

2003

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended December 31, 2003



CITY OF BOTHELL, WA

CITY OF BOTHELL, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the Fiscal Year Ended December 31, 2003

PREPARED BY THE FINANCE DEPARTMENT

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Comprehensive Annual Financial Report of the City of Bothell, Washington For The Year Ending December 31, 2003

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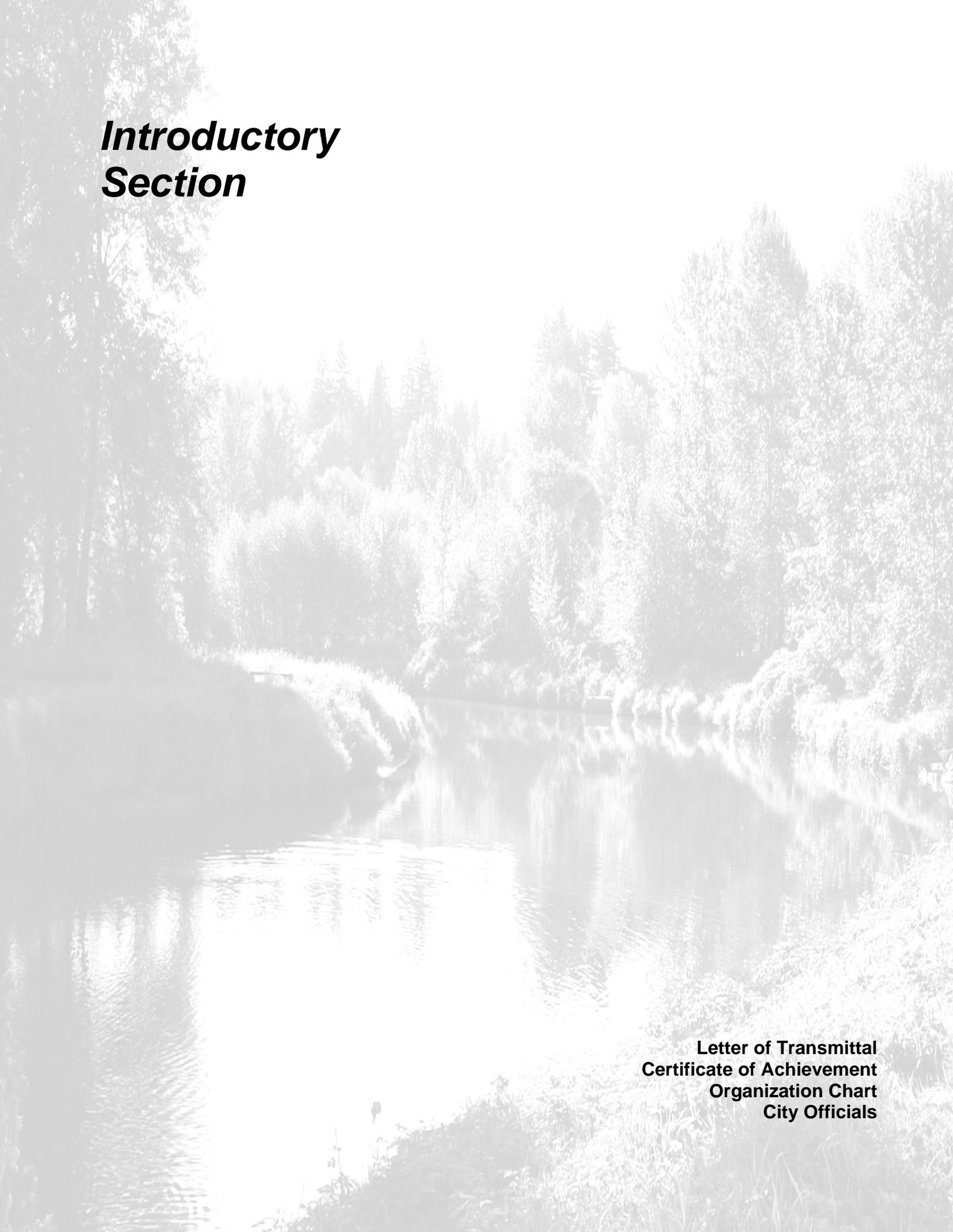
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Introductory Section

**Letter of Transmittal
Certificate of Achievement
Organization Chart
City Officials**

City of Bothell

Date: July 28, 2004

To the Residents of Bothell, Washington

The City of Bothell's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2003 is hereby submitted. This report was prepared by the City's Finance Department in conformance with the State Statute RCW 43.09.230, and the standards promulgated by the Government Finance Officers Association (GFOA) of the United States and Canada and its National Council on Governmental Accounting. These standards require statements to present the financial position of the City and the results of financial operations fairly, in accordance with generally accepted accounting principles (GAAP).

The CAFR is intended to provide sufficient information to permit the assessment of stewardship and accountability, to demonstrate legal compliance, and to provide management control.

City Management believes this report is presented accurately in all material aspects and conforms to the above required standards. City Management is responsible for the accuracy, the completeness, and the fair presentation of the data in the report along with all its related disclosures.

The report has three main sections: Introductory, Financial, and Statistical.

➤ The Introductory Section includes the City Manager's letter of transmittal, Bothell City Government's organizational structure and listing of officials, along with a copy of its 2002 Certificate of Achievement for Excellence in Financial Reporting.

➤ The Financial Section includes under the new Governmental Standard Board Statement No. 34 as amended, the Management Discussion and Analysis (MD&A), the basic financial statements, required supplementary information (RSI), the combining and individual fund financial statements and the State Auditor's report on the financial statements and schedules.

➤ The Statistical Section includes selected supplementary, financial, and demographic information, which is generally presented on a multi-year basis.

GAAP requires management to provide a narrative introduction, overview, and analysis to accompany its financial statements. The narrative is titled Management's Discussion and Analysis (MD&A).

Professionalism • Respect • Innovation • Dependability • Employee Accountability

City Administration

18305 101st Avenue NE
Bothell, WA 98011
(425) 486-3256
Fax: 486-2434
www.ci.bothell.wa.us

Community Dev. & Public Works

9654 NE 182nd Street
Bothell, WA 98011
(425) 486-8152
Fax: 486-2489

Fire and E.M.S.

10726 Beardslee Boulevard
Bothell, WA 98011
(425) 486-1678
Fax: 486-4556

Police

18410 101st Avenue NE
Bothell, WA 98011
(425) 486-1254
Fax: 487-0650

Municipal Court

10116 NE 183rd Street
Bothell, WA 98011
(425) 487-5587
Fax: 488-3052

This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The MD&A is positioned in the CAFR immediately following the State Auditor's report. See section II.

The City's 2003 CAFR is presented in compliance with the Government Accounting Standards Board (GASB) Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This recent financial reporting format requirement is described in the MD&A. Additionally, the notes to the financial statements further discuss GASB statement 34 and reflect on the changes it required and the effects and results of those changes. City Management supports GASB's financial reporting changes and believes the new presentation format provides better information to the users of our City's CAFR.

The City

The City of Bothell is located in northwest King County and south Snohomish County, was incorporated in 1909, and consists of approximately 12 square miles divided equally between the two counties.

The City is an Optional Municipal Code City operating under the Council-Manager form of Government. The seven Council members are elected at-large for 4-year terms. The Council appoints a full time professional City Manager. The six department heads and the Assistant City Manager are appointed by the City Manager.

In 2003, the City of Bothell had 245 authorized positions. Due to revenue shortfalls caused by tax limiting initiatives, an unstable economy and plummeting building permit figures, the

City Council authorized 21 fewer positions than they authorized in 2002.

Bothell's full and part-time employees provide a full range of municipal services including general government, public safety (including police department dispatch for Lake Forest Park), community development, public works and parks and recreation for our 30,910 residents. Fire protection is also provided for a bordering fire district. The City operates enterprise funds for storm drain, water and sewer utilities. The City and adjacent water districts provide water and sewer services. Garbage service is provided through an independent contractor. Library services are provided through the King County Library System.

The City of Bothell developed historically as a bedroom community to Seattle and the Eastside communities of Bellevue and Redmond. In more recent years, the City's growth has also been attributable to the increasing population of the City of Everett and the Southwestern areas of Snohomish County. Additionally, as technical business parks have been developed within the City limits, a variety of employment opportunities have been created. During the past decade, the City has changed from a primarily residential community, with a central business district and major strip development along an interstate and three major highways, to one with retail complexes and business parks. Our City has become a nationally recognized biotechnology center.

Summary of Accounting Policies

The City's Governmental funds are maintained on a modified accrual basis. This means expenditures are recognized when incurred and revenues when earned. Enterprise and Internal Service

Funds are maintained on a full accrual basis.

The City maintains a system of internal controls which provide reasonable assurance that the City's assets are safeguarded, transactions are properly recorded, and financial reports meet the requirements of generally accepted accounting principles.

The concept of reasonable assurance in accounting controls recognizes that the cost of implementing and maintaining internal controls over accounting systems should not exceed the benefits expected to be derived.

City management believes the City of Bothell accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Besides GAAP compliance, cities and counties of the State of Washington must comply with the Budgeting, Accounting and Reporting System (BARS) prescribed by the Office of the State Auditor. State law also provides for an annual independent audit by the Office of the State Auditor and requires timely submission of annual financial reports to the State for review.

As a recipient of federal financial assistance, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and Budget Circular A-133, *Audits of State and Local Governments*. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. In 2003, Bothell did not meet the \$300,000 threshold required by the Federal government for an annual single audit.

The City's independent audit covering 2003 was conducted February through June of 2004, and is complete. The results of the audit for the year ended December 31, 2003 found the City's financial statement to be presented fairly and free of any material misstatements or significant violations of applicable laws and regulations. The City was given an unqualified opinion as stated in the Independent Auditor's Report at the beginning of the Financial Section of this document.

The biennial operating and capital budget process commences in May of even years when the City's Finance staff prepares the calendar for the budget process and the City Manager and Finance Director establish and convey to Department Directors comprehensive budget preparation guidelines. Each department prepares its budget based on general Council goal directives, historical trend and current year operating data, and projected funding needs for projects and services. The City Manager recommends a balanced preliminary budget to the City Council and the budget is made available to the public. Public hearings are held and, if necessary, the budget is revised before adoption by the Council. The property tax levies are approved annually. Budgets are adopted and accounted for at the fund level. As a budgetary control, a revenue and expenditure analysis is performed monthly. After adoption, budget amendments may be adopted by the City Council after a public hearing. During 2003, one budget amendment was adopted.

The City's cash management practice allows the City to invest any cash not needed for immediate purposes in government agency securities or other legally approved securities and the State Treasurer's Investment Pool.

The City's investment policy was certified by the Municipal Treasurer's Association.

Investment revenues are credited to the following funds, with the remainder credited to the General Fund: Arterial Street, Park Cumulative Reserve, Capital Improvement, Construction and Acquisition, Water, Sewer, Storm Drain, Equipment Rental, Asset Replacement, Firemen's Pension reserve, Local Improvement District Guaranty and certain restricted monies held in Trust.

The City of Bothell utilizes a self-insurance fund for its risk management program. The City has been a member of an insurance investment pool, administered by the Washington Cities Insurance Authority (WCIA), since August 1977. Further explanation is provided in the notes to the financial statements.

The majority of our City staff participates in one of the following mandatory state pension systems:

- Law Enforcement Officers and Firefighters Retirement System (LEOFF) for uniformed police officers and firefighters; and
- Public Employees Retirement System (PERS) for all other employees.

Both systems are administered by the Washington State Department of Retirement Systems (DSR), under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Plan descriptions and funding policies are presented and explained in the notes to the financial statements.

Summary of Financial Operations

Revenues Summary

In 2003, general government revenues (general, special revenue, debt service and capital projects fund revenues excluding operating transfers) totaled \$30,267,455.

Revenue collections have declined over the last two years. In 2003, revenues decreased at a rate of 8% and in 2002, revenue collections decreased at a rate of 5%. In the decade prior, the City experienced substantial growth in its most significant revenue sources (retail sales and property tax). Consistent with 2002, the current year's drop in revenue growth continues to be largely attributed to our nation's sluggish economy, Bothell's sharp decline in building permits and legislation limiting property tax growth to 1% annually.

Taxes

In 2003, tax revenues overall increased by 1%. Property tax collections increased 8% due to a 1% levy increase and the tail end of the 1990's boom in new construction being added to the property tax rolls. Retail sales and use tax revenues declined 3% (over \$300,000). Without consideration of Hotel/Motel tax revenues, which are restricted to spending on tourism, retail sales and use tax declined 6% in 2003. An unstable economy and the subsequent decline in consumer confidence and spending combined with sales tax leakage related to Bothell's predominantly residential makeup continued to negatively affect sales tax receipts. The Bothell City Council is actively looking at various alternatives to generate new sales tax revenue through rezoning and revitalization of the City's downtown. Real Estate Excise tax (REET), increased 29%. This dramatic increase is attributable to the

current 30 to 40-year low in interest rates. Homeowners are able to take advantage of lower interest rates to upgrade into more expensive housing while previous renters are able to become first-time homeowners. REET revenues are legally restricted to capital spending and are therefore not available for general operating appropriation. Other taxes remained unvarying or showed growth in-line with inflation.

Licenses & Permits

License and permit fee revenue saw an increase of 13% due to the stabilization in requests for new construction permits and the City Council adopting a fee schedule ordinance that emphasizes 100% cost recovery for City services. This trend is expected to continue in 2005-2006.

Intergovernmental

Intergovernmental revenues decreased 48% in 2003. This sharp decline was due to the City receiving 2.3 million in one-time revenues from King County in 2002. The funds were designated for ballpark renovation.

Charges for Services

This area saw a decrease of 8% related to the decline in new construction permits and their related service revenues.

Fines & Forfeitures

In 2003, revenues from fines and forfeitures increased by 22%. Traffic infraction penalties, along with court, public defense and court interpreter receipts all came in considerably higher than 2002. Management attributes higher than projected revenues to an increase in filings. Fine and forfeiture

revenues often fluctuate from year to year. In 2002, revenues declined 24%.

Miscellaneous

Miscellaneous revenues dropped by 7%. This decrease is attributed to our

Nation's current 30 to 40-year low in interest rates and the City's subsequent lowered earnings on investments.

Expenditures Summary

2003 general government expenditures (General, Special Revenue, Debt Service and Capital Improvement Funds excluding operating transfers) totaled \$27,708,018, a near 10% decrease from 2002.

The 5% increase in Public Safety expenditures in 2003 was largely due to the rise in cost of providing employee benefits, a 5% reduction in Police and Fire maintenance and operating appropriation in 2002 and a citywide revision in the allocation of insurance premium costs.

Transportation expenditures increased by 22% in 2003, due to federal, state and local road project fund-matching awards.

The 51% decrease in physical and economic environment spending is due to the 2002 ballpark renovation mentioned previously.

