



# Washington State Auditor's Office

Independence • Respect • Integrity

## Financial Statements and Federal Single Audit Report

### City of Woodinville

King County

For the period January 1, 2014 through December 31, 2014

Published September 24, 2015

Report No. 1015113





## Washington State Auditor's Office

September 24, 2015

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 blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

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## FEDERAL SUMMARY

**City of Woodinville**  
**King County**  
**January 1, 2014 through December 31, 2014**

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.

**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, 2014 through December 31, 2014**

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, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, and have issued our report thereon dated August 28, 2015.

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

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 28, 2015

**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, 2014 through December 31, 2014**

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, 2014. 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, 2014.

## **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 blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 28, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## City of Woodinville King County January 1, 2014 through December 31, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's financial statements, as listed on page 16.

#### 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 to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the City of Woodinville, for the year ended December 31, 2014, 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, 2014, 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.

The letter of transmittal on pages 38 through 43 and schedule of revenues, expenditures and changes in fund balances – budget to actual on page 44 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015 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.



JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

August 28, 2015

## FINANCIAL SECTION

**City of Woodinville  
King County  
January 1, 2014 through December 31, 2014**

### FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2014  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2014  
Notes to Financial Statements – 2014

### SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2014  
Schedule of Expenditures of Federal Awards – 2014  
Notes to the Schedule of Expenditures of Federal Awards – 2014  
Letter of Transmittal – 2014  
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual -  
2014

**City of Woodinville**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>101 Street</b>
<b>Beginning Cash and Investments</b>				
30810	Reserved	7,672,360	515,599	-
30880	Unreserved	21,429,483	18,317,263	891
388 & 588	Prior Period Adjustments, Net	-	-	-
<b>Operating Revenues</b>				
310	Taxes	10,099,785	8,144,895	-
320	Licenses and Permits	788,555	187,838	-
330	Intergovernmental Revenues	5,224,061	687,532	226,697
340	Charges for Goods and Services	3,265,974	55,370	-
350	Fines and Penalties	8,550	8,550	-
360	Miscellaneous Revenues	1,223,994	1,026,821	-
Total Operating Revenues:		<u>20,610,919</u>	<u>10,111,006</u>	<u>226,697</u>
<b>Operating Expenditures</b>				
510	General Government	2,115,578	2,102,654	-
520	Public Safety	2,964,100	2,964,100	-
530	Utilities	942,121	-	-
540	Transportation	1,279,915	490,536	722,983
550	Natural and Economic Environment	1,587,695	211,095	-
560	Social Services	-	-	-
570	Culture and Recreation	414,160	-	-
Total Operating Expenditures:		<u>9,303,570</u>	<u>5,768,384</u>	<u>722,983</u>
<b>Net Operating Increase (Decrease):</b>		<b>11,307,350</b>	<b>4,342,621</b>	<b>(496,286)</b>
<b>Nonoperating Revenues</b>				
370-380, 395 & 398	Other Financing Sources	30,293	10,000	8,139
391-393	Debt Proceeds	-	-	-
397	Transfers-In	6,404,474	-	501,000
Total Nonoperating Revenues:		<u>6,434,767</u>	<u>10,000</u>	<u>509,139</u>
<b>Nonoperating Expenditures</b>				
580, 596 & 599	Other Financing Uses	-	-	-
591-593	Debt Service	532,577	-	-
594-595	Capital Expenditures	10,838,544	1,431,127	10,819
597	Transfers-Out	6,404,474	1,316,717	-
Total Nonoperating Expenditures:		<u>17,775,595</u>	<u>2,747,844</u>	<u>10,819</u>
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(33,478)</b>	<b>1,604,777</b>	<b>2,034</b>
<b>Ending Cash and Investments</b>				
50810	Reserved	5,708,714	509,645	-
50880	Unreserved	23,359,651	19,927,995	2,926

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

<b>104 Developmental Services</b>	<b>110 Admission Tax</b>	<b>111 Parks &amp; Rec Special Revenue</b>	<b>114 Park Impact Fees</b>	<b>115 Hotel/Motel Tax</b>	<b>116 Traffic Impact Fee</b>
2,370	369,188	6,273	36,997	156,096	119,743
24,054	-	74,029	-	-	-
-	-	-	-	-	-
-	202,804	-	-	60,107	-
600,717	-	-	-	-	-
-	-	-	-	-	-
820,344	-	208,348	73,025	-	92,304
-	-	-	-	-	-
-	427	360	62	144	102
<u>1,421,061</u>	<u>203,231</u>	<u>208,708</u>	<u>73,087</u>	<u>60,250</u>	<u>92,406</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,308,414	-	-	-	68,186	-
-	-	-	-	-	-
-	-	414,160	-	-	-
<u>1,308,414</u>	<u>-</u>	<u>414,160</u>	<u>-</u>	<u>68,186</u>	<u>-</u>
<b>112,647</b>	<b>203,231</b>	<b>(205,452)</b>	<b>73,087</b>	<b>(7,936)</b>	<b>92,406</b>
-	-	7,283	-	-	-
-	-	-	-	-	-
105,000	-	155,500	-	-	-
<u>105,000</u>	<u>-</u>	<u>162,783</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
26,717	-	30,387	-	-	-
-	108,500	6,273	-	-	75,000
<u>26,717</u>	<u>108,500</u>	<u>36,660</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
<b>190,930</b>	<b>94,731</b>	<b>(79,329)</b>	<b>73,087</b>	<b>(7,936)</b>	<b>17,406</b>
127,231	463,919	-	110,083	148,161	137,149
90,123	-	973	-	-	-

The accompanying notes are an integral part of this statement.

