2
Total CFDA 20.600				1,967	0	1,967	

The accompanying notes to the Schedule of Expenditures are an integral part of this schedule

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	COW Contract #12070	891		891	1, 2
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation/Washington Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	COW Contract #12070	886		886	1, 2
Total Federal Awards Expended:				526,964	0	526,964	

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013**

Note 1 - Basis of Accounting

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

Note 2 - Program Costs

The amounts shown as current year expenditures represent only the grant portion of the program costs. The entire program costs including the City's portion, may be more than shown.

Note 3 - American Recovery and Reinvestment Act (ARRA) of 2009

Expenditures for this program were funded by ARRA.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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