Year-end fund balances for individual Major Governmental Funds and the combined "Other" Non-Major Governmental Funds are as follows:

Fund	2002	2003	Increase (Decrease)
General Fund	20,251,378	21,883,234	1,631,856
Arterial Street	3,803,282	2,333,430	(1,469,852)
Capital Improvements	3,285,911	4,326,497	1,040,586
LID Control	638,231	132,573	(505,658)
Other Governmental Funds	2,083,952	1,745,280	(338,672)

Results of Operations - Proprietary Funds

The City operates three utilities -- water, sewer and storm water drainage. Water is purchased on a wholesale basis from the City of Seattle. The City does not operate a sewage disposal system, but contracts with King County for this service. The Citywide storm and surface water drainage utility was established in 1995 to promote public health, safety, and welfare with a comprehensive approach to surface and storm water problems, including basin planning, land use regulation, facility construction, maintenance, and public education. The water and sewer distribution and collection systems in

South Bothell are maintained and operated locally. A separate Public Utility District serves the North portion of the City located in Snohomish County.

In 2003, the City operated three internal service funds, Equipment Rental, Self Insurance, and Asset Replacement.

Two additional internal service funds, Computer Services and Facilities Management, were absorbed into the general fund in the 2003 budget.

Comparative data for the above funds for 2002 and 2003 are presented on the following page:

Fund	Operating Revenues		Net Assets	
	2002	2003	2002	2003
Water	3,074,326	3,202,248	8,989,506	9,381,977
Sewer	3,406,227	3,514,127	7,949,341	8,286,604
Storm Drain	1,642,076	1,461,783	8,275,113	8,576,126
Equipment Rental*	0	0	704,499	746,839
Self Insurance*	0	0	84,818	98,706
Asset Replacement*	0	0	3,943,181	4,519,884

*Internal Service Funds are reimbursed for their operating costs through operating transfers

In 2003, Water, Sewer and Storm Drain operating revenues increased less than 1% due to rate increases and subsequent consumer conservation and/or reduction in use.

Debt Administration

The City has three types of Bond debt issues outstanding: general obligation, revenue, and special assessment. Other general government long-term debt includes \$2,007 in local improvement assessments, and \$1,892,154 in Public Works Administration loans. Total long-term general obligation debt, including G.O. bonds outstanding at 12-31-03, is \$13,184,161. The City's debt capacity is outlined in note 12, located in section IIB of this document under the Basic Financial Statements section page 34.

Economic Outlook

City management had the foresight to plan ahead for uncertain economic times. Management's conservative pay-as-you-go approach to spending and planning ahead for a "rainy day" paid off for the citizens of Bothell in the early 2000's, when the national economy slowed, creating a recession in the business sector. High unemployment and Low consumer confidence resulted in a reduction in spending. The unemployment rate in Washington State peaked in June 2003 at 7.8%. By December 2003, the rate had fallen to 6.8%. Unemployment is expected to remain high well into 2005. Nationally, economists predict the

economy to recover slowly throughout 2004 and 2005, but caution that this recovery is unique in that it continues to be jobless.

Bothell is expected to continue to grow, but at a much slower rate than seen in the 1990's. Construction decreased severely over the last few years, due not only to the slowed economy, but also the decreasing availability of land.

For the past decade, the City of Bothell has depended heavily on growth and its boom in building permit revenues to fund its operation. Due to the sharp drop in new construction in recent years, along with the significant increase in the cost of providing services, city management has been actively reviewing the City's tax base and fee structure to develop sound strategies for the long-term fiscal health of our City.

In 2002, the City conducted a review of its Comprehensive Plan and zoning requirements to investigate changes conducive to stimulating the City's economic base. In 2003, this review resulted in the City Council passing an ordinance increasing building heights in certain areas of our City.

The City Council also passed an ordinance to annually adjust the City's Comprehensive Fee Schedule with a cost of living (CPI) increase.

The City lies within an area known as the "technology corridor", which extends from Bellevue to south Everett

in Snohomish County. Based on a private sector marketing concept, the corridor includes approximately 20 million square feet of commercial and light industrial space in campus-style business parks along a ten-mile corridor. Due to annexations over the past ten years, four of the original six business parks in the corridor now lie within Bothell City limits.

The Schnitzer North Creek and Quadrant business parks are well established, and together cover 315 acres and provide facility space for over 180 businesses. The types of businesses currently operating in the parks include telecommunications, computer software development, environmental engineering research, and manufacturing. There are also hotel facilities, insurance corporate headquarters, a Home Depot outlet, a Staples, and the Seattle Times regional newspaper printing and distribution plant.

The Canyon Park Business Center is located in Snohomish County and features the Federal Food and Drug Administration offices, biopharmaceutical manufacturing facilities, Micro vision, and an extension campus of Shoreline Community College.

Other facilities located in the Canyon Park area are Phillips Medical, which manufactures ultrasound equipment, Eldec Corporation, which produces aerospace electronics, and Immunex, a major biotech company. In 2002, a retail complex with a motel, gas station, and major steakhouse chain opened, along with other smaller retail businesses.

The eight-acre Quadrant Monte Villa Center began to develop in 1995. The first project completed in this business park was Quinton Instruments, a

pharmaceuticals manufacturer with a 30,000 square foot facility. Other occupants in this business park include telecommunications, including AT&T, the largest resident, and insurance, scientific, and services industries.

The growth of the technology corridor has added diversity and strength to Bothell's employment base.

Some future commercial and industrial development is expected to add to the City's economic base in coming years, but again the high level of growth seen in new construction in the 1990's could not be sustained in the 2000's because of the dwindling availability of land within the city limits.

The new University of Washington Bothell (UWB) campus and Cascadia Community College (CCC) opened in Bothell in the fall of 2001, and attendance at both schools continues to exceed original projected levels.

Awards

City management was delighted to receive the following Government Finance Officers Association (GFOA) Awards in 2003:

- **GFOA Certificate of Achievement for Excellence in Financial Reporting** for its 2002 Comprehensive Annual Financial Reports (CAFR).

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting.

Our City's CAFR was judged to adhere to the high standards of the certificate program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story

and motivate potential users to read the document.

- **GFOA Distinguished Budget Presentation Award** for its 2003 – 2004 biennial budget document.

The GFOA presents this award to governments whose budget document meets the GFOA's criteria as an effective policy document, operations guide, financial plan and communication device.

The City will continue to be diligent in improving development and providing quality service to our citizens.

We wish to express our appreciation to the Finance Department staff for their efforts in preparing this report.

Appreciation is also extended to City Council and City management for their encouragement and support.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Tami Schackman', with a long horizontal flourish extending to the right.

Tami Schackman
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bothell,
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



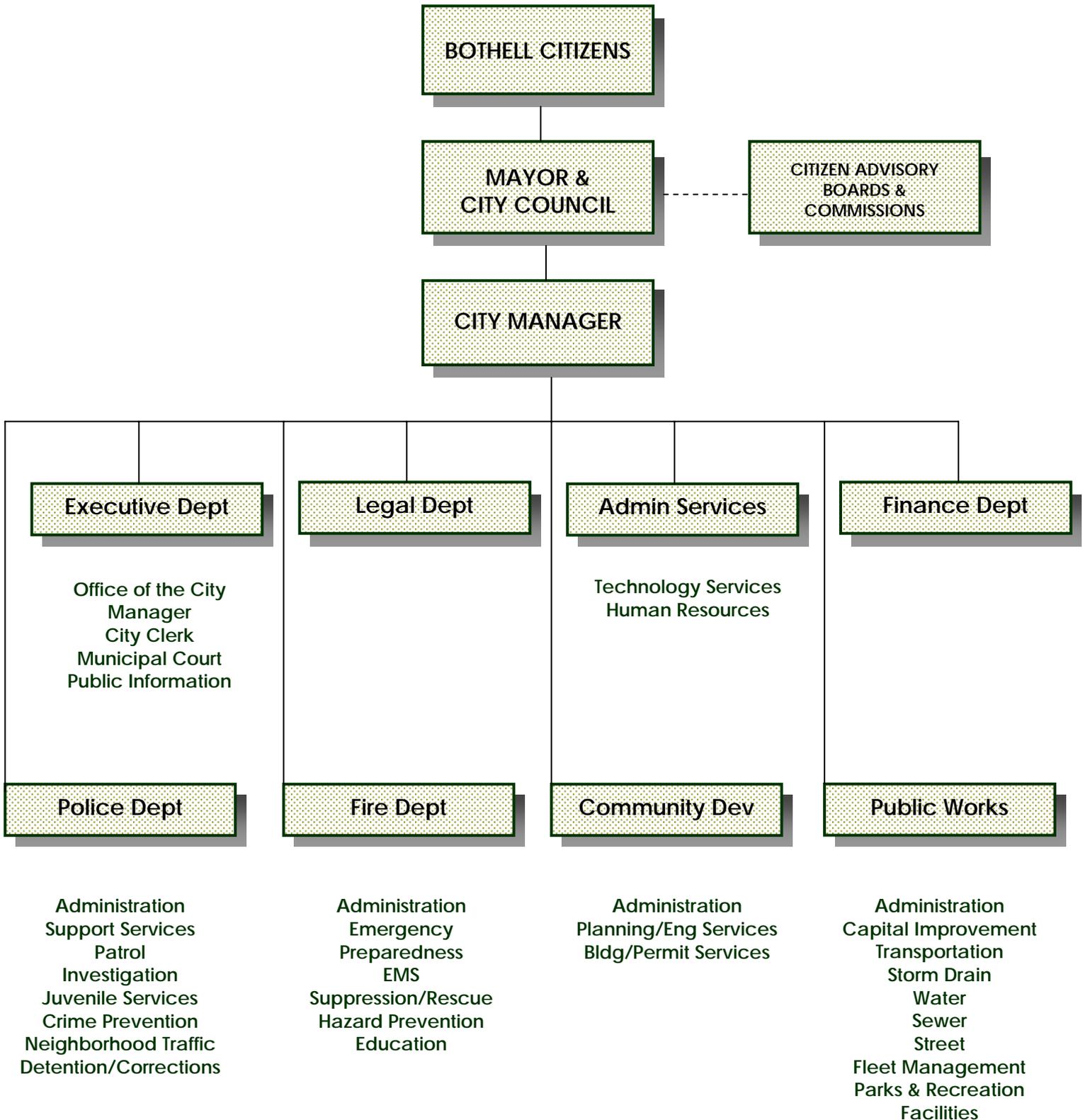
A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

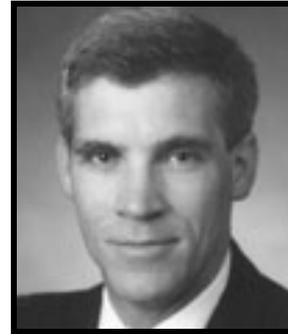
City of Bothell 2005-2006



City of Bothell Elected Officials



MAYOR
Patrick Ewing



Tim Tobin



Mike Johnson
Deputy Mayor



Andrea Perry



Jeff Merrill



Mark Lamb

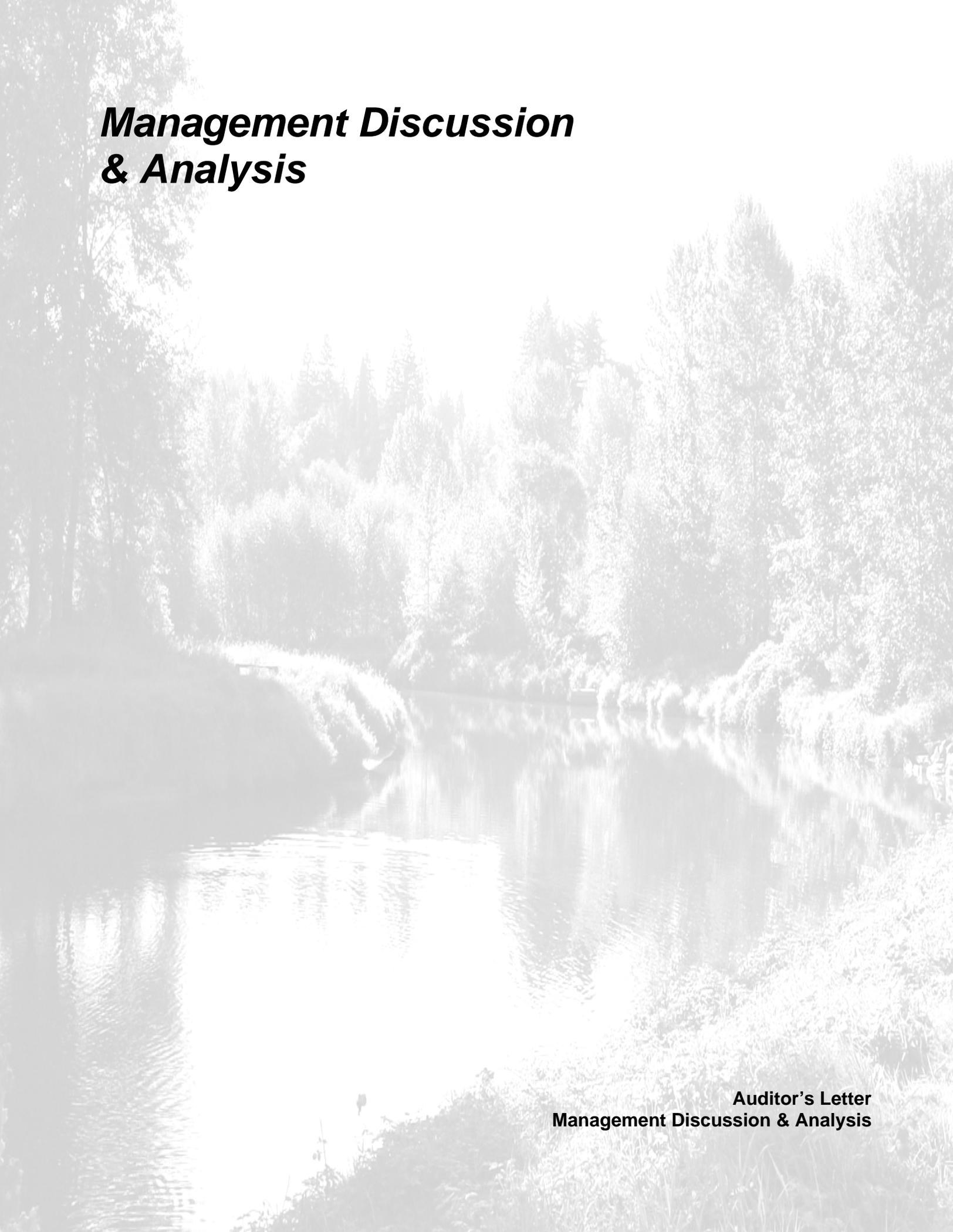


Sandy Guinn

EXECUTIVE STAFF

Interim City Manager
Interim Assistant City Manager
Administrative Services Director
Interim Finance Director
City Attorney
Community Development Director
Fire Chief
Police Chief
Public Works Director

Manny Ocampo
Dave Zabell
Mark Ericks
Tami Schackman
Michael Weight
Bill Wiselogle
Ron Zsigmondovics
Forrest Conover
Dave Zabell



Management Discussion & Analysis

**Auditor's Letter
Management Discussion & Analysis**



Washington State Auditor
Brian Sonntag

Legislative Building
PO Box 40021
Olympia, Washington 98504-0021

(360) 902-0370
FAX (360) 753-0646
TDD Relay 1-800-833-6388
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INDEPENDENT AUDITOR'S REPORT

June 11, 2004

Mayor, City of Bothell, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bothell, King/Snohomish Counties, Washington, as of and for the year ended December 31, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bothell, King/Snohomish Counties, Washington, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages A1 through A11 and budgetary comparison information on pages C1 through C2, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Bothell's basic financial statements. The accompanying financial information listed as combining financial statements on pages D1 through D19 and supplemental information on pages E1 through E6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining financial statements and supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Sincerely,

A handwritten signature in black ink that reads "Brian Sonntag".