<b>201 Debt Service</b>	<b>301 Capital Improvement</b>	<b>302 Special Capital Improvement</b>	<b>303 Capital Street Reserve</b>	<b>316 Utility Taxes</b>	<b>354 Parks Capital Project</b>
-	1,650,354	3,597,858	-	545,974	193,357
1,653	-	-	5,261	855,185	27,367
-	-	-	-	-	-
-	359,833	359,833	-	939,872	32,442
-	-	-	-	-	-
-	-	-	4,173,465	-	-
-	-	-	641,321	-	-
-	-	-	-	-	-
-	1,463	2,205	187,847	2,028	193
-	361,296	362,038	5,002,634	941,900	32,635
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<b>361,296</b>	<b>362,038</b>	<b>5,002,634</b>	<b>941,900</b>	<b>32,635</b>
-	-	-	-	-	-
-	-	-	-	-	-
532,577	707	478,551	3,413,297	458,000	131,928
532,577	707	478,551	3,413,297	458,000	131,928
-	-	-	-	-	-
532,577	-	-	-	-	-
-	-	-	7,782,604	-	223,088
-	773,220	2,695,087	458,707	491,764	-
532,577	773,220	2,695,087	8,241,312	491,764	223,088
-	<b>(411,217)</b>	<b>(1,854,498)</b>	<b>174,620</b>	<b>908,136</b>	<b>(58,525)</b>
-	1,239,137	1,743,360	168,683	926,410	134,935
1,654	-	-	11,198	1,382,884	27,264

The accompanying notes are an integral part of this statement.

<b>358 Facilities Capital Projects</b>	<b>361 Sammamish Bridge Replacement</b>	<b>410 Surface Water Management</b>	<b>501 Equipment Rental</b>	<b>505 Unemployment Comp Reserve</b>
-	478,551	-	-	-
238,822	10,687	904,114	923,942	46,214
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	75,837	60,529	-	-
-	-	1,262,952	112,310	-
-	-	-	-	-
151	415	932	811	34
<b>151</b>	<b>76,251</b>	<b>1,324,413</b>	<b>113,121</b>	<b>34</b>
-	-	-	-	12,925
-	-	-	-	-
-	-	942,121	-	-
-	-	-	66,397	-
-	-	-	-	-
-	-	-	-	-
-	-	942,121	66,397	12,925
<b>151</b>	<b>76,251</b>	<b>382,292</b>	<b>46,724</b>	<b>(12,891)</b>
-	-	-	4,870	-
-	-	-	-	-
129,065	-	498,849	-	-
<b>129,065</b>	<b>-</b>	<b>498,849</b>	<b>4,870</b>	<b>-</b>
-	-	-	-	-
-	-	-	-	-
353,318	71,516	908,968	-	-
655	478,551	-	-	-
<b>353,973</b>	<b>550,067</b>	<b>908,968</b>	<b>-</b>	<b>-</b>
<b>(224,757)</b>	<b>(473,816)</b>	<b>(27,827)</b>	<b>51,594</b>	<b>(12,891)</b>
-	-	-	-	-
14,065	15,423	876,286	975,536	33,324

The accompanying notes are an integral part of this statement.

**City of Woodinville**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2014**

		<b>Total for All Funds (Memo Only)</b>	<b>631 Deposit</b>
308	Beginning Cash and Investments	43,893	43,893
388 & 588	Prior Period Adjustments, Net	-	-
310-360	Revenues	-	-
380-390	Other Increases and Financing Sources	166,122	166,122
510-570	Expenditures	-	-
580-590	Other Decreases and Financing Uses	22,049	22,049
Net Increase (Decrease) in Cash and Investments:		144,073	144,073
508	Ending Cash and Investments	187,967	187,967

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

**City of Woodinville, Washington**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2014**

**Note 1 - Summary of Significant Accounting Policies**

The City of Woodinville was incorporated on March 31, 1993 and operates under the laws of the state of Washington applicable to a non-charter code city with a Council-Manager form of government. The City provides general government services which include; public safety, parks, planning and zoning, permits and inspection, general administrative, street improvement, and surface water services.

The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units must be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Not all supplementary information required by GAAP is presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting**

Financial transactions of the City are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The City's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

**Governmental Fund Types:**

General Fund

This fund is the primary operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for

the acquisition or construction of capital facilities or other capital assets.

**Proprietary Fund Types:**

Enterprise Funds

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

Internal Service Funds

These funds account for operations that provide goods or services to other departments or funds of the government on a cost reimbursement basis.

**Fiduciary Fund Types:**

Fiduciary funds account for assets held by the government as an agent on behalf of others.

Agency Funds

These funds are used to account for assets that the government holds in trust for others in a custodial capacity.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

**C. Budgets**

The City adopts biennial budgets for the following funds:

- 001 General
- 101 Street
- 104 Development Services
- 110 Admissions Tax
- 111 Parks & Recreation Special Revenue
- 112 System Replacement
- 113 Strategic Budget Reserve
- 114 Park Impact Fee
- 115 Hotel/Motel Tax
- 116 Traffic Impact Fees
- 201 Debt Service
- 301 Capital Project
- 302 Special Capital Project
- 303 Capital Street Reserve
- 316 Utility Tax
- 351 SR 522/195<sup>th</sup> Capital Project
- 354 Parks and Recreation Capital Projects
- 358 Facilities Capital Project
- 361 Sammamish Bridge Replacement
- 410 Surface Water Management
- 412 Surface Water Capital Projects
- 501 Equipment Rental
- 503 Equipment Replacement
- 505 Unemployment Reserve

The budgets are appropriated at 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. However, for financial reporting purposes, funds 112 System Replacement, 113 Strategic Budget Reserve, and 503 Equipment Replacement are rolled into the 001 General Fund, and fund 412 Surface Water Capital Projects is rolled into the 410 Surface Water Management Fund.

The appropriated and actual expenditures for the 2013 -2014 legally adopted biennial budget were as follows:

2013 - 2014 Biennium Final Appropriated Budget vs. Actual

Fund	Final Appropriation	Actual	Actual	Total Biennial Expenditures	Variance
		Expenditures 2013	Expenditures 2014		
001 General Fund	\$18,294,118	\$7,651,091	\$8,469,345	\$16,120,436	\$2,173,682
101 Street Fund	\$1,678,990	\$832,757	\$733,801	\$1,566,558	\$112,432
104 Development Services	\$2,695,410	\$1,234,648	\$1,335,131	\$2,569,779	\$125,631
110 Admission Tax	\$201,000	\$92,500	\$108,500	\$201,000	\$0
111 Parks & Recreation Special Revenue	\$825,722	\$364,179	\$450,417	\$814,596	\$11,126
112 System Replacement	\$0		\$0	\$0	\$0
113 Strategic Budget Reserve	\$0		\$0	\$0	\$0
114 Park Impact Fee	\$0	\$0	\$0	\$0	\$0
115 Hotel/Motel Tax	\$203,503	\$76,455	\$68,186	\$144,641	\$58,862
116 Traffic Impact Fees	\$189,000	\$114,000	\$75,000	\$189,000	\$0
201 Debt Service	\$1,060,863	\$528,287	\$532,577	\$1,060,863	(\$0)
301 Capital Project	\$892,481	\$114,000	\$733,220	\$847,220	\$45,261
302 Special Capital Project	\$2,805,200	\$97,846	\$2,695,087	\$2,792,933	\$12,267
303 Capital Street Reserve	\$11,969,781	\$1,751,112	\$8,421,312	\$10,172,424	\$1,797,357
316 Utility Tax	\$2,185,058	\$1,485,568	\$491,764	\$1,977,332	\$207,726
351 SR522/195th Capital Project	\$42,000	\$41,777	\$0	\$41,777	\$223
354 Parks and Recreation Capital Projects	\$296,129	\$22,540	\$223,088	\$245,628	\$50,501
358 Facilities Capital Project	\$788,000	\$354,132	\$353,973	\$708,105	\$79,895
361 Sammamish Bridge Replacement	\$574,047	\$23,770	\$550,067	\$573,837	\$210
410 Surface Water Management	\$2,211,329	\$949,538	\$1,035,401	\$1,984,939	\$226,390
412 Surface Water Capital Projects	\$1,655,023	\$181,114	\$905,689	\$1,086,803	\$568,220
501 Equipment Rental	\$150,500	\$54,607	\$66,397	\$121,004	\$29,496
503 Equipment Replacement	\$155,897	\$37,468	\$46,884	\$84,352	\$71,545
505 Unemployment Reserve	\$21,000	\$7,649	\$12,925	\$20,574	\$426
<b>Total all funds</b>	<b>\$48,895,051</b>	<b>\$16,015,038</b>	<b>\$27,308,763</b>	<b>\$43,323,802</b>	<b>\$5,571,249</b>

Department directors are authorized to transfer amounts between object classes within their departments; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the City's legislative body.

The budget was amended by Council twice in 2014, once mid-year through Ordinance 594, and once at year end through Ordinance 597. Significant changes to the budget include a reduction of \$6.3 million in capital expenditures that are carried over to the 2015/2016 budget and a related decrease of \$3.4 million in transfers out of capital project special revenue funds.

### Summary of 2014 Budget Amendments

Fund	2013 Ending Budget	Final Appropriation	\$ Change	% Change
001 General Fund	\$20,194,753	\$18,294,118	(\$1,900,635)	-9%
101 Street Fund	\$1,725,550	\$1,678,990	(\$46,560)	-3%
104 Development Services	\$2,780,385	\$2,695,410	(\$84,975)	-3%
110 Admission Tax	\$185,000	\$201,000	\$16,000	9%
111 Parks & Recreation Special Revenue	\$769,602	\$825,722	\$56,120	7%
112 System Replacement	\$0	\$0	\$0	0%
113 Strategic Budget Reserve	\$0	\$0	\$0	0%
114 Park Impact Fee	\$0	\$0	\$0	0%
115 Hotel/Motel Tax	\$178,000	\$203,503	\$25,503	14%
116 Traffic Impact Fees	\$180,000	\$189,000	\$9,000	5%
201 Debt Service	\$1,060,863	\$1,060,863	\$0	0%
301 Capital Project	\$1,705,000	\$892,481	(\$812,519)	-48%
302 Special Capital Project	\$3,872,000	\$2,805,200	(\$1,066,800)	-28%
303 Capital Street Reserve	\$11,913,058	\$11,969,781	\$56,723	0%
316 Utility Tax	\$3,735,000	\$2,185,058	(\$1,549,942)	-41%
351 SR522/195th Capital Project	\$42,000	\$42,000	\$0	0%
354 Parks and Recreation Capital Projects	\$439,000	\$296,129	(\$142,871)	-33%
358 Facilities Capital Project	\$762,000	\$788,000	\$26,000	3%
361 Sammamish Bridge Replacement	\$6,549,400	\$574,047	(\$5,975,353)	-91%
410 Surface Water Management	\$2,343,469	\$2,211,329	(\$132,140)	-6%
412 Surface Water Capital Projects	\$1,880,000	\$1,655,023	(\$224,977)	-12%
501 Equipment Rental	\$150,500	\$150,500	\$0	0%
503 Equipment Replacement	\$198,500	\$155,897	(\$42,603)	-21%
505 Unemployment Reserve	\$65,000	\$21,000	(\$44,000)	-68%
<b>Total all funds</b>	<b>\$60,729,080</b>	<b>\$48,895,051</b>	<b>(\$11,834,029)</b>	<b>-19%</b>

#### D. Cash and Investments

See Note 3, *Deposits and Investments*.

#### E. 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. Capital assets and inventory are recorded as expenditures when purchased.

#### F. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time earned in lieu of overtime. Up to twice an employee's annual vacation benefit may be accumulated at the end of each year and is payable upon separation or retirement.

Amounts over the authorized limit are forfeited at year-end. All compensatory time received in lieu of overtime is payable upon separation or retirement. Payments for compensated absences are recognized as expenditures when paid.

Sick leave may be accumulated indefinitely. However, employees do not receive payment for any unused sick leave upon separation or retirement.

**G. Long-Term Debt**

See Note 4, *Debt Service Requirements*.

**H. Other Financing Sources or Uses**

The City's *Other Financing Sources or Uses* consists of receipts from insurance recoveries and operating and capital related transfers in and out. The following schedule shows transfers made in 2014:

	Transfers From					Total
	General Fund	Capital Revenue Funds*	Special Revenue Funds**	Surface Water Management	Other***	
Capital Project					\$707	\$707
Capital Street Reserve	93,446	3,319,851				3,413,297
Debt Service	532,577					532,577
Dev. Services	105,000					105,000
Facilities Capital Project	37,694	91,372				129,066
Parks & Rec. Spec. Rev	47,000		108,500			155,500
Parks and Rec. CIP		131,928				131,928
Special Capital Project					478,551	478,551
Street Fund	501,000					501,000
Surface Water CIP		498,849				498,849
Utility Tax					458,000	458,000
<b>Total</b>	<b>\$1,316,717</b>	<b>\$4,041,999</b>	<b>\$108,500</b>	<b>\$0</b>	<b>\$937,258</b>	<b>\$6,404,474</b>

\*Transfers from the Capital Project (REET I), Special Capital Project (REET II), Traffic Impact, and Utility Tax funds to capital project funds

\*\*Transfers from the Admissions Tax fund

\*\*\*Transfers of unused capital project funds back to the originating Capital Project (REET I), Special Capital Project (REET II), and Utility Tax funds

**I. 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 175 Members.

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

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

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$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.