BRIAN SONNTAG, CGFM
STATE AUDITOR



Management's Discussion and Analysis

The discussion and Analysis section of Bothell's Comprehensive Annual Financial Report (CAFR) is prepared by City management to provide CAFR users with an overview of the City's financial activity and performance for the fiscal year ended December 31, 2003.*

** Users are encouraged to read the information within this section in conjunction with the data furnished in the Chief Financial Officer's transmittal letter (section I page i - x) and the City's financial statements (section IIB page 1 - 37).*

Financial Highlights

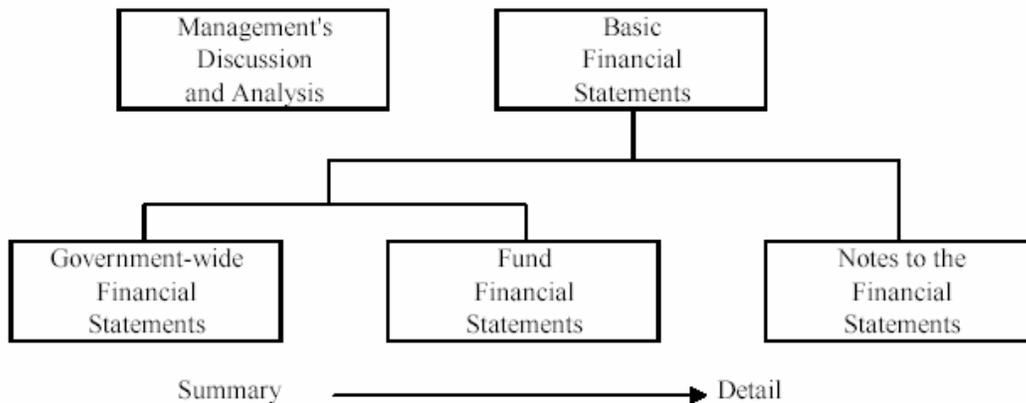
- Fund balance for the General Fund as of 12/31/03 was \$21,883,234 or 71% of total 2003 budgeted expenditures. Total fund balance for all governmental funds was \$30,421,014 as of 12/31/03.
- Total net change in fund balance for governmental funds in 2003 was \$283,412.
- City debt decreased by \$1,460,477 in 2003.
- Total net assets for governmental activities decreased by \$28,267,202 due significantly to depreciation of infrastructure assets.
- Total cost of General Fund activities in 2003 was \$22,741,077 compared to \$25,501,562 in 2002.
- Revenues exceeded expenditures in the General Fund in 2003 by \$3,236,994.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Required Components of Annual Financial Report

Figure 1



The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The final section of the basic financial statements is the notes. The notes to the financial statements further detail some data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets should serve as a useful indicator of whether the financial position of City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will

only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

For the City of Bothell, both of the government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities.

The governmental activities include most of the City's basic services such as general administration, public safety, parks and recreation, and public services. Sales and property taxes, along with state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include Water, Sewer, and Storm Drain management.

The government-wide financial statements can be found in section IIB on pages 1-3 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Bothell, like all other governmental entities in Washington State, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as State Statutes and the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method call modified accrual accounting which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps them determine if there are more or less financial resources available to finance the City's programs. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison to governmental activities in the government-wide financial statements.

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Arterial, Capital Improvements and LID Control funds which considered major funds. Data for the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

In 2003, the City adopted a biennial budget for its General Fund as required by State law. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the City's 2003 segment of the adopted biennial budget. Schedules of

Revenues, Expenditures and Changes in Fund Balances – Budget to Actual begin in section IIC on page 1 of the RSI.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Storm Drain activities. Internal service funds are an accounting method used to accumulate and allocate costs internally among the City's various funds and programs. The City uses internal service funds to account for its Fleet Management, Self Insurance, and Asset Replacement functions. The internal service funds predominately benefit governmental rather than business-type activities, and therefore, have been included with governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found in section IIB on pages 8-10 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found in section IIB on pages 11-12 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement are in section IIB on pages 13-37 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found in section IIC. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in sections D and E of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended December 31, 2002 were the beginning of a new era in financial reporting for the City of Bothell and many other government entities across the United States. Prior to 2002, the City maintained its governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board Statement 34. While the City was required to implement these changes for the fiscal year ended June 30, 2003, other entities may not be required to implement until 2004 or 2005.

Due to the implementation of the new reporting model, comparative data for all facets of the City's report were not available in 2002, although when comparative numbers were accessible, they were included. Beginning with this year's report comparative data is available for all facets and therefore providing additional opportunity to report users for comparative analysis. As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition.

The assets of the City exceeded liabilities by \$1,018,370,587 as of December 31, 2003. Investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City's net assets (96 percent) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Bothell's Net Assets
As of December 31, 2003

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Current and other Assets	\$ 38,385,707	\$ 38,428,714	\$ 7,228,465	\$ 6,651,666	\$ 45,614,172	\$ 45,080,380
Capital Assets	968,220,138	998,873,797	21,548,426	21,312,513	989,768,564	1,020,186,310
Total assets	\$ 1,006,605,845	\$ 1,037,302,511	\$ 28,776,890	\$ 27,964,179	\$ 1,035,382,736	\$ 1,065,266,690
Long-term debt	\$ 10,224,312	\$ 12,438,060	\$ 1,966,381	\$ 2,206,578	\$ 12,190,693	\$ 14,644,638
Other liabilities	4,255,653	4,544,218	565,802	543,642	4,821,455	5,087,860
Total Liabilities	\$ 14,479,965	\$ 16,982,278	\$ 2,532,182	\$ 2,750,220	\$ 17,012,148	\$ 19,732,498
Net Assets:						
Invested in capital, net of debt	\$ 957,239,957	\$ 986,435,737	\$ 19,344,446	\$ 19,105,935	\$ 976,584,403	\$ 1,005,541,672
Restricted	358,713	367,399	45,950	45,950	404,663	413,349
Unrestricted	34,527,209	33,595,072	6,854,312	6,062,075	41,381,521	39,657,147
Total net assets	\$ 992,125,879	\$ 1,020,398,208	\$ 26,244,708	\$ 25,213,960	\$ 1,018,370,587	\$ 1,045,612,168

The balance of unrestricted net assets, \$41,381,521 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Bothell's net assets from operations decreased citywide by \$27,911,986 during 2003.

Governmental Activities. Governmental activities decreased the City's net assets by \$28,942,735. The key factors influencing the decrease to net assets are described below:

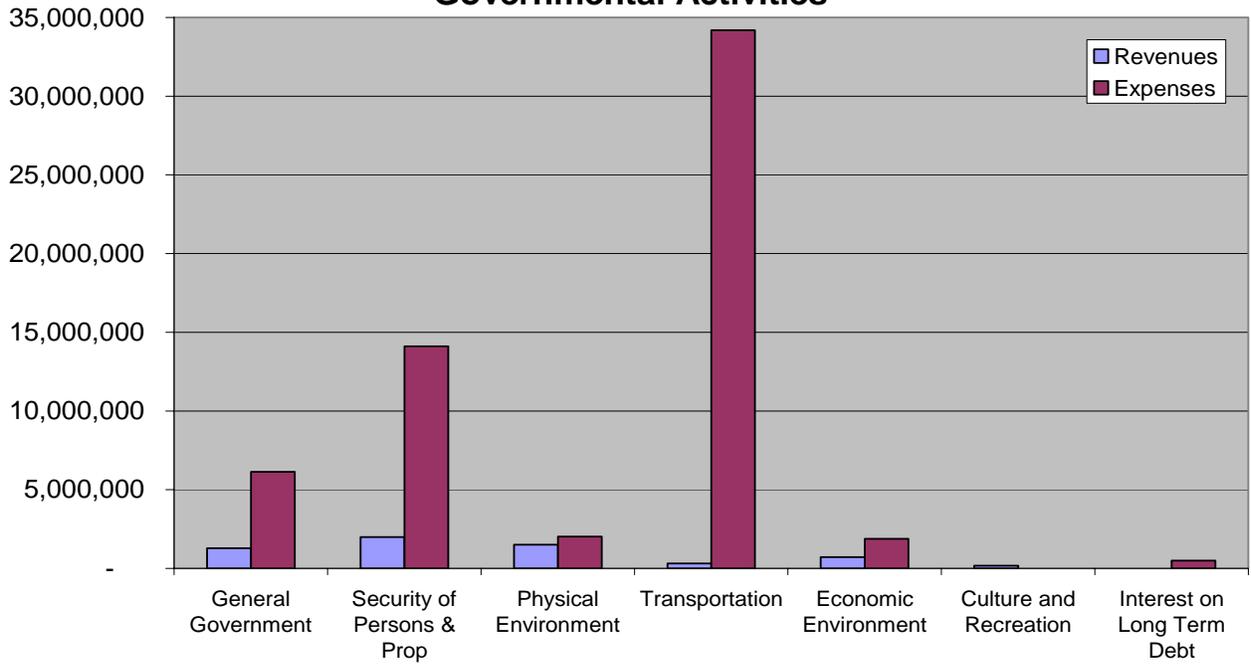
- \$35,752,259 decrease due to the depreciation of infrastructure assets;
- \$3,850,079 increase resulting from capital asset expenditures, which will be depreciated over their useful life;
- \$732,209 increase due to internal service funds used by management to charge for costs of certain activities to individual funds. The net (expense) of the internal service funds and the internal balances reported with the governmental activities; and
- \$1,457,879 increase attributable to bond principal payments that reduced long-term liabilities on the statement of assets.

Business-type Activities. Business-type activities increased the City's net assets by \$1,030,749. The key components of this increase were higher than projected revenues, bond principal payments that reduced long-term liabilities and expenditures for capital assets.

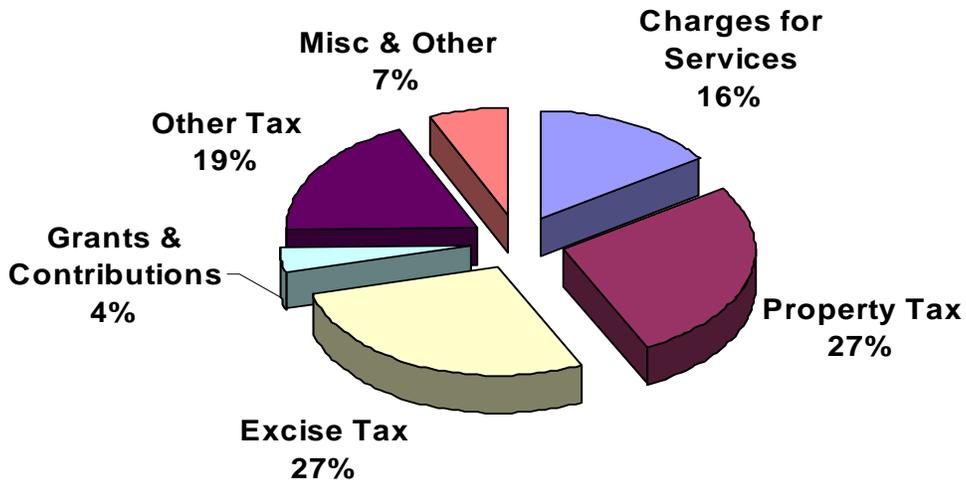
**Table 2
Changes in Net Assets
As of December 31, 2003**

	2003			2002		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenues						
Program Revenues						
Charges for services	\$ 4,853,723	\$ 8,178,159	\$ 13,031,882	\$ 4,701,197	\$ 8,122,629	\$ 12,823,826
Operating grants and contributions	575,740		575,740	3,300,874		3,300,874
Capital grants and contributions	571,787		571,787	462,331	29,007	491,338
General Revenues						0
Property tax	8,468,939		8,468,939	7,610,308		7,610,308
Excise Tax	8,795,760		8,795,760	9,481,312		9,481,312
Business tax	5,783,829		5,783,829	5,957,591		5,957,591
Grants and contributions not restricted to specific programs			0	138,334		138,334
Interest and investment earnings	476,394	47,456	523,850	815,546	64,546	880,092
Miscellaneous	1,677,683	5,731	1,683,414	775,392	2,732	778,124
Transfers	518,903	(518,903)	0	794,916	(794,916)	0
Total revenue	\$ 31,722,758	\$ 7,712,443	\$ 39,435,201	\$ 34,037,801	\$ 7,423,998	\$ 41,461,799
Program expenses including indirect expenses						
General government	6,194,411		6,194,411	5,443,786		5,443,786
Security of persons and property	14,205,576		14,205,576	13,179,554		13,179,554
Physical environment	2,053,136		2,053,136	2,250,105		2,250,105
Transportation	35,842,309		35,842,309	3,258,334		3,258,334
Economic Environment	1,880,106		1,880,106	2,799,741		2,799,741
Interest on long-term debt	489,954		489,954	827,705		827,705
Water		2,653,301	2,653,301		2,797,684	2,797,684
Sewer		3,052,256	3,052,256		3,042,798	3,042,798
Storm Drain		976,137	976,137		1,100,330	1,100,330
Total Expenses	\$ 60,665,492	\$ 6,681,694	\$ 67,347,186	\$ 27,759,225	\$ 6,940,812	\$ 34,700,037
Change in net assets	\$ (28,942,735)	\$ 1,030,749	\$ (27,911,986)	\$ 6,278,575	\$ 483,187	\$ 6,761,762