#### **J. Reserved Portion of Ending Cash and Investments**

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by external parties or due to internal commitments established by ordinance or resolution. When expenditures that meet restrictions are incurred, the City intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of the following:

##### Admissions Tax – Admission Tax Fund - \$463,919

Tax collected on admissions is restricted in use by RCW 35.21.280 and Ordinance 177 for parks and recreation use. \$400,000 of the restricted fund balance is designated for replacing the City's sports fields.

##### Developer Contributions – Capital Street Reserve Fund - \$168,683

Restricted by developer agreement for specific projects.

Cable PEG Fees – General Fund - \$42,781

The City receives Public, Educational, and Governmental (PEG) access fees as part of its agreement with cable franchises that operated within City limits. The fees are restricted for improving the City's cablecasting infrastructure which is used to broadcast Council and Committee meetings.

City Hall Replacement – General Fund - \$452,541

The funds are restricted in use by Ordinance 274 for the repair, other than ordinary repair and maintenance, and replacement of major components of the City Hall, excluding any equipment that would be replaced from the Equipment Replacement Fund.

Park Impact Fees – Park Impact Fee Fund - \$110,083

Restricted in use by RCW 82.02.050 – 070 and Ordinance 279 for the development of parks, open space, passive recreation parks, linear trail parks, and recreational facilities to serve new growth and development in Woodinville.

Parks Levy – Parks and Recreation Capital Projects Fund - \$97,935

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

Lodging Tax – Hotel/Motel Tax Fund - \$148,161

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

Real Estate Excise Tax I & II – Capital Project and Special Capital Project Funds - \$2,982,497

Restricted in use by RCW 82.43.010 and Ordinance 115 to finance capital projects that are specified in the City's comprehensive plan and housing relocation assistance under RCW 59.18.440 and 59.18.450.

Seized Assets – General Fund - \$14,323

RCW 10.105.010 restricts funds collected or received as a result of drug-related confiscation for use on drug investigation related expenditures. These types of revenues are generated by asset seizures, confiscated/forfeited property, court dispositions requiring assessments, and restitution for investigation costs. Expenditures are costs incurred for pre-hearing conferences, supplies, equipment, training and other narcotics-related investigation expenses.

Tree Fund – Development Services and Parks and Recreation Capital Project Fund - \$164,231

The Tree Fund was established by City Council as part of Ordinance 478 in March of 2009. The fund was created to help developers meet tree planting requirements by allowing them to pay into the fund in lieu of planting trees. The fees must be used based on the criteria in WMC 21.15.050.

Utility Tax – Utility Tax Fund - \$926,410

At least 40% of utility tax collected is restricted by Ordinance 576 for use on street improvement projects identified in the City's Capital Improvement Program that also meet specific criteria.

**K. Designated Funds**

Designated funds are part of the unreserved fund balance that have no formal constraints, but are intended to be used for specific purposes. The City has designated the following amounts for specific use:

Strategic Budget Reserve – General Fund - \$1,621,322

The Strategic Budget Reserve Fund was established with the 2003 budget Ordinance to provide a reserve for operating expenditures should operating revenues decline unexpectedly. Financial policy for the Reserve was set with Resolution 289, which establishes a target fund balance of 15% of the combined operating expenditures of the General and Street funds. The Reserve’s funds are set aside for financial security and liquidity, emergency response funding, and interim funding during financial stress. In addition, the funds may be used for capital purposes with prior approval of a supermajority of the City Council.

The Reserve is rolled into the General Fund for financial reporting purposes. As of December 31, 2014, the Reserve was fully funded with a balance of \$1,621,322.

Equipment Replacement – General Fund - \$995,243

The Equipment Replacement fund is rolled into the General Fund for financial reporting purposes. The funds are designated for the replacement of fixed assets that aren’t accounted for in the Equipment Rental Fund.

Technology Surcharge – Development Services Fund - \$29,916

Technology surcharges are established with each year’s fee resolution and are designated in use for the City’s online permit submittal project.

**Note 2 - Property Tax**

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed to the City as they are collected by the County.

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

**Property Tax Calendar**

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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

The City’s regular levy for the year 2014 was \$1.15573 per \$1,000 on an assessed valuation of \$2,600,746,512 for a total regular levy of \$3,005,755.

**Note 3 – Deposits and Investments**

It is the City’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds. All investments are insured, registered or held by the City or its agent

in the City's name.

The City's deposits are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. As of December 31, 2014, the carrying amount of the City's cash demand deposits with the City's official depository, Bank of America, was \$1,754,277. Outstanding claims were \$1,475,508 and deposits in transit were \$6,354, leaving a bank balance of \$3,223,431.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

Type of Investment	City's Own Investments	Investment held by City as an agent	Total
Local Government Investment Pool	\$ 27,678,650	\$ -	\$ 27,678,650

**Note 4 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the City and summarizes the City's debt transactions for year ended December 31, 2014.

As of December 31, 2014, the City had \$2,356,933 in outstanding limited tax general obligation bonds which will mature in 2020. The City has no other outstanding debt. The annual debt service requirements for the bonds are as follows:

Year Ending December 31	Principal	Interest	Total
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	367,872	24,382	392,254
2020	384,853	10,651	395,504
<b>Total</b>	<b>\$ 2,356,933</b>	<b>\$ 271,838</b>	<b>\$ 2,628,771</b>

**Bond History**

On May 28, 1997, the City issued \$1,675,000 in Limited Tax General Obligation Bonds (5%-5.65%), and used the proceeds to extinguish an interfund loan that was established to purchase a three-acre site. Advanced refunding in 2005 left \$165,000 as the remaining unrefunded portion and the bond fully matured at the end of 2007.

On July 5, 2000 the City issued \$4,990,000 in Limited Tax General Obligation Bonds, and used the proceeds to construct a new City Hall. Advanced refunding in 2005 left \$1,025,000 as the remaining unrefunded portion of the bond, and the bond fully matured at the end of 2010.

In August of 2005, the City issued \$4,555,392 in Limited Tax General Obligation advance refunding bonds to advance refund the City's existing general obligation bonds. The refunding bonds have a maturity date of December 2020, and an interest rate of 3.69%.

**Note 5 - Pension Plans**

**Public Employee Retirement System (PERS)** - Substantially all City's full-time and qualifying part-time employees participate in PERS plans 1 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 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  
Olympia, WA 98504-8380

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

All regular full-time and part-time employees of the City who are normally eligible for coverage and benefits under the Social Security system are required to participate. Non-regular employee, which include council members and seasonal employees, do not participate and contribute to Social Security.

The City and MEBT participants are required to contribute an amount equal to the current Federal Insurance Contributions Act (FICA) tax rate; provided that, the contributions shall be reduced by the amount of any Medicare contribution required by Code Section 3101 (b) (6), and 3111 (b) (6), or any other relevant statute. City contributions are reduced by the amount of insurance premiums necessary to fund the employer's survivor and disability insurance programs for the then current year. Employee contributions are pre-tax and the tax rates for the Plan correspond to the FICA rate. The City's contributions for fiscal year 2014 were \$144,794 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, 2014, was \$2,527,707.

There were several changes to the City's MEBT Plan in 2014. Language was eliminated from Section 6.1 Hardship Withdrawal that required participants to outline their financial problem when seeking a hardship withdrawal and to reflect that the service center representative will oversee the withdrawal process for employees. Section 6.4, which pertained to the withdrawal of an hourly participant's contribution was eliminated, since hourly non-regular employee do not participate in the plan. Lastly, the word "may" was replaced with "shall" in Section 6.5 to reflect that participants who withdrawal money from his/her plan account must continue to participate in the plan.

The City has the right at any time to reduce, suspend, or completely discontinue its contributions to the plan. Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are provided by Group Insurance Policy No. 377655 with Standard Insurance

Company, and 2) each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no City or participant contributions shall be added to his account after retirement), and (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to his/her account.

#### **Note 6 – Health and Welfare**

The City of Woodinville is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2014, 263 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

#### **Note 7 – Joint Ventures and Related Parties**

**A Regional Coalition for Housing** - In November 1992, King County and the cities of Bellevue, Redmond, and Kirkland joined together to establish A Regional Coalition for Housing (ARCH). The agreement was amended in January 1993 and November 1999 to add clarifying language regarding responsibility and dissolution. Since its inception, the Cities of Beau Arts Village, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, and Yarrow Point have joined ARCH.

The purpose of ARCH is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing by combining public funding with private-sector resources. Operating funding is provided by the member cities. ARCH identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants, and HUD grants.

ARCH is governed by an Executive Board composed of the chief executive officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy, and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city is responsible for contributing operating revenues as determined from the ARCH annual budget. Contributions from the member cities are based on each member's population. The City of Woodinville's contribution in 2014 was \$12,884, or 2.14 percent of the Coalition's \$601,989 budget.

Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution the agreement, as amended, provides for distribution of net position among members based on the percentage of the total annual contributions during the period of the Agreement paid by each member. The City's share of cash or investments is deemed immaterial and thus is not reflected in the financial statements.

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87th Street, Redmond, WA 98052.

**Emergency Services Coordinating Agency** – The Emergency Services Coordinating Agency (ESCA) was established by an inter-local agreement in 1994 to provide joint organization of emergency management. The Agency’s jurisdiction includes the cities of Brier, Edmonds, Kenmore, Lake Forest Park, Lynnwood, Mill Creek, Mountlake Terrace, Mukilteo, Woodinville and the town of Woodway. The Agency assists its member cities and town in managing emergency responses and disaster preparedness.

An appointed, 10-member Board of Directors governs the Agency. The Board is composed of the Mayors from the 10 member cities and town or his or her designee. The Agency’s six employees coordinate the planning, mitigation, response and recovery efforts of its member agencies.

Each member city is responsible for contributing to operating revenue based on population. The City of Woodinville’s contribution to ESCA was \$25,600 in 2014, or 5.86 percent of total member contributions. As of 12/31/2014, the City’s cash equity interest was estimated to be \$12,327, or 5.95%.

On June 25, 2014, Agency members passed resolution (2015-3) to dissolve ESCA during the 2015 fiscal year. The Agency is currently working to determine the equity interest allocation for each member upon dissolution.

Financial information for ESCA can be obtained from the Agency's administrative office at 2901 228<sup>th</sup> St SW, Ste. A, Brier, WA 98036.

**Note 8 – Construction Commitments**

The City has active construction projects as of December 31, 2014. The projects include Woodinville-Duvall Road Widening and NE 180<sup>th</sup> Street/Lake Leota Water Quality.

At year-end the City’s commitments with contractors were as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Woodinville - Duvall Road Widening	\$7,927,711	\$648,287
NE 180th St/Lake Leota Water Quality	\$720,837	\$235,971

**Note 9 – Contingencies and Litigation**

As of December 31, 2014, there was no pending litigation that, if settled adversely as a single claim or in the aggregate, would significantly impact the financial condition of the City.

**Note 10 – Other Disclosures**

**Settlement** - The City received a \$750,000 settlement from a dispute with Woodinville Village Partners, LLC. regarding a development agreement for Woodinville Village. The City contended that money owed from a development agreement was superior to the Deed of Trust lien on the property held by Woodinville Village Partners, LLC. The settlement is reported as miscellaneous revenue in the General Fund.

**Real Estate Excise Tax (REET) Refund** - The City refunded a September 2012 REET payment that the Washington State Department of Revenue determined was exempt from the excise tax. The refund decreased 2014 REET revenues by \$302,123.