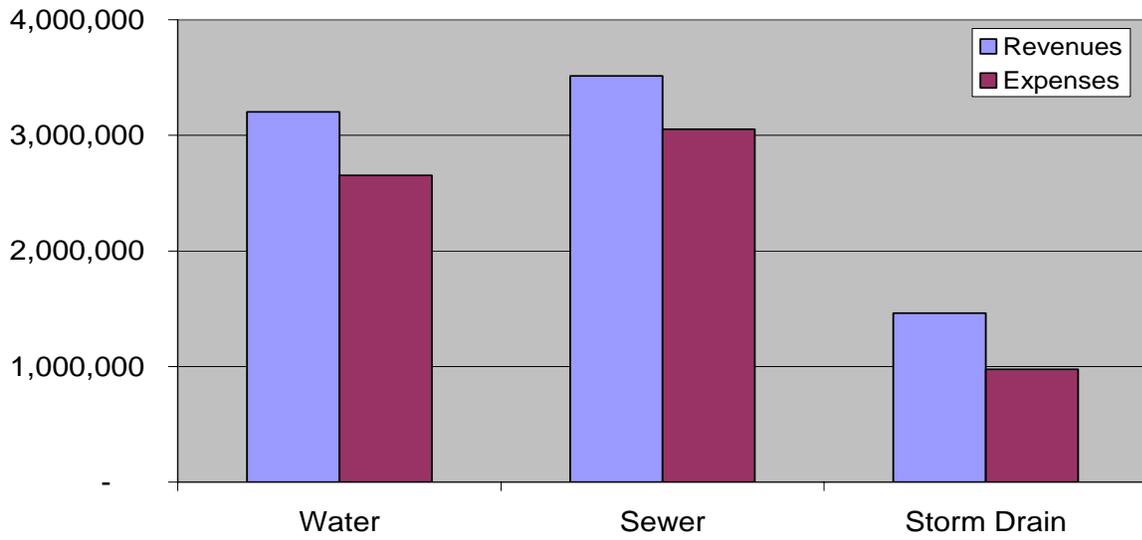
Expenses and Program Revenues - Governmental Activities



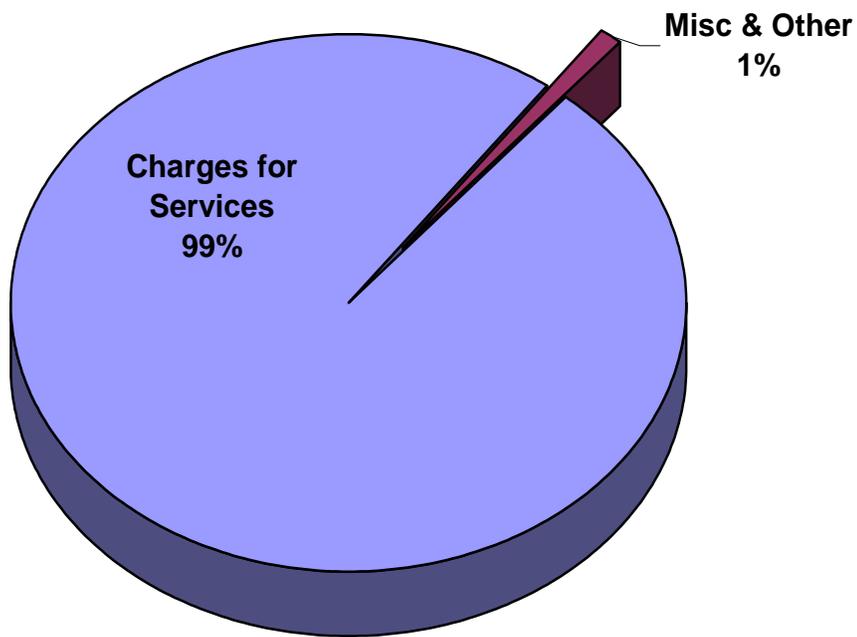
2003 Governmental Activities Revenue



Expenses and Program Revenues - Business-type Activities



2003 Business-type Program Revenue



Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$21,524,521. (See Basic Financial Statements Page 4.)

At December 31, 2003, the Total Governmental Funds of the City reported a combined fund balance of \$30,421,014, a near 1% increase over last year. Included in this change in fund balances are increases in the General and Capital Improvement Funds along with decreases in the Arterial Streets, LID Control and Other Governmental Funds.

Fund balance for the City's general fund increased by \$1,631,856, an 8% increase during the current fiscal year. The key factors producing this substantial rate of growth was a decrease in program spending and due to our City's new biennial budget process directors were able to carryover 2003 projects and acquisitions into 2004. Therefore, expenditures for the first year of the biennium are not wholly tied to the annual revenue receipts for the same period.

Budgetary Highlights Including the General Fund: During the fiscal year, the City revised the budget on only one occasion. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The City's only budget amendment in the first year of its biennium (2003) was made to appropriate the following effective January 1, 2004:

- \$430,800 in new expenditures, the majority of which was for unanticipated unemployment costs due to layoffs and L&I rate increases. \$280,000 applied to the General Fund.
- \$1,027,300 in additional grant program expenditures. \$900,100 applied to the General Fund mainly for a Fire FEMA grant program.
- \$2,565,000 from designated reserves for a fire truck, park development, hotel/motel tax tourism grants, police CAD/RMS software and buy-out of a street sweeper lease. \$1,899,900 applied to the General Fund.
- \$809,100 in 2002 carryforward Street and Water Fund projects.
- \$48,600 net increase in operating transfers.

- \$1,890,000 in additional tax and fee revenue. \$1,680,000 applied to the General Fund, which included \$1,500,000 in property tax along with new EMS Transport fee revenues.
- \$1,534,000 in awarded grant revenues. \$1,408,800 applied to the General Fund.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statement but in more detail. Unrestricted net assets of each fund are as follows: Water \$1,977,602; Sewer \$2,335,370; Storm Drain \$2,541,340.

The total growth in net assets for each fund was as follows: Water up \$392,471; Sewer up \$337,263; and Storm Drain up \$301,014. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2003, totals \$989,768,565 (net of accumulated depreciation). These assets include bridges, right of way, buildings, streets and sidewalks, land, machinery and equipment, and vehicles.

In 2002, the City added a net \$958,279,947 in infrastructure assets as part of the implementation of GASB Statement 34.

Table 3
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land and land improvements	\$ 10,448,097	\$ 10,068,097	\$ 285,301	\$ 285,301	\$ 10,733,398	\$ 10,353,398
Infrastructure right-of-way	66,050,120	66,050,123			66,050,120	66,050,123
Buildings	16,955,731	17,311,415	135,741	144,376	17,091,472	17,455,791
Improvements	11,550,547	10,792,516	20,418,984	20,026,293	31,969,531	30,818,809
Infrastructure	858,008,655	892,229,824			858,008,655	892,229,824
Vehicles	1,155,326	1,378,322	378,472	301,257	1,533,798	1,679,579
Machinery & Equipment	489,649	492,850	13,284	18,470	502,933	511,320
Construction in progress	3,562,014	550,650	316,644	536,817	3,878,658	1,087,467
Total	\$ 968,220,139	\$ 998,873,797	\$ 21,548,426	\$ 21,312,513	\$ 989,768,565	\$ 1,020,186,310

Additional information on the City's capital assets can be found in note 5 in section IIB on pages 24-25 of the Basic Financial Statements.

Long-Term Debt. As of December 31, 2003, the City had total debt outstanding of \$13,184,161.

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2002	2003	2002	2003	2002	2003
General Obligation Debt	\$ 10,615,000	\$ 9,975,000	\$	\$	\$ 10,615,000	\$ 9,975,000
Revenue Debt			435,000	335,000	435,000	335,000
Assessment Debt	1,580,000	800,000	180,000	180,000	1,760,000	980,000
Other Debt	243,060	205,181	1,591,578	1,688,980	1,834,638	1,894,161
Total	\$ 12,438,060	\$ 10,980,181	\$ 2,206,578	\$ 2,203,980	\$ 14,644,638	\$ 13,184,161

Washington State statutes limit the amount of general obligation debt that a unit of government can issue to 7.5 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Bothell is \$282,733,376. The City has \$9,975,000 in outstanding bonds at December 31, 2003. Additional information regarding the City's long-term debt can be found in section IIB note 12 on pages 34-36 of this report.

Economic Factors and Next Year's Budgets and Rates

- Municipalities throughout the State of Washington continue to experience budget shortfalls due to property tax reforms, a jobless economic recovery and the rising cost of providing services to citizens.
- The current unemployment rate in Washington State is 6.1 percent, which is above the National average of 5.6 percent.
- City Fees increase basically in-line with the consumer price index (CPI).

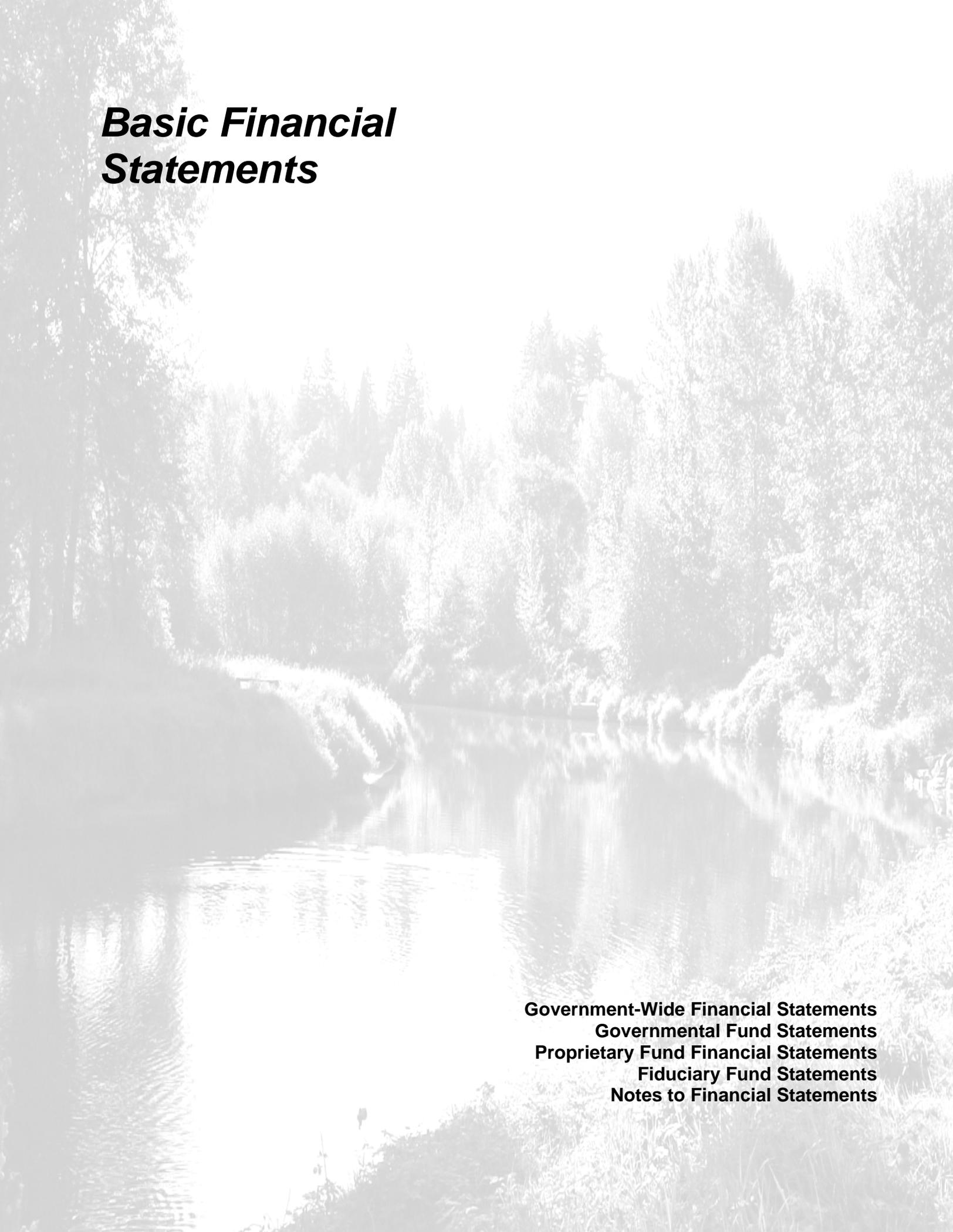
Biennial Budget Highlights for the Period Ending December 31, 2004

Governmental Activities: Property taxes revenues are expected to increase overall by 2 percent each year, along with an expected growth in sales tax equal to the CPI.

Business-Type Activities: Water, Sewer and Storm Drain rates in the City increased moderately beginning in 2004, primarily inline with the increase in wholesale water and sanitary sewer service costs and to meet capital project needs. In 2004, rates increased as follows: Water 2% base and 3% consumption, Sewer 2% and Storm Drain 1.8%.

Requests for Information

The CAFR is designed to provide a general overview of the City of Bothell's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial data should be addressed the City of Bothell Finance Director, 18305 101st Avenue NE Bothell, WA 98011.



Basic Financial Statements

**Government-Wide Financial Statements
Governmental Fund Statements
Proprietary Fund Financial Statements
Fiduciary Fund Statements
Notes to Financial Statements**

City of Bothell
Statement of Net Assets
December 31, 2003

	2003		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	735,798	70,771	806,569
Investments	33,429,866	5,668,238	39,098,104
Receivables (net)	3,977,103	1,396,814	5,373,918
Taxes receivable	192,467		192,467
Prepaid insurance			0
Inventories	50,472	38,860	89,331
Deferred charges		53,782	53,782
Capital assets:			
Non-depreciable	80,060,230	601,945	80,662,175
Depreciable, net	888,159,908	20,946,481	909,106,389
Total assets	1,006,605,845	28,776,890	1,035,382,735
Liabilities			
Accounts payable	2,334,884	326,935	2,661,820
Interest payable		1,268	1,268
Unearned revenue	1,164,899		1,164,899
Long-term liabilities (see note 12)			
Due within one year	755,870	237,599	993,469
Due in more than one year	10,224,312	1,966,381	12,190,692
Total liabilities	14,479,965	2,532,182	17,012,148
NET ASSETS			
Invested in capital assets, net of related debt	957,239,957	19,344,446	976,584,403
Restricted for:			
Debt Service		45,950	45,950
Tourism	358,713		358,713
Unrestricted (deficit)	34,527,209	6,854,312	41,381,522
Total net assets	992,125,879	26,244,708	1,018,370,587

City of Bothell
Statement of Activities
For the Year Ended December 31, 2003

Functions/Program	Expenses	Program Revenues			Net(expense)Revenues and Changes in Net		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Assets Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Government Activities:							
General government	6,194,411	1,276,148			(4,918,263)		(4,918,263)
Security of persons and property	14,205,576	1,693,054	299,462		(12,213,060)		(12,213,060)
Physical environment	2,053,136	746,039	210,818	556,487	(539,793)		(539,793)
Transportation	35,842,309	241,270	62,643		(35,538,396)		(35,538,396)
Economic environment	1,880,106	722,659			(1,157,446)		(1,157,446)
Culture and recreation		174,553	2,818	15,300	192,671		192,671
Interest on long-term debt	489,954				(489,954)		(489,954)
Total governmental activities	60,665,492	4,853,723	575,740	571,787	(54,664,242)		
Business-type activities:							
Water	2,653,301	3,202,248				548,947	548,947
Sewer	3,052,256	3,514,127				461,871	461,871
Storm Drain	976,137	1,461,784				485,647	485,647
Total Business -type activities	6,681,694	8,178,159	0	0		1,496,465	1,496,465
Total primary government	67,347,185	13,031,882	575,740	571,787	(54,664,242)	1,496,465	(53,167,777)
General Revenues:							
Property tax					8,468,939		8,468,939
Excise tax					8,795,760		8,795,760
Business tax					5,783,829		5,783,829
Interest and investment earnings					476,394	47,456	523,850
Miscellaneous					1,677,683	5,731	1,683,414
Transfers					518,903	(518,903)	0
Total general revenues, special items and transfers					25,721,507	(465,716)	25,255,791
Change in net assets					(28,942,735)	1,030,749	(27,911,986)
Net assets - beginning					1,020,393,208	25,213,959	1,045,607,168
prior year adjustment					675,406		675,406
Net assets - ending					992,125,879	26,244,708	1,018,370,587

City of Bothell
Balance Sheet
Governmental Funds
December 31, 2003

	General	Special Revenue Fund Arterial Street	Capital Projects Fund Capital Improvements	Debt Service Fund LID Control	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current cash & cash equivalents	256,794	1,016	31,792	118,310	287,598	695,511
Investments	20,304,550	2,409,289	4,057,535		1,411,550	28,182,924
Receivables (net of allowances)						
Taxes	169,417				23,050	192,467
Accounts receivable	877,474	81,591		991,867		1,950,932
Due from other governmental units	1,499,887	72,731	237,171		116,218	1,926,007
Due from employees	100,165					100,165
TOTAL ASSETS	<u>23,208,286</u>	<u>2,564,628</u>	<u>4,326,497</u>	<u>1,110,177</u>	<u>1,838,417</u>	<u>33,048,005</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	254,499	231,198			45,618	531,315
Unearned revenue	164,245			977,604	23,050	1,164,899
Deposits payable	30,153					30,153
Payroll payable	873,095				24,469	897,564
Due to other governmental units	3,060					3,060
Total liabilities	<u>1,325,052</u>	<u>231,198</u>	<u>0</u>	<u>977,604</u>	<u>93,137</u>	<u>2,626,991</u>
Fund balances						
Reserved						
Tourism	358,713					358,713
Unreserved, report in:						
General funds	21,524,521					21,524,521
Special revenue funds		2,333,430			865,431	3,198,861
Debt service funds				132,573	353,553	486,126
Capital Projects			4,326,497		526,296	4,852,793
Total fund balances	<u>21,883,234</u>	<u>2,333,430</u>	<u>4,326,497</u>	<u>132,573</u>	<u>1,745,280</u>	<u>30,421,014</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>23,208,286</u>	<u>2,564,628</u>	<u>4,326,497</u>	<u>1,110,177</u>	<u>1,838,417</u>	<u>33,048,005</u>

City of Bothell
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
December 31, 2003

Total fund balances for the governmental funds		\$30,421,014
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Non-depreciable Assets	\$80,060,230	
Depreciable Assets (net)	<u>888,159,908</u>	968,220,139

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are:

		5,305,103
--	--	-----------

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Compensated Absences	(840,195)	
Bonds and notes payable	<u>(10,980,182)</u>	<u>(11,820,376)</u>

Total net assets of governmental activities		<u><u>\$992,125,879</u></u>
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City of Bothell
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003

	General	Special Revenue Fund Arterial Street	Capital Projects Fund Capital Improvements	Debt Service Fund LID Control	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	20,345,040		1,462,608		1,240,879	23,048,527
Licenses and permits	820,883				52,521	873,403
Intergovernmental revenues	1,752,386	760,996			40,371	2,553,753
Charges for services	1,820,924	232,112			412,018	2,465,055
Fines and forfeitures	409,791					409,791
Interest earnings	291,045	32,638	30,999	64,055	17,683	436,419
Proceeds from the sale of capital assets	27,435					27,435
Other revenue	510,567	6,309		222,835	124	739,835
Total revenue	25,978,071	1,032,055	1,493,607	286,890	1,763,596	30,554,218
EXPENDITURES						
Current						
General government	5,321,164					5,321,164
Security of persons and property	13,167,132				9,286	13,176,418
Transportation					1,068,423	1,068,423
Physical environment	1,715,261				163	1,715,425
Economic environment	1,794,739					1,794,739
Debt Service						
Debt service - principal		33,862		780,000	644,017	1,457,879
Debt service - interest		1,185		12,157	476,612	489,954
Other expenditures				391	225,181	225,572
Capital Outlay						
Capital outlay	742,781	2,466,859	41,352			3,250,992
Total expenditures	22,741,077	2,501,907	41,352	792,548	2,423,682	28,500,566
Excess of revenue over (under) expenditures	3,236,994	(1,469,852)	1,452,255	(505,658)	(660,086)	2,053,652
OTHER FINANCING SOURCES (USES)						
Transfer in	614,226				947,620	1,561,846
Transfer out	(1,800,318)		(411,669)		(634,154)	(2,846,141)
Total other financing sources	(1,186,093)	0	(411,669)	0	313,466	(1,284,296)
Net change in fund balances	2,050,901	(1,469,852)	1,040,586	(505,658)	(346,620)	769,357
FUND BALANCES - JANUARY 1	20,251,377	3,803,282	3,285,911	638,231	2,156,927	30,135,729
Prior year adjustment	(419,044)				(65,027)	(484,071)
FUND BALANCES - DECEMBER 31	21,833,234	2,333,430	4,326,497	132,573	1,745,280	30,421,014

City of Bothell

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2003

Net change in Fund Balances - total governmental funds \$ 769,357

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.

Expenditures for capital assets	3,850,080
Depreciation	(35,752,259)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of assets

Principal payments	1,457,879
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net (expense) of the internal service funds and internal balances reported with governmental activities

732,209

Change in net assets of governmental activities	<u><u>\$ (28,942,735)</u></u>
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City of Bothell
Statement of Fund Net Assets
Proprietary Funds
December 31, 2003

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
ASSETS					
Current Assets:					
Cash and cash equivalents	13,334	55,691	1,746	70,771	40,288
Investments	1,833,530	1,686,979	2,147,729	5,668,238	5,246,941
Accounts receivable	370,890	581,821		952,711	0
Due from other governments			444,103	444,103	0
Inventory	24,549	7,209	7,101	38,860	50,472
Special assessments receivable		53,782		53,782	
Total current assets	<u>2,242,303</u>	<u>2,385,482</u>	<u>2,600,679</u>	<u>7,228,465</u>	<u>5,337,701</u>
Non-current assets:					
Capital Assets, net of depreciation					
Land	122,175	163,126		285,301	
Buildings	86,662	49,079		135,741	
Improvements other than buildings	8,983,892	5,812,359	5,622,733	20,418,984	
Equipment	0	9,230	4,054	13,284	8,922
Vehicles	62,566	74,503	241,403	378,472	51,405
Construction in progress	127,109	22,937	166,597	316,644	
Deferred charges				0	
Total non-current assets	<u>9,382,405</u>	<u>6,131,234</u>	<u>6,034,787</u>	<u>21,548,426</u>	<u>60,328</u>
Total Assets	<u>11,624,708</u>	<u>8,516,716</u>	<u>8,635,466</u>	<u>28,776,890</u>	<u>5,398,028</u>
LIABILITIES					
Current liabilities:					
Accounts payable	164,449	5,513	2,106	172,068	5,702
Payroll payable	26,060	20,075	35,014	81,149	12,923
Due to other governments				0	
Matured interest payable		1,268		1,268	
Compensated absences	28,242	23,257	22,219	73,718	13,973
Current portion of loans payable	112,599	20,000		132,599	
Current portion of revenue bonds	105,000			105,000	
Total current liabilities	<u>436,350</u>	<u>70,112</u>	<u>59,339</u>	<u>565,802</u>	<u>32,598</u>
Non-current liabilities					
Loans payable	1,576,381			1,576,381	
Revenue bonds payable	230,000			230,000	
LID bonds payable		160,000		160,000	
Total non-current liabilities	<u>1,806,381</u>	<u>160,000</u>	<u>0</u>	<u>1,966,381</u>	<u>0</u>
Total liabilities	<u>2,242,731</u>	<u>230,112</u>	<u>59,339</u>	<u>2,532,182</u>	<u>32,598</u>
NET ASSETS					
Investment in capital assets, net of related debt	7,358,426	5,951,234	6,034,787	19,344,446	60,328
Restricted for debt service	45,950			45,950	
Unrestricted	<u>1,977,602</u>	<u>2,335,370</u>	<u>2,541,340</u>	<u>6,854,312</u>	<u>5,305,103</u>
Total net assets	<u>9,381,977</u>	<u>8,286,604</u>	<u>8,576,127</u>	<u>26,244,708</u>	<u>5,365,430</u>

City of Bothell
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
OPERATING REVENUES					
Charges for services	3,202,248	3,514,127	1,461,783	8,178,158	603,046
Total operating revenue	<u>3,202,248</u>	<u>3,514,127</u>	<u>1,461,783</u>	<u>8,178,158</u>	<u>603,046</u>
OPERATING EXPENSES					
Administrative and general	604,823	525,831	646,742	1,777,397	794,830
Purchased water	1,295,052			1,295,052	
Metro service		2,027,727		2,027,727	
Maintenance and operations	73,132	26,059	37,884	137,074	302,788
Customer accounts	52,361	52,344		104,705	
Taxes	293,094	216,663	43,761	553,518	
Capital outlay					599,087
Depreciation and amortization	313,726	210,725	236,830	761,281	38,920
Total operating expenses	<u>2,632,188</u>	<u>3,059,349</u>	<u>965,216</u>	<u>6,656,753</u>	<u>1,735,625</u>
OPERATING INCOME (LOSS)	<u>570,060</u>	<u>454,778</u>	<u>496,566</u>	<u>1,521,405</u>	<u>(1,132,579)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income	15,173	14,959	17,324	47,456	39,975
Gain (loss) on disposition of capital assets				0	6,615
Other revenue	311	5,420		5,731	0
Debt Service			(10,920)	(10,920)	
Interest expense	(21,113)	7,093		(14,020)	
Total non-operating revenue (expense)	<u>(5,629)</u>	<u>27,472</u>	<u>6,403</u>	<u>28,247</u>	<u>46,590</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
Transfers in					2,699,186
Transfers out	(171,960)	(144,988)	(201,956)	(518,903)	(880,987)
CHANGES IN NET ASSETS	392,472	337,263	301,014	1,030,748	732,209
NET ASSETS - BEGINNING					
Prior year adjustment					(99,277)
NET ASSETS - ENDING	<u>9,381,977</u>	<u>8,286,604</u>	<u>8,576,126</u>	<u>26,244,707</u>	<u>5,365,430</u>

City of Bothell
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from customers	3,202,248	3,519,547	1,461,784	8,183,578	603,046
Cash paid to employees	(418,663)	(336,551)	(478,444)	(1,233,657)	(266,336)
Cash paid to suppliers for goods and services	(1,787,128)	(2,304,553)	(379,789)	(4,471,470)	(1,384,810)
Cash paid for taxes	(293,094)	(216,663)	(43,761)	(553,518)	
Net cash provided by operating activities	<u>703,362</u>	<u>661,780</u>	<u>559,790</u>	<u>1,924,933</u>	<u>(1,048,099)</u>
CASH FLOW FROM NON-CAPITAL ACTIVITIES					
Transfers in				0	2,699,186
Transfers out	(171,960)	(144,988)	(201,956)	(518,903)	(880,987)
Net cash provided from non-capital activities	<u>(171,960)</u>	<u>(144,988)</u>	<u>(201,956)</u>	<u>(518,903)</u>	<u>1,818,199</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(718,664)	(19,026)	(259,503)	(997,193)	
Interest paid on capital debt	(21,113)	7,093		(14,020)	
Debt service			(10,920)	(10,920)	
Proceeds from the sale of capital assets		0		0	6,615
Other receipts (payments)	311	5,420		5,731	
Net cash (used) by capital and related activities	<u>(739,466)</u>	<u>(6,514)</u>	<u>(270,423)</u>	<u>(1,016,403)</u>	<u>6,615</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	(591,472)	(1,060,600)	(671,352)	(2,323,424)	(2,512,845)
Interest and dividends	15,173	14,959	17,324	47,456	39,975
Net cash provided by investing activities	<u>(576,299)</u>	<u>(1,045,641)</u>	<u>(654,029)</u>	<u>(2,275,968)</u>	<u>(2,472,870)</u>
Net increase (decrease) in cash and cash equivalents	<u>(784,362)</u>	<u>(535,361)</u>	<u>(566,618)</u>	<u>(1,886,341)</u>	<u>(1,696,156)</u>
Balances - beginning of the year	797,696	591,052	568,364	1,957,112	1,835,721
Prior year adjustment					(99,277)
Balances - end of year	<u>13,334</u>	<u>55,691</u>	<u>1,746</u>	<u>70,771</u>	<u>40,288</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	570,060	454,778	496,567	1,521,405	(1,132,579)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	313,726	210,725	236,830	761,281	38,920
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	6,099	(5,829)		271	
Decrease (increase) in due from other governments		2,533	(150,244)	(147,711)	
Decrease (increase) in Special Assessments Deferred		7,724		7,724	
Decrease (increase) in prepaid expense				0	99,277
Increase (decrease) in non-capital accounts payable	(174,823)	(11,743)	(39,575)	(226,141)	(57,904)
Increase (decrease) in accrued interest payable	(17,837)	(7,093)		(24,930)	
Increase (decrease) in due to other governments	(1,598,706)		(4,900)	(1,603,606)	
Increase (decrease) in revenue bonds payable	(100,000)			(100,000)	
Increase (decrease) in compensated absences payable	9,407	7,529	7,626	24,561	4,553
Increase (decrease) in payroll payable	6,456	3,156	13,487	23,098	(366)
Increase (decrease) in contracts payable	1,688,980			1,688,980	
Net cash provided by operating activities	<u>703,362</u>	<u>661,780</u>	<u>559,790</u>	<u>1,924,933</u>	<u>(1,048,099)</u>

City of Bothell
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2003

	PENSION TRUST FIREMEN'S PENSION RES.	AGENCY TRUST
ASSETS		
Cash and cash equivalents	\$3,322	\$21,588
Total receivables	3,322	21,588
Investments, at fair value	29,946	500,640
State investment pool	113,767	2,977,611
Total investments	143,712	3,478,251
Total Assets	147,035	3,499,839
LIABILITIES		
Refunds payable and others		3,499,839
Total Liabilities	0	3,499,839
NET ASSETS		
Held in trust for pension benefits and other purposes	\$147,035	\$0

City of Bothell
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003

	PENSION TRUST FIREMEN'S PENSION RES.
ADDITIONS	
Contributions:	
State entitlement	29,441
Total Contributions	29,441
Investment earnings:	
Interest	1,305
Total investment earnings	1,305
Total Additions	30,746
DEDUCTIONS	
Benefits	6,027
Transfer out	15,000
Total Deductions	21,027
Change in net assets	9,719
Net assets - beginning of year	137,315
Net assets - end of year	147,035

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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NOTES TO FINANCIAL STATEMENTS
January 1, 2003 through December 31, 2003

The accompanying notes are an integral part of the enclosed financial statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bothell was incorporated on April 14, 1909. The City operates under a Council-Manager form of government. The City's major operations, as authorized under the laws of the State of Washington applicable to a non-charter code city, include planning & zoning, public safety, public works, recreation & culture, and utilities.