**City of Woodinville**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
<b>General Obligations</b>						
251.11	LTGO Refunding 1997 & 2000 Bonds	12/1/2020	2,790,539	-	433,606	2,356,933
259.11	Compensated Absences		298,362	225,623	226,128	297,857
	<b>Total General Obligations:</b>		<b>3,088,901</b>	<b>225,623</b>	<b>659,734</b>	<b>2,654,790</b>
	<b>Total Liabilities:</b>		<b>3,088,901</b>	<b>225,623</b>	<b>659,734</b>	<b>2,654,790</b>

**City of Woodinville**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
<b>Highway Planning and Construction Cluster</b>							
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL - 2456 (005) LA - 8340	546,852	-	546,852	
Federal Highway Administration (fhwa), Department Of Transportation (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HPP - 2456 (001) LA 6489	71,516	-	71,516	1
<b>Total Highway Planning and Construction Cluster:</b>				<b>618,368</b>	<b>-</b>	<b>618,368</b>	
<b>Highway Safety Cluster</b>							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	State and Community Highway Safety	20.600	COW Contract # 13-106	616	-	616	1
<b>Total Highway Safety Cluster:</b>				<b>616</b>	<b>-</b>	<b>616</b>	
<b>Other Programs</b>							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via Washington Traffic Safety Commission)	National Priority Safety Programs	20.616	COW Contract # 13-106	587	-	587	1
<b>Total Federal Awards Expended:</b>				<b>619,571</b>	<b>-</b>	<b>619,571</b>	

The accompanying notes are an integral part of this statement.

CITY OF WOODENVILLE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2014

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.

May 27, 2015



*"Citizens, business and local government,  
a community commitment to our future."*

To the Honorable Mayor, Members of the Council, and Citizens of the City of Woodinville:

The management of the City of Woodinville is pleased to provide this annual financial report to its citizens, taxpayers, and other interested parties to demonstrate its accountability and communicate the government's financial position and resource flows as of and for the year ended December 31, 2014. Management of the government is responsible for the fair presentation of this annual financial report, for maintaining appropriate internal control over financial reporting, and for complying with applicable finance-related laws, regulations, and provisions of grants and contracts. The City reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This method of reporting differs from generally accepted accounting principles (GAAP). All of the financial analyses in this report should take into consideration the limitations inherent in the modified cash basis of accounting.

In the interest of improving the City's financial reporting, this report provides additional information that is not prescribed by the State Auditor's Office. This transmittal letter, which serves as a Management Discussion and Analysis, a comparison of budget to actual on an activity basis, and other statistical information is being presented for the first time with the City's financial report. The State Auditor's Office will perform certain limited procedures to the supplementary information in accordance with auditing standards generally accepted in the United States of America. However, these limited procedures will not be sufficient for the State Auditor's Office to express an opinion or provide any assurance about the additional information.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

This City of Woodinville financial report is required to be transmitted to the State Auditor's Office within 150 days after the close of each fiscal year. However, the City is not scheduled to be audited by the State Auditor's Office until later in the year. In the interest of providing timely financial information, the City is providing the **unaudited** financial report to the City Council and any other interested parties at the same time it provides it to the State Auditor's Office. Once the audit has been completed, the City will provide the audited financial report along with the auditor's opinion of its presentation.

#### **Profile of the government**

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. It is located in the Puget Sound area, which is northeast of the City of Seattle. It currently occupies five

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square miles and serves an estimated population of 11,240. The City of Woodinville levies sales tax and property tax within its boundaries.

In the Council-Manager form of government, all legislative and policy powers are vested in the City Council. The voters elect seven at-large, part-time City Council members who serve terms of four years and receive a monthly salary. The Council employs a professional administrator, the City Manager, who serves as the head of the administrative branch of government and carries out the policies developed by the Council. The Mayor is selected by fellow Council members for a two year term.

The City provides general government services which include; public safety, parks, planning and zoning, permits and inspection, general administrative, street improvement, and surface water services. The City's only proprietary service, surface water, uses fees to recover the cost of operation, maintenance, and capital costs. The fees are based on the percentage of impervious surface for each developed parcel, and are billed and collected along with property tax twice a year. Water and sewer services are provided by the Woodinville Water District, a separate special purpose district that operates under its own authority. Other utilities are provided by private businesses. Fire and medic services are provided by another separate special purpose district, Woodinville Fire and Rescue.

The City of Woodinville budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial appropriated budgets are adopted for the General, Debt Service, Special Revenue, Capital Project, Proprietary, and Fiduciary funds using the cash basis of accounting. Prior to the beginning of the City's next fiscal biennium and before November 1, the City Manager submits a proposed budget to the City Council. This budget is based on priorities established by the Council, uses estimates provided by City departments during the preceding months, and is balanced with revenue estimates. The City Council conducts public hearings on the proposed budget in October, November and December. The Council makes its adjustments to the proposed budget and adopts, by ordinance, a final balanced budget no later than December 31.

City department heads may transfer appropriations within each department, however, transfers of appropriations between departments require the approval of the City Manager. Any budget revisions that cause the total expenditures of a fund to be greater than the adopted appropriated amount, or that affect the number of authorized employee positions, the pay classification system, hours, or other conditions of employment, must be approved by the City Council via an amending ordinance.

### **Local Economy**

The City provides both residents and visitors with recreational opportunities, open space, and a commitment to public safety and quality of life. Its scenic landscapes, wineries, breweries and plant nurseries make Woodinville a premier tourist destination.

The City is strategically situated, offering convenient access to several major highways; Interstate 405, State Route 522, and State Route 202. Woodinville is considered by many to be the center of the northwest wine industry and a unique winery destination that highlights wines grown from grapes in Eastern Washington. The 108 wineries and tasting rooms located in Woodinville produce approximately three million cases of wine annually. Two million of the cases are produced by the award winning Chateau Ste. Michelle, the City's first winery and the oldest winery in Washington State. The City is also

known for its breweries, distilleries, and fine dining, which include the Red Hook Brewery, the Woodinville Whiskey Co, and the world-renowned Herb Farm Restaurant.

Woodinville is not only a tourist destination, it is home to a variety of other nationally and regionally known companies such as; Precor, one of the world's leading fitness equipment manufacturers; SaltWorks, which sells exotic sea salt from around the world; and Molbak's, a nationally and regionally renowned garden and horticultural center.

The City of Woodinville is nearing completion of an \$11.1 million project that widened a major thoroughfare, the Woodinville/Duvall Road. The City also recently completed several projects which include a conversion of street lights to LEDs, park improvements, and improvements and maintenance to the City's streets and storm water systems.