The accounting and reporting policies of the City relate to the funds included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB), when applicable, and the American Institute of Certified Public Accountants (AICPA) pronouncements that have been made applicable by GASB Statements or Interpretation.

The City has elected not to apply to its proprietary activities FASB Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

In June 1999, GASB unanimously approved Statement #34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." Significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall position and results of operation.
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements focusing on the major funds.

These and other changes (GASB 36 – 38) are reflected in the accompanying financial statements (including notes to financial statements). The City has implemented the general provisions of the Statement 34.

A. REPORTING ENTITY

As required by GAAP the City's financial statements present the City of Bothell – the primary government. There are no component units included in these statements.

B. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

The City uses the following fund types:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

- d. Capital project funds are used to account for financial resources, for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's Water, Sewer and Storm Drain Funds are charges to customers for sales and services. The Water, Sewer and Storm Drain Funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overheads, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.
- b. Internal service funds are used to account for the financing of goods or services provided by the fund to other funds of the City on a cost-reimbursement basis.

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held by an agency capacity for others and therefore are not available to support City programs. The

reporting focus is on net assets and is reported using accounting principles similar to proprietary funds.

C. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). The government-wide financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. Fiduciary funds are excluded from government-wide statements.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, security of persons & property, physical environment, transportation, economic environment, mental & physical health, culture & recreation, water, sewer (wastewater), and storm drain (storm water)). General government revenues (property taxes, retail sales & use taxes, business taxes, excise taxes, and other taxes) also support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the functions or a business-type activity. Program revenues are reported in three categories:

- a. Charges for services.
- b. Program-specific operating grants and contributions.
- c. Program-specific capital grants and contributions.

Taxes and other items not properly included among program revenues are reported as general revenues.

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Internal activity is eliminated from the government-wide statement of activities.

The net costs (by function or business-type activity) are normally covered by general revenue. Indirect costs are included in the program expense reported for individual functions and activities.

The government wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

The following describes each fund as presented in the fund financial statements:

MAJOR FUNDS

Governmental Activities

a. General Fund

The City of Bothell General Fund accounts for all receipt and disbursement transactions of operations that are not accounted for in another fund. The General Fund includes police, health and social services, parks and recreation, finance and administration, planning, building inspection, community development, park maintenance, public works and engineering management, and services contracted to other agencies.

b. Arterial Street

The Arterial Street Fund provides funding for street construction and transportation improvement projects. Work accomplished includes right-of-way acquisition, design, and construction of roadways, sidewalks, street lighting, traffic signals, and landscaping.

c. Capital Improvement Fund

The Capital Improvement Fund accounts for special revenue dedicated to capital and capital equipment purchases that are required for general operation purposes. Utility and Real Estate Taxes are the main sources of revenue.

d. Local Improvement District Funds Control Accounts for Special Assessment Bonds, which are not a direct responsibility of the City, but are funded from a collection of special assessment payments to finance public improvements or services deemed to benefit the properties against which the special assessments are levied.

Business-Type Activities

a. Water

This fund is used to account for the provision of water service to a portion of the City. The City does not have its own water supply, but purchases water from the City of Seattle. All activities necessary to provide such service are accounted for in this fund, including administration, operation and maintenance, financing and debt service and billing and collection. Funding for these activities is provided by charges to residential and commercial water customers, permit fees, interest earnings and rentals. System construction was originally financed by revenue bonds and contributed capital.

b. Sewer

This fund is used to account for the provision of sanitary sewer service to a portion of the City. The City of Bothell does not operate a sewage treatment plant, but is connected to the Metro system for service on a contract basis. All activities necessary to provide service are accounted for in this fund, including administration, maintenance, financing and related debt service and billing and collection. Funding for these activities is provided by charges to residential and commercial customers, permit fees, interest earnings and rentals. System construction was financed originally by a local improvement district, contributed capital and revenue bonds.

c. Storm and Surface Water Drainage

This fund is used to account for the provision of storm and surface water drainage services throughout the City. This utility was established to promote public health, safety and welfare with a comprehensive approach to surface and storm water problems. This comprehensive approach includes basin planning, land use regulation, construction of facilities, maintenance and public education. Because the most cost effective and beneficial approach to surface and storm water management is through preventative actions

and protection of the natural drainage system, the utility shall give priority to methods which provide protection or enhancement of the natural surface water drainage system over means which primarily involve construction of new drainage facilities or systems. Funding for these activities comes from charges to real property within the service area. The amount of each charge is based on degree to which the property contributes to an increase in surface and storm water runoff.

NON-MAJOR FUNDS

Other Governmental Funds

a. Street Fund

The Public Works Street Division is responsible for evaluating, maintaining and repairing all roadways, traffic control devices, drainage systems, sidewalks and roadsides. The Division is also responsible for street cleaning, snow and ice removal, and removing road debris from traffic lanes.

b. Cable TV Fund

The Cable TV Fund is responsible to televise council meetings for the citizens of Bothell. Funding came from a franchise agreement.

c. Park Cumulative Reserve Fund

The Park Cumulative Reserve Fund is used for the acquisition and development of Parks. Funding comes from a voluntary park fee in lieu of land dedication paid by developers.

d. Drug Forfeiture Fund

Accounts for monies received from drug policing activities.

e. Nuisance Abatement Fund

The Nuisance Abatement Fund is used for removal of abandoned property such as old cars.

f. Cemetery Endowment Fund

This permanent trust fund was established in 1993 to account for Bothell Pioneer Cemetery plot sales, donations, investments and earnings.

g. General Obligation Bond Funds - 1990, 1995, 1997

The General Obligation (G.O.) Bond Fund was created to provide for the retirement of all general purpose bonds issued for City facilities or equipment. When capital expenditures are funded by debt authorized by voter approval, the

revenues generated to retire this debt come from property taxes. Debt issued or bonds received without guarantee to the City property tax revenues must depend on all sources of general City revenue to retire debt.

h. Construction & Acquisition

The Construction & Acquisition Fund is used to account for a significant building project or equipment acquisition that is usually funded by a bond sale.

i. Local Improvement District Guaranty Fund

Accounts for surplus from the Local Improvement District Control Fund. This fund was established for the purpose of guaranteeing the payment of local improvement bonds.

Internal Service Funds

a. Equipment Rental Fund

The Equipment Rental Fund is an internal service fund created to provide for maintenance and replacement of City owned vehicles and equipment. The Finance Department provides administrative and accounting services while the Public Works Department provides maintenance and repair services.

b. Self Insurance Fund

Accounts for the costs of administering the City's self-insurance liability, property insurance risks, and employee vision benefit.

c. Asset Replacement Fund

Accounts for monies set aside over the useful life of a major asset to be used for future replacement of the asset.

Fiduciary Funds

Fiduciary Funds account for assets held by a government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Such funds are classified as Private Purpose Trust, Pension Trust, Investment Trust and Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. Individual fund descriptions are as follows:

a. Firemen's Pension Reserve

This pension trust fund is used to account for monies accrued prior to the City's participation in the LEOFF pension system, and yearly receipts

of the fire insurance premium tax. Transfers to the General Fund are made annually to cover medical premium expenses for the City firemen.

b. Trust

This is an agency fund used to account for assets held by the City for other governmental units, individuals and other funds. Includes deposits being held in lieu of performance and maintenance bonds.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied:

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenue reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchases orders, contracts, and other commitments for expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances outstanding at year end

lapse except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

F. FINANCIAL STATEMENT ACCOUNTS

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents as cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. These amounts are classified on the balance sheet or in the statement of net assets within cash and cash equivalents or investments in the various funds. The interest on these investments is prorated to the applicable funds.

2. Investments – (Refer to Note 3 B).

3. Receivables

Taxes receivable consists of property taxes and related interest and penalties (Refer to Note 4). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared.

Special assessments are recorded when levied. Special assessments receivable consist of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Receivables have been reported net of estimated uncollectible accounts. Because property taxes, special assessments, and utility billings are considered liens on property, no estimated uncollectible amounts are established.

4. Inventories

All City inventories are maintained on a consumption basis of accounting where items are purchased for inventory and charged to the budgetary accounts as the items are consumed. Any material inventories at year-end are included in the balance sheet of the appropriate

fund. Inventories are carried at cost on the first in, first out – FIFO basis.

5. Capital Assets and Depreciation – (Refer to Note 5).

6. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33. In applying GASB Statement No. 33 to grant revenues, the provider recognized liabilities and expenses and the recipient recognizes receivables and revenue when the eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, are reported as advances by the provider and deferred revenue by the recipient.

7. Expenditures

Expenditures are recognized when the related fund liability is incurred.

8. Deferred Revenues

This account includes amounts recognized as receivables but not revenues in governmental funds because the revenue recognition criterion has not been met.

9. Custodial Accounts

This account reflects the liability for net monetary assets being held by the City in its agency capacity.

10. Compensated Absences

The City accrues accumulated unpaid vacation and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government wide presentations.

11. Interfund Activity – (Refer to Note 10).

12. Comparative Data

Comparative data is included in the statement of net assets and budget to actual statements and schedules.

NOTE 2. COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of the City. GAAP serves as the budgetary basis of accounting.

- (3) During the month of December, the budget is legally enacted through passage of an ordinance.
- (4) Any revisions that alter the total amount of expenditures/expenses of any fund must be approved by the City Council.

A. PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

The City’s budget procedures are mandated by the Revised Code of Washington 35A.33. The steps in the budget process are as follows:

- (1) Prior to October 1, the City Manager submits to the City Council proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures/expenses and the means of financing them.
- (2) A public hearing is conducted at City Hall to obtain taxpayer comments.

B. AMENDING THE BUDGET

The budget, as adopted, constitutes the legal authority for expenditures. The City’s budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, but the legislative authority following a hearing must approve supplemental or additional appropriations. The City’s budget was amended one time during the fiscal year. The accompanying supplementary information presents both the original and amended budgetary information as approved. All appropriations, except for capital projects, lapse at year end. Unexpected resources must be reappropriated in the subsequent period.

Budget Information as follows:

Fund	Original Inflows	Original Outflows	Final Inflows	Final Outflows
General Fund	\$28,226,771	\$30,852,188	\$28,226,771	\$30,883,388
Street Fund	1,326,924	1,326,924	1,326,924	1,324,174
Arterial Street Fund	3,406,886	6,806,954	3,406,886	6,806,954
Cable TV Fund	0	9,250	0	9,250
Drug Seizure Fund	25,000	25,000	25,000	25,000
Nuisance Abatement Fund	0	25,000	0	25,000
Park Cumulative Reserve Fund	40,000	575,000	40,000	575,000
Bothell Prop. Assmt Redemption Fund	3,000	3,000	3,000	3,000
1990 GO Bond Fund	0	0	0	0
1995 GO Bond Redemption Fund	403,000	403,000	403,000	403,000
1997 GO Bond Redemption Fund	783,000	783,000	783,000	783,000
Capital Improvements Fund	1,033,158	3,973,049	1,033,158	3,973,049
Construction & Acquisition Fund	13,752	0	13,752	0
Water Fund	3,117,772	3,661,885	3,117,772	3,658,635
Sewer Fund	3,489,597	3,919,734	3,489,597	3,916,584
Storm Drain Fund	1,844,064	2,251,984	1,844,064	2,249,934
Equipment Rental Fund	1,233,293	1,332,623	1,233,293	1,332,623
Self Insurance Fund	614,722	837,897	614,722	837,897
Asset Replacement Fund	1,427,100	775,621	1,427,100	755,621
Cemetery Endowment Fund	1,000		1,000	
Firemen's Pension Reserve Fund	26,414	25,000	26,414	25,000
Total	\$47,015,453	\$57,587,109	\$47,015,453	\$57,587,109

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

The City's deposits and certificates of deposit are entirely covered by the federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The PDPC is a statutory authority established under Chapter 39.58 of the Revised Code of Washington.

B. INVESTMENTS

As required by state law, all investments of the City's funds (except as noted below) are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities (the State Treasurer's Local Government Investment Pool (LGIP)), or certificates of deposit with Washington State Banks and savings and loan institutions.

A2a7-like-pool is an external investment pool that is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The LGIP, managed by the Washington State Office of the Treasurer, is comparable to a Rule 2a7-pool recognized by the Securities and Exchange Commission. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than

market value to report net assets to compute share prices.

Investments are shown on entity-wide Statement of Net Assets at fair market value or for 2a7-like-pools at amortized cost. Investments are reported within Cash & Investments of Governmental Activities and within Cash & Cash Equivalents or Investments of Business-type Activities.

The City's investments are categorized to give an indication of the risk assumed at year-end. The following summary shows the City's investments at year-end categorized by risk.

- Category 1 includes investments that are insured, registered or held by the City or its agent in the City's name.
- Category 2 includes uninsured and unregistered investments, which are held by the counter party's trust department or agent in the City's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent, but not in the City's name.

Investments

Investments not subject to categorization	Cost	Fair Value	
Washington State Local Governmental Investment Pool	\$33,527,712	\$33,527,712	
Total Investments not subject to categorization	\$33,527,712	\$33,527,712	
Investments subject to categorization	Category	Cost	Fair Value
U.S Agencies	1	\$9,183,575	\$9,192,355
Total Investments subject to categorization		\$9,183,575	\$9,192,355
Grand Total Investments		\$42,711,287	\$42,720,067

C. DEPOSIT AND INVESTMENT RECONCILIATION

Amounts reported in the fund statements are as follows:

Government Funds	Amount
Cash	\$732,823
Investments	33,359,992
Proprietary Funds	Amount
Cash & Cash Equivalents	\$70,771
Investments	5,668,238
Fiduciary Funds	Amount
Cash & Cash Equivalents	\$27,886
Investments	3,691,836
Total	\$43,551,546

Cash, Deposits and Investments are as follows:

Cash on Hand	\$64,557
Checking Accounts	766,923
U.S. Agencies	9,192,355
State Investment Pool	33,527,712
Total	\$43,551,546

NOTE 4. PROPERTY TAXES

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the county assessor at 100 percent of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Tax liens are automatic at the point the taxes are levied. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible. The county treasurer remits collections monthly to the appropriate district.

The City is permitted by law to levy up to \$3.60 minus library rate of \$.50 per \$1,000 of assessed valuation for general governmental services. This amount may be reduced for any of the following three reasons:

- a. Washington State law in RCW 84.55.010 limits the growth of regular property taxes to one percent per year, after adjustments for new construction. If the assessed valuation increases by more than one percent due to revaluation, the levy rate will be decreased.
- b. The Washington State Constitution limits the total regular property taxes to one percent of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the one-percent limit.
- c. The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations. For 2003, the City's General Tax Levy was \$1.65, and the Special Tax Levy was 21 cents per \$1,000 on a total assessed valuation of \$3,769,778,350.