According to the US Bureau of Labor Statistics, the area's unemployment rate peaked during the Great Recession in 2010 at 9.4 percent. The area's current rate of 4.9 percent has been relatively low and stable since 2013, and is lower than the national rate of 5.5 percent. The Puget Sound Regional Council forecasts 10.1 percent job growth in the area over the next ten years. Both the low unemployment rate and forecasted job growth are positive indicators for the City's economic future.

The US Census Bureau reported the median household income (2009 – 2013) at \$96,993 for the City of Woodinville. This is significantly higher than the state, which was reported at \$59,438, and the nation which was reported at \$51,939; however, it is important to consider the high cost of living in the Puget Sound area. As of the 2010 US Census, the cost of living for the Puget Sound region ranges from 109.5 percent to 121.4 percent higher than the rest of the nation.

The City of Woodinville's population had a modest growth of 2.8 percent during the last five years due to new housing developments in the area. According to the King County Assessor's Office, the median single family home price in 2014 was \$382,000, an 11.4 percent increase over the prior year. The City levies a property tax each year based on property value. The City is allowed by statute to increase property tax by one percent year without a vote of the people. The City Council approved a one percent increase for 2015 for the first time in nine years.

In 2014, two full time employee (FTE) positions were eliminated; a senior programmer position when an employee retired and a building plans examiner position. In both instances, it was determined that it was more cost effective to outsource the work rather than refill the position. The City contracts for police services with King County, who added the services of one officer in 2014

Permitting activity increased in 2014 due to construction commencing on a large multi-phase mix use project which includes 800 residential units and retail space. For the next couple of years, the City anticipates approximately \$65 million in new construction, which combined, equals the amount of new construction the City had in seven of the last eight years. However, the instability of statewide revenues and a court mandate to provide more funding to education puts state shared revenues such as liquor profits, liquor taxes, and streamline sales tax mitigation, which account for approximately \$700,000 of the City's General Fund revenues, at risk.

## Financial Analysis

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid. In accordance with state law, the City also recognizes expenditures paid up to twenty days after the close of the fiscal year for claims incurred during the previous period.

As a result of the use of this cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported and long-term liabilities such as debt and compensated absences also are not reported on the face of the financial statements. However, the City's long-term debt obligations are disclosed in the notes to the financial statements.

### Cash and Investments

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Cash and Investments						
Restricted	\$ 5,708,714	\$ 2,338,920			\$ 5,708,714	\$ 2,338,920
Unrestricted	21,474,505	24,888,652	1,885,146	1,874,270	23,359,651	26,762,922
Total Cash and Investments	\$ 27,183,219	\$ 27,227,572	\$ 1,885,146	\$ 1,874,270	\$ 29,068,365	\$ 29,101,842

For the year ended December 31, 2014, the overall cash basis net position (fund balance) of the government decreased by approximately \$33,000.

Governmental activities' net position decreased by about \$44,000. Governmental activities consist of both operating and capital improvement funds. The net position for capital improvement funds decreased by \$1.85 million. However, the net position of operating funds increased by \$1.81 million due to improved sales tax and building permit and fee revenues and lower than budgeted operational expenditures.

Business-type activities' cash basis net position increased by approximately \$11,000. Business type activities consists of the City's Surface Water Management (operations) and Surface Water Capital Improvement Projects (CIP) funds, which are rolled together for financial reporting purposes, as well as the Equipment Rental and Unemployment Compensation internal service funds. Surface water activities had the largest impact on net position. Net position of the Surface Water Management CIP fund decreased by \$266,000 due to planned capital improvement projects. However, the Surface Water Management fund net position increased by \$239,000. The remaining changes in net position were result of an increase in the Equipment Rental internal service fund and a decrease in the Unemployment Compensation fund, both of which were anticipated.

Resources and Uses Arising from Cash Transactions by Activity

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Operating revenues</b>						
Taxes	\$ 10,099,785	\$ 9,674,686			\$ 10,099,785	\$ 9,674,686
Licenses and permits	788,555	452,803			788,555	452,803
Intergovernmental	5,163,532	928,357	60,529	430,279	5,224,061	1,358,636
Charges for services	1,890,712	826,941	1,375,262	1,213,091	3,265,974	2,040,032
Fines and forfeitures	8,550	8,705			8,550	8,705
Miscellaneous	1,222,217	204,939	1,777	2,719	1,223,994	207,658
<b>Total operating revenues</b>	<b>19,173,351</b>	<b>12,096,431</b>	<b>1,437,568</b>	<b>1,646,089</b>	<b>20,610,919</b>	<b>13,742,520</b>
<b>Operating expenditures</b>						
General government	2,102,653	2,148,798	12,925	7,649	2,115,578	2,156,447
Public safety	2,964,100	2,893,667			2,964,100	2,893,667
Utilities	-	-	942,121	918,819	942,121	918,819
Transportation	1,213,518	1,262,740	66,397	54,607	1,279,915	1,329,137
Natural and economic environment	1,587,695	1,456,223			1,587,695	1,456,223
Culture and recreation	414,160	331,877			414,160	331,877
<b>Total operating expenditures</b>	<b>8,282,126</b>	<b>8,093,305</b>	<b>1,021,443</b>	<b>981,075</b>	<b>9,303,569</b>	<b>9,086,170</b>
<b>Nonoperating revenues</b>						
Insurance recoveries	25,423	50,748	4,870	4,163	30,293	54,911
Transfers in*	-	-	498,849	-	498,849	-
<b>Total nonoperating revenues</b>	<b>25,423</b>	<b>50,748</b>	<b>503,719</b>	<b>4,163</b>	<b>529,142</b>	<b>54,911</b>
<b>Nonoperating expenditures</b>						
Capital outlay	9,929,576	2,316,336	908,968	211,834	10,838,544	2,528,170
Debt service						
Principal	433,606	413,862			433,606	413,862
Interest and debt service costs	98,971	114,425			98,971	114,425
Transfers out*	498,849	-			498,849	-
<b>Total nonoperating expenditures</b>	<b>10,961,002</b>	<b>2,844,623</b>	<b>908,968</b>	<b>211,834</b>	<b>11,869,970</b>	<b>3,056,457</b>
<b>Net increase (decrease)</b>	<b>(44,354)</b>	<b>1,209,251</b>	<b>10,876</b>	<b>457,343</b>	<b>(33,478)</b>	<b>1,654,804</b>
Beginning cash and investments	27,227,571	26,018,320	1,874,271	1,416,928	29,101,842	27,435,248
<b>Ending cash and investments</b>	<b>\$ 27,183,218</b>	<b>\$ 27,227,571</b>	<b>\$ 1,885,147</b>	<b>\$ 1,874,271</b>	<b>\$ 29,068,365</b>	<b>\$ 29,101,842</b>

\*transfers between governmental funds have been eliminated

**GOVERNMENTAL FUNDS**

For the fiscal year ended December 31, 2014, governmental funds finish with a combined fund balance of \$27.18 million. The General Fund balance increased by \$1.6 million, mainly due to sale tax revenues improving at a faster rate than anticipated. In addition, the General Fund reduced its support of Development Services operations with transfers of \$105,000 in 2014 compared to \$497,000 transferred in 2013. This is due to a growth in development activity that increased permit and fee revenues by 91% over the prior year.