NOTE 5. CAPITAL ASSETS AND DEPRECIATION

A. GENERAL POLICIES

Major expenditures for capital assets, and major repairs that increase the useful life, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred. The City adopted a policy to capitalize assets over \$5,000 with a useful life greater than 1 year. All assets under \$5,000 were written off.

All capital assets are valued at historical cost (or estimated cost, where historical cost is not known/or estimated market value for donated assets/or the lower of cost or fair market value when transferred between proprietary and governmental funds).

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the City has sufficient legal interest to

accomplish the purposes for which the assets were acquired, and has included such assets within the applicable statements.

B. GOVERNMENTAL CAPITAL ASSETS

Governmental long-lived assets of the City purchased, leased, or constructed are recorded as expenditures in the governmental funds and are capitalized, net of depreciation, in the government-wide statements. This includes current year purchases of governmental infrastructure assets.

C. PROPRIETARY FUND CAPITAL ASSETS

Fixed assets of proprietary funds are capitalized in their respective statement of net assets.

D. DEPRECIATION

Depreciation on all assets is provided on the straight-line basis over the following useful lives:

Building and Structures	30 - 50 years
Other Improvements	20 - 60 years
Machinery and Equipment	5 - 20 years
Infrastructure	20 - 50 years

Depreciation expense was charged to government and business-type activities as follows:

Government Activities	Amount
General Government	\$408,736
Security of persons & property	401,599
Physical environment	34,652,069
Culture & recreation	255,594
Total governmental activities depreciation expense	35,717,998
Business-type activities	Amount
Water	\$313,726
Sewer	210,725
Storm Drain	236,830
Total business-type activities depreciation expense	761,281

Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land and Improvements	\$10,068,097	\$380,000		\$10,448,097
Infrastructure right of way	66,050,123		3	66,050,120
Construction in progress	550,650	3,562,014	550,650	3,562,014
Total capital not being depreciated	76,668,870	3,942,014	550,654	80,060,230
Other Capital Assets:				
Buildings	17,689,575			17,689,575
Improvements	11,840,844	1,536,349		13,377,193
Infrastructure	1,522,800,475		2	1,522,800,473
Vehicles	4,609,223	280,499	261,782	4,627,940
Equipment	2,189,139	201,590	10,493	2,380,236
Total other capital assets at historical cost	1,559,129,256	2,018,438	272,278	1,560,875,417
Less accumulated depreciation for:				
Buildings	378,160	355,684		733,844
Improvements	1,194,421	632,224		1,826,646
Infrastructure	630,570,651	34,221,171	4	664,791,818
Vehicles	3,208,738	469,938	206,062	3,472,614
Machinery & equipment	1,572,360	318,227	0	1,890,587
Total accumulated depreciation	636,924,329	35,997,244	206,066	672,715,508
Governmental activities capital assets, net	\$998,873,797	(\$30,036,792)	\$616,866	\$968,220,139
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$536,817	\$235,201	\$455,375	\$316,644
Land and Improvements	285,301			285,301
Total capital not being depreciated	822,118	235,201	455,375	601,945
Other capital assets:				
Buildings	467,477			467,477
Intangible Plant	411,179			411,179
Improvements	29,863,878	1,025,071		30,888,949
Vehicles	423,801	192,296		616,096
Machinery & equipment	329,259			329,259
Total other capital assets at historical cost	31,495,593	1,217,367	0	32,712,960
Less accumulated depreciation for:				
Buildings	323,101	8,636		331,736
Intangible Plant	411,179			411,179
Improvements	9,837,585	632,380		10,469,965
Vehicles	122,544	115,079		237,624
Machinery & equipment	310,789	5,186		315,975
Total accumulated depreciation	11,005,198	761,280.26	0	11,766,479
Business-type activities capital assets, net	\$21,312,513	\$691,288	\$455,375	\$21,548,425

NOTE 6. PENSIONS

Substantially all City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from the Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) PLANS 1, 2 & 3

Plan Description

PERS is a cost sharing multiple employer defined benefit pension plan. Membership in the plan includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees (not in national higher education retirement programs); judges of district and municipal courts; non-certificated employees of school districts; and employees of local government. The PERS system includes three plans. Participants, who joined the system by September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years eligible service. Retirement benefit provisions are established in state statute and may be amended only by the state legislature.

Plan 1 members are eligible for retirement at any age after 30 years of service, at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is two percent of the final average final

compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at three percent annually.

Plan 2 members may retire at the age of 65 with 5 years of service, or at 55 with 20 years of service, with an allowance of two percent per year of service of the average final compensation. Plan 2 retirements prior to 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3 percent annually.

Plan 3 comprises both a defined benefit component and a defined contribution component. Plan 3 members may retire at age 65 with 10 years of service, or 5 years of service including 12 service credit months after reaching age 54. The defined benefit component is an allowance of one percent per year of service of the average final compensation. Plan 3 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3 percent annually. The defined contribution component is based entirely on the members' contributions. The investment earnings on those contributions, and, if an annuity is taken, the age at which they take payment.

Funding Policy

Each biennium the state Pension Funding Council adopts Plan 1 employer contribution rates and Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent and do not vary from year to year. The employer and employee rates for Plan 2 are set by the director of the Department of Retirement Systems based on recommendation by the Office of the State of the State Actuary to continue to fully fund Plan 2. Employee contribution rates for Plan 3 are set by statute. All employers are required to contribute at the level established by state law. The methods used to determine the contribution requirements are established under state statute in

accordance with Chapters 41.40 and 41.45 RCW.

B. LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system. Membership in the system includes all full-time, fully compensated; local law enforcement officers and fire fighters. LEOFF is comprised primarily of nonstate employees. The LEOFF system includes two defined benefit pension plans. Participants who joined the system by September 30, 1977 are

Plan 1 members. Those joining thereafter are enrolled in Plan 2.

Retirement benefits are financed from employee and employer contributions, investment earnings, and state contributions. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service. Retirement benefit provisions are established in state statute and may be amended only by the state legislature.

Plan 1 members are eligible to retire with five years of service at age 50. The benefit per year of service is as follows, with a cost-of-living allowance granted, capped at three percent annually:

Term of Service	Percent of Final Average
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

Plan 2 members are eligible to retire at age 50 with 20 years of service, or at age 55 with five years of service. Retirement benefits prior to age 55 are actuarially reduced. The benefit is two percent of average salary per year of service. The average salary is based on the highest consecutive 60 months. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at three percent annually.

**Other Retirement Systems –
Volunteer Fire Fighters’ Relief and Pension Fund**

The Volunteer Fire Fighters’ Relief and Pension Fund System is a cost-sharing multiple-employer retirement system, which was created by the Legislature in 1945 under Chapter 41.16 RCW. It provides pension, disability and survivor benefits. Membership in the system requires service with a fire department of an electing municipality of Washington State except those covered by LEOFF. The system is funded through contributions of \$30 per year; employer contributions of \$30 per year; and 40 percent of the Fire Insurance Premium Tax. Members do not earn interest on contributions, but may elect to withdraw funds upon terminations.

Fire Fighter’s Pension Fund

The Fire Fighter’s Pension is a closed system operated by the City. Membership is limited to fire fighters employed prior to March 1, 1970. The City’s liability under the system is composed of excess benefits over LEOFF for fire fighters retired after March 1, 1970, who are members of the system.

The most recent actuarial study to determine the funding requirements was made in 1969. The Finance Director and Washington State Auditor’s Office have concluded that a new actuarial study was not necessary due to the limited number of employees participating in the fund (three) and the relative immateriality of the fund. It is the City’s opinion that it is able to meet any future funding requirements.

Funding Policy

Plan 1 employer and employee contributions rates are established by statute, and the state is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Employer and employee rates for Plan 2 are set by the director of the Department of Retirement Systems based on recommendations by the Office of the State Actuary to continue to fully

fund the plan. Plan 2 employers and employees are required to contribute at the level required by state law. The methods used to determine the

contribution rates are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

PERS AND LEOFF INFORMATION BY SYSTEM

	PERS	LEOFF
City Participating Payroll	\$7,262,523	\$7,507,298
Plan I City Contribution rate @ 12/31/03	1.40%	0.22%
Plan II City Contribution rate @ 12/31/03	1.40%	3.25%
Plan III City Contribution rate @ 12/31/03	1.40%	N/A
City Plan Contribution:		
2003	\$96,744	\$229,291
2002	123,559	209,831
2001	215,779	255,292
2000	259,775	252,937
1999	333,083	244,225
1998	395,746	268,887
Plan I Employee Contribution Rate @ 12/31/03	6.00%	0.00%
Plan II Employee Contribution Rate @ 12/31/03	1.18%	5.05%
Plan III Employee Contribution Rate @ 12/31/03	See below	N/A

All contributions were made, as required to both systems by the City and the employees

Plan III employee contribution varies with option and age as follows:

Option	Rate	Age
A	5%	all ages
B	5%	up to age 35
	6%	age 35 to 44
	7.50%	age 45+
C	6%	up to age 35
	7.50%	age 35 to 44
	8.50%	age 45+
D	7%	all ages
E	10%	all ages
F	15%	all ages

NOTE 7. OTHER EMPLOYEE BENEFITS

A. COMPENSATED ABSENCES

The City has vacation and sick leave policies. Vacation pay may accumulate up to 240 hours at December 31 and is payable upon resignation, retirement or death. Sick leave may accumulate up to 960 hours or as provided by contract, sick leave does not vest until retirement.

B. DEFERRED COMPENSATION

The City offers its employees three deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans, with ICMA (International City Manager's Association), Nationwide Retirement Solutions and Hartford Life Insurance Retirement Solutions are available to all eligible employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

C. POST RETIREMENT BENEFITS

Post retirement benefits are provided in accordance with the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) Act (RCW 41.26). The City purchased long-term care insurance covering all its current and former LEOFF-1 employees. This coverage will pay the majority of cost associated with at-home or facility long-term care for a period of up to four years.

In 2001 the City established a Retiree Health Savings (RHS) Plan for certain employees per negotiated contracts. The City contributes 1% of an employee's base wage to this account. Participants are eligible to receive benefits upon retirement or at age 55. Payment of benefits is based upon medical expenses eligible under IRC Section 213.

Compensated Absences

Accrued Compensated Absences	
Governmental Funds (recorded in the General Long term Debt Account Group)	\$ 840,195
Enterprise Funds	73,718
Internal Service Funds	13,973
Total Compensated Absences	\$ 927,886

NOTE 8. CONTINGENCIES

Litigation

The City had recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the City will have to make payment. In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

Contingencies under Grant Provisions

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. The City's management believes that such disallowances, if any, will be immaterial.

Bond Indentures

The City is in compliance with all significant bond indenture and restrictions.

Rebate Arbitrage

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level the City recognizes this liability, arbitrage earnings payable, only when it is due and payable in the government-wide statements, arbitrage earnings liability is accrued as it is earned and is charged as an expense at yearend. The City had no arbitrage excess earnings liability in 2003.

NOTE 9. RISK MANAGEMENT

The City has been a member of the Washington Cities Insurance Authority (WCIA) since August 1977.

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 100 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 professional, public officials' errors and omissions, stopgap, and employee benefits liability. Limits are \$1 million per occurrence in the primary layer, \$2 million per occurrence, subject to a \$12 million annual aggregate, in the excess layer, and \$11 million per occurrence in the second excess layer with no annual aggregate except \$10 million per member for public officials' errors and omissions. The second excess layer is insured by the purchase of reinsurance. Total limits are \$14 million per occurrence. 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 may apply by type of coverage. Property insurance and auto physical damage are self-funded up to \$50,000 and insured above that amount by the purchase of reinsurance.

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 assessments cover loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

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

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

NOTE 10. INTERFUND TRANSACTIONS

Transactions to support the operations of other funds are recorded as "Operating Transfers" and classified with "Other Financing Sources or Uses" in the fund statements. Transfers

between governmental or proprietary funds are netted as part of the reconciliation to the Government-wide financial statements.

	General Fund	Street Fund	Nuisance Abatement Fund	Bothell Property Assessment Fund	1995 GO Bond Fund	Equipment Rental Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		271,120	12,500	500		1,055,775	205,038	255,385	1,800,318
Street Fund	49,310					78,294			127,604
Park Cumulative Reserve Fund	246,550								246,550
Capital Improvements Fund	8,169				403,500				411,669
Construction & Acquisition Fund		260,000							260,000
Water Fund	110,699					61,261			171,960
Sewer Fund	92,249					52,739			144,988
Storm Drain Fund	92,249					109,707			201,956
Equipment Rental Fund								880,987	880,987
Fireman's Pension Reserve Fund	15,000								15,000
Total Transferred In	614,226	531,120	12,500	500	403,500	1,357,776	205,038	1,136,372	4,261,031

NOTE 11. NET ASSETS

The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

- a. Investment in capital assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt.

The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Additionally, until all the infrastructure assets are reported, infrastructure related debt would reduce the investment in other non-infrastructure capital assets.

- b. Restricted Assets are liquid assets (generated from revenues and not bond proceeds) which have third party (statutory, bond covenant, or granting agency) limitations on their use. The City would typically use restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.
- c. Unrestricted assets represent unrestricted liquid assets the City's management may have plans or tentative commitments to expend resources for certain purposes in future periods. Further legal action will be required to authorize the actual expenses or expenditures.

NOTE 12. LONG-TERM DEBT AND CAPITAL LEASES

Capital Leases

To account for financing leases, lease purchases, and installment purchase contracts in governmental funds, the City charges payments made or due during the fiscal period as debt service. In the year that the asset is received, the City records the present value of future lease payments as capital outlay expenditure and as an offsetting other financing source. The present value of payments due in future periods is shown as a liability in the general long-term debt and the cost of the asset is recorded in the general fixed asset. There are currently no capital leases or installment purchases in the governmental funds.

In proprietary funds, capital leases are recorded as assets and as long-term liabilities at the present value of the future lease payments when the asset is received. The fund records lease payments as reductions of the long-term liability and as interest expense over the life of the lease. The fund also records depreciation expense to amortize the assets over the lease

term or over the life of the asset. There are currently no capital leases or installment purchases in the proprietary funds.

Long-Term Debt

The City issues general obligation and revenue bonds to finance capital purchases and construction. Bonded indebtedness has also been entered into to advance refund general obligation and revenue bonds. General obligation bonds have been issued for general government activities and are being repaid from applicable resources. Proprietary fund revenues are repaying the revenue bonds. The City is also paying off two Public Works Assistance Loans and the City's share of one local improvement district. These notes and other obligations are considered obligations of the general government and are being repaid with general governmental revenue sources.