**GENERAL FUND BUDGET**

December 31, 2014 was the end of the City's 2013/2014 biennial budget. During the biennium there were a total of four budget amendments, all of which adjusted total appropriations for the General

Fund. The original General Fund budget was \$18,090,353 and the final amended budget was \$18,294,118.

The most significant amendments, early in the biennium, were increases to purchase the Eastside Rail Corridor and the Woodtrails properties; however the final amendment to the budget deferred the purchase of the Eastside Rail Corridor property to the 2015-2016 budget cycle. Additionally, Council took actions that increased legal costs.

The final budget to actual comparison ended with \$2,173,682 less in General Fund expenditures than anticipated. This was due to an increase in revenues in the Street, Parks and Development Services funds, which resulted in \$782,000 less in transfers needed to support those operations. Additionally, \$400,000 in overhead costs over the two year budget cycle were directly charged to the Surface Water Management fund, which reduced expenditures in the General Fund. Anticipated legal expenses were also \$250,000 under budget because the City did not incur the costs as quickly as anticipated.

Revenue amendments were initiated by sales tax revenue that was \$400,000 more than anticipated, caused by modest growth in the retail trade and better than expected growth in accommodation & food services, construction, wholesale trade, and manufacturing. In addition, the City received a \$750,000 settlement that was not in the initial 2013-2014 budget.

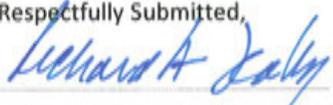
#### PROPRIETARY FUND

For the fiscal year ended December 31, 2014, the Surface Water Management fund ended with a cash basis net position of \$876,286. The fund experienced a decrease in net position in the amount of \$27,828. The decrease is a result of planned capital improvement projects including; NE 180<sup>th</sup> Street/Lake Leota Water Quality, Regional Stormwater Detention Plan, and miscellaneous stormwater improvements. These capital improvements were funded, in part, by transfers from other capital funds and revenues from Surface Water Management fees.

#### Acknowledgements

Successful preparation of the 2014 annual financial report could not have been accomplished without the dedicated efforts of the City's Finance staff, particularly Financial Accountant Dana Mason, who contributed to the development and improvement of this financial report.

Respectfully Submitted,

  
Richard Leahy, City Manager

  
Blaine Fritts, Finance Director

City of Woodinville  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 General Fund

For the Year Ended December 31, 2014

	Original Budget 2013 - 2014	Final Budget 2013 - 2014	2013 Actual	2014 Actual	Actual 2013 - 2014 Biennium	Variance with Final Budget Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 15,414,050	\$ 15,414,050	\$ 7,764,403	\$ 8,144,895	\$ 15,909,297	\$ 495,247
Licenses and permits	399,507	399,507	185,475	187,838	373,313	(26,194)
Intergovernmental	1,435,779	1,435,779	695,518	687,532	1,383,050	(52,729)
Charges for services	507,000	507,000	64,977	55,370	120,347	(386,653)
Fines and forfeitures	6,000	6,000	8,705	8,550	17,255	11,255
Miscellaneous	271,210	351,210	185,749	1,026,821	1,212,570	861,360
<b>Total revenues</b>	<b>18,033,546</b>	<b>18,113,546</b>	<b>8,904,826</b>	<b>10,111,006</b>	<b>19,015,832</b>	<b>902,286</b>
<b>Expenditures</b>						
General government	5,483,886	5,488,871	2,148,798	2,102,654	4,251,452	1,237,419
Security of persons and property	5,924,961	5,796,161	2,893,668	2,964,100	5,857,768	(61,607)
Physical environment	-	-	-	-	-	-
Transportation	1,201,131	1,079,711	480,969	490,536	971,504	108,207
Economic development	502,010	467,010	145,120	211,095	356,215	110,795
Culture and recreation	-	-	-	-	-	-
Capital outlay	341,000	1,538,397	39,717	1,431,127	1,470,845	67,552
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
<b>Total expenditures</b>	<b>13,452,988</b>	<b>14,370,150</b>	<b>5,708,272</b>	<b>7,199,511</b>	<b>12,907,784</b>	<b>1,462,366</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>4,580,558</b>	<b>3,743,396</b>	<b>3,196,554</b>	<b>2,911,494</b>	<b>6,108,048</b>	<b>2,364,652</b>
<b>Other financing sources and uses</b>						
Settlements	-	-	3,125	10,000	13,125	13,125
Transfers in	-	-	-	-	-	-
Transfers out	(4,835,864)	(4,079,864)	(1,980,287)	(1,316,717)	(3,297,004)	782,860
<b>Total other financing sources and uses</b>	<b>(4,835,864)</b>	<b>(4,079,864)</b>	<b>(1,977,162)</b>	<b>(1,306,717)</b>	<b>(3,283,879)</b>	<b>795,985</b>
Net change in fund balance	(255,306)	(336,468)	1,219,392	1,604,777	2,824,170	3,160,638
Fund balance - beginning	17,613,470	17,613,470	17,613,469	18,832,861	17,613,469	(1)
<b>Fund balance - ending</b>	<b>\$ 17,358,164</b>	<b>\$ 17,277,002</b>	<b>\$ 18,832,861</b>	<b>\$ 20,437,639</b>	<b>\$ 20,437,639</b>	<b>\$ 3,160,637</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

<b>Contact information for the State Auditor's Office</b>	
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