The annual requirements to maturity, including interest are presented on the following page:

Schedule of long term debt

Debt Service requirements to maturity

	G.O. Bonds		Special Assessments		Revenue Bonds		Other Debt		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
Governmental Activities									
2004	670,000	512,981	50,000	36,700			35,870	2,343	1,307,894
2005	710,000	479,998	250,000	34,500			33,862	1,849	1,510,209
2006	740,000	444,875	250,000	23,250			33,862	1,354	1,493,341
2007	780,000	408,140	250,000	11,750			33,862	1,016	1,484,768
2008	825,000	368,615					33,863	677	1,228,155
2009	870,000	326,215					33,863	338	1,230,416
2010	915,000	280,774							1,195,774
2011	545,000	232,258							777,258
2012	575,000	204,735							779,735
2013	605,000	175,410							780,410
2014	635,000	144,253							779,253
2015	665,000	111,233							776,233
2016	700,000	76,320							776,320
2017	740,000	39,220							779,220
Subtotal	9,975,000	3,805,027	800,000	106,200			205,182	7,577	14,898,986
Business-type Activities									
2004			40,000	10,650	105,000	17,765	112,599	16,890	302,903
2005			20,000	8,390	115,000	12,306	112,599	15,764	284,059
2006			20,000	7,230	115,000	6,210	112,599	14,638	275,677
2007			20,000	6,050			112,599	13,512	152,161
2008			20,000	4,850			112,599	12,386	149,835
2009			20,000	3,650			112,599	11,260	147,509
2010			20,000	2,440			112,599	10,134	145,173
2011			20,000	1,220			112,599	9,008	142,827
2012							112,599	7,882	120,481
2013							112,599	6,756	119,355
2014							112,599	5,630	118,229
2015							112,599	4,504	117,103
2016							112,599	3,378	115,977
2017							112,599	2,252	114,851
2018							112,599	1,126	113,725
Subtotal			180,000	44,480	335,000	36,281	1,688,980	135,118	2,419,860
Total	9,975,000	3,805,027	980,000	150,680	335,000	36,281	1,894,162	142,695	17,318,846

In proprietary (and similar trust) funds, unamortized debt issue costs are recorded as deferred charges and bonds are displayed net of premium or discount annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

0046, which was used for street improvements that are partially within the City.

Other Long-Term Debt

Other long-term general obligation debt of \$243,061 is comprised of:

- 1) The City owes Snohomish County \$203,174 as the result of an interlocal agreement entered into during the Canyon Park annexation. The City makes annual payments to the County. The County then makes payments on PWA loan 5-89-962-

- 2) The City's share of one local improvement district in the amount of \$6,025 is due in annual payments until July 2005. Funding will be from general property taxes.
- 3) The City owes Snohomish County \$1,688,980 as a result of an interlocal agreement in 1998. The City makes annual payments to the County. The County then makes payments on PWA loan 98-791-007, which was used for water improvements that are partially within the City. On June 2, 2003 the loan was increased \$210,000 as part of the water main replacement project.

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/03	Issued	Redeemed	Balance 12/31/03
Governmental Activities								
G.O. Bond (Voted)	11/1/1997	12/1/2017	4.625-5.3%	\$9,700,000	\$8,025,000		\$380,000	\$7,645,000
G.O. Bond (Non-voted)	3/1/1995	12/1/2010	5.3 -5.7%	4,200,000	2,590,000		260,000	2,330,000
PWA Loan 5-89-962-0046		12/31/2009	1.00%	585,526	237,036		33,862	203,174
City Share LID	3/1/1990	2/1/2005	8.50%	43,388	6,024		4,017	2,007
LID Bonds - Downtown revitalization	3/1/1990	On Call	7.7 -7.75%	422,212	80,000		80,000	0
LID Bonds - 195th Overpass I-405	2/4/1999	On Call	3.25 - 4.7%	2,469,000	1,500,000		700,000	800,000
Subtotal				17,420,126	12,438,060	0	1,457,879	10,980,181
Business-type Activities								
Revenue Bond	2/15/1997	9/1/2006	4.1 - 5.4%	930,000	435,000		100,000	335,000
PWA Loan 98-791-007	10/15/1998	10/13/2003	1.00%	1,890,000	1,591,579	210,000	112,599	1,688,980
LID Bonds - Fireside Sewer	5/1/1997	On Call	5.6 - 6.1%	304,033	180,000		0	180,000
Subtotal				3,124,033	2,206,579	210,000	212,599	2,203,980
Total				\$20,544,159	\$14,644,639	\$210,000	\$1,670,478	\$13,184,161

Debt Limit Capacities

State statutes provides that debt cannot be incurred in excess of the following taxable percentages in the City: 1.5% without a vote of the people; 2.5% with a vote of the people, provided the indebtedness in excess of 2.5% is

for utilities; and 7.5% with a vote of the people provided the indebtedness in excess of 2.5% is for utilities, parks, or open space development. As of December 31, 2003, the City debt limits were based on assessed property of \$3,769,778,350.

Debt Capacity as of January 1, 2003

Regular levy assessed value less annexations 3,769,778,350

Item	Without a Vote		With a Vote of the People		
	1.5%	2.5%	5.0%	7.5%	
Legal Limit	56,546,675	94,244,459	188,488,918	282,733,376	
Outstanding Net Debt	2,330,000	9,975,000	9,975,000	9,975,000	
Margin Available	54,216,675	84,269,459	178,513,918	272,758,376	

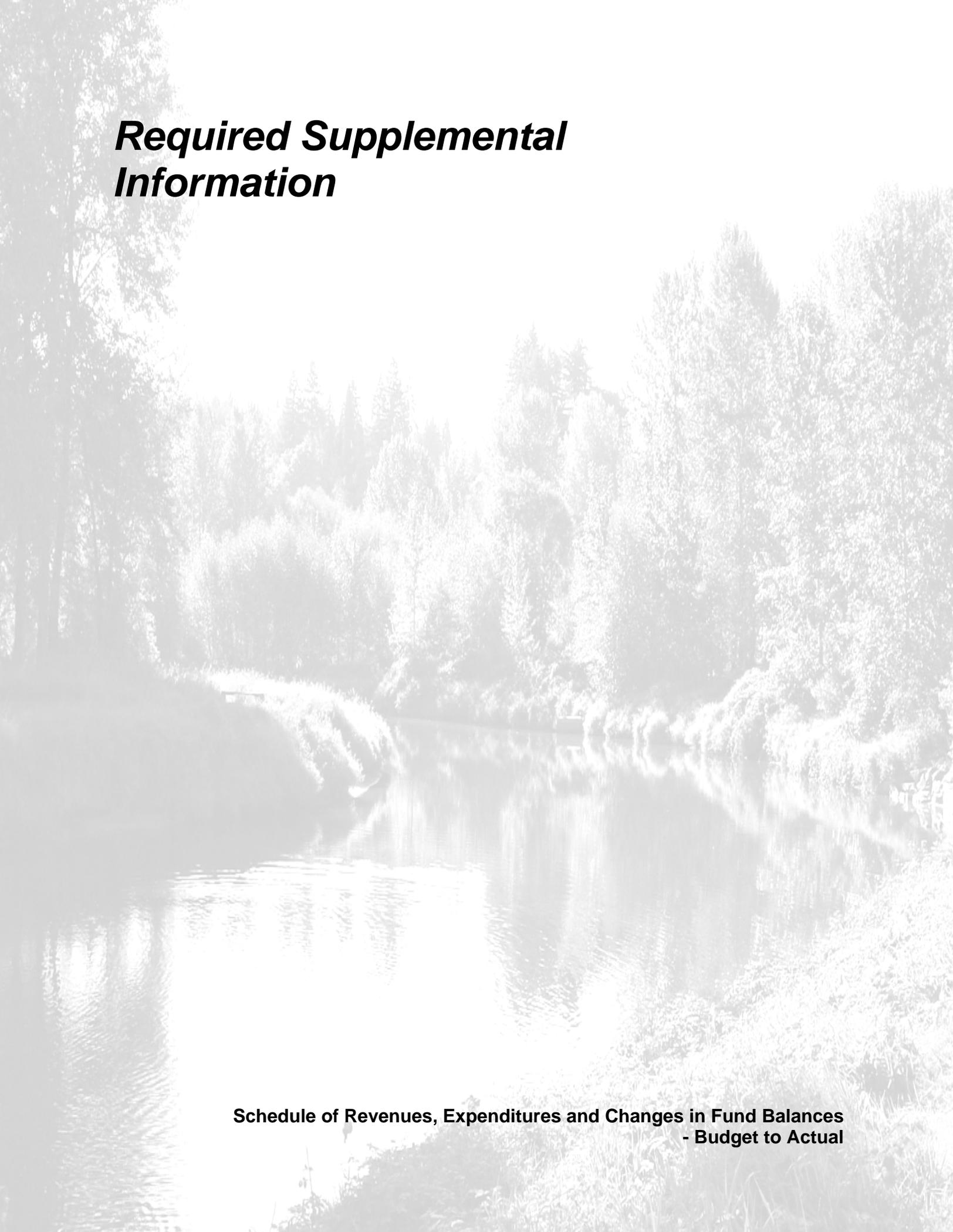
NOTE 13. FUND ADDITIONS, DELETIONS & RESTATEMENTS

Prior Year Adjustments

Certain restatements have been made with respect to prior year balances to provide presentation consistent with the current year. An audit found current fund cash understated by \$48,742, interest receivable overstated by

\$467,786 and beginning assets understated by \$1,258,753. Self Insurance prepaid insurance overstated by \$99,277, and Construction and Acquisition Fund interest receivable overstated by 60,027 as follows:

Current Fund	839,710
Self Insurance	(99,277)
Construction & Acquisition	(60,027)
Total	\$680,406



Required Supplemental Information

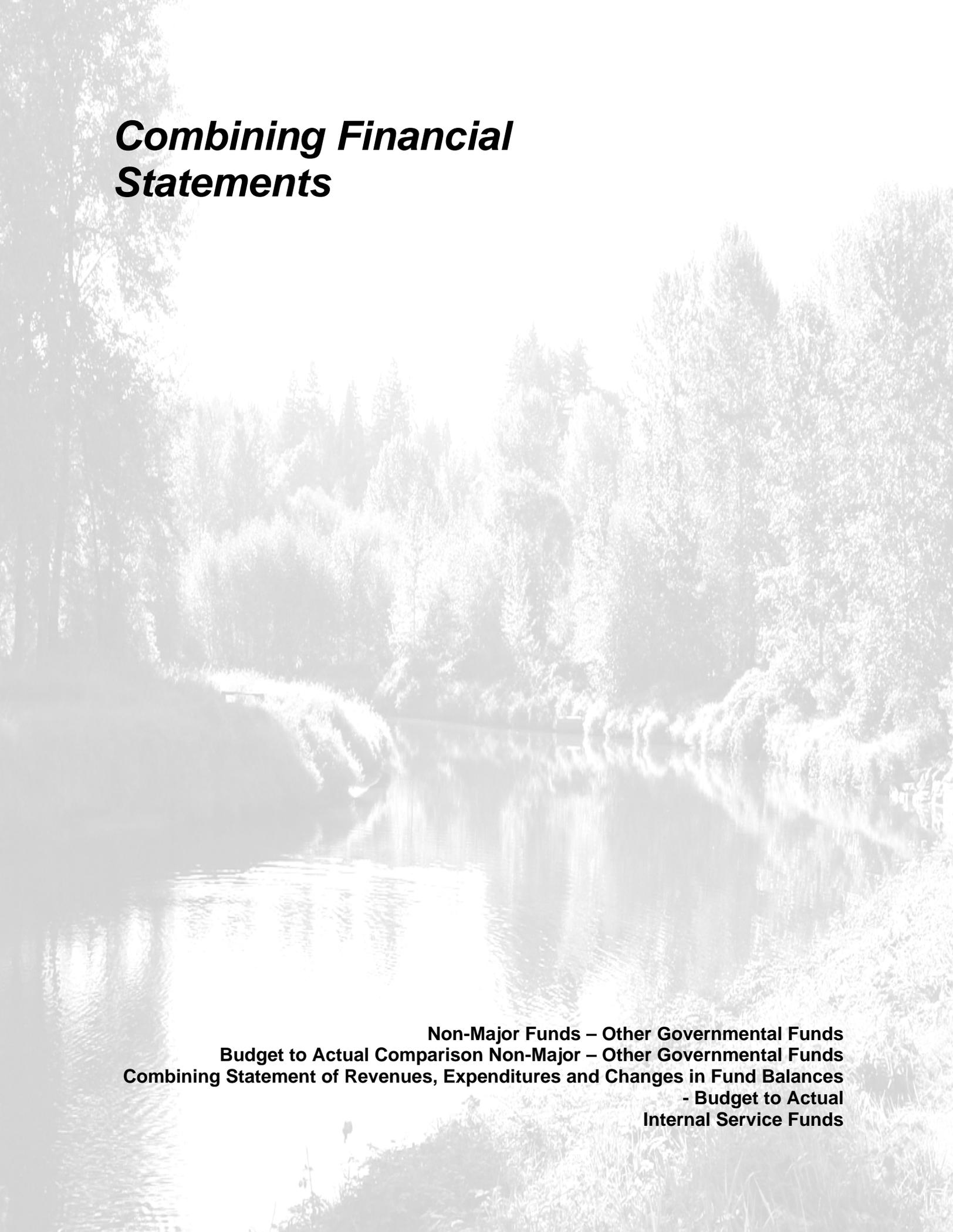
**Schedule of Revenues, Expenditures and Changes in Fund Balances
- Budget to Actual**

City of Bothell
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
For the Year Ended December 31, 2003
(with comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Taxes	18,716,580	18,716,580	20,345,040	1,628,460	20,152,579
Licenses and permits	650,800	650,800	820,883	170,083	715,145
Intergovernmental revenues	1,570,849	1,570,849	1,752,386	181,537	4,541,701
Charges for services	1,933,175	1,933,175	1,820,924	(112,251)	1,933,667
Fines and forfeitures	307,360	307,360	409,791	102,431	319,550
Interest earnings	243,212	243,212	291,045	47,833	680,589
Proceeds from sale of capital assets	364,500	364,500	27,435	(337,065)	22,357
Other revenue	97,475	97,475	510,567	413,092	156,839
Total revenues	23,883,951	23,883,951	25,978,071	2,094,120	28,522,427
EXPENDITURES					
Current:					
General government	5,967,420	6,140,401	5,321,164	819,237	5,202,863
Security of persons and property	13,659,636	13,643,011	13,167,132	475,879	12,597,499
Physical environment	2,252,716	3,097,935	1,715,261	1,382,674	2,139,834
Economic environment	2,260,143	1,701,024	1,794,739	(93,715)	2,676,459
Capital outlay	4,934,144	4,522,888	742,781	3,780,107	2,884,907
Total expenditures	29,074,059	29,105,259	22,741,077	6,364,182	25,501,562
Excess of revenue over(under) expenditures	(5,190,108)	(5,221,308)	3,236,994	8,458,302	3,020,865
OTHER FINANCING SOURCES (USES)					
Transfers in	4,342,820	4,342,820	614,226	(3,728,595)	1,098,440
Transfers out	(1,778,129)	(1,778,129)	(1,800,318)	(22,189)	(1,754,413)
Equity Transfer					5,200,582
Total other financing sources	2,564,691	2,564,691	(1,186,093)	(3,750,784)	4,544,609
Net change in fund balances	(2,625,417)	(2,656,617)	2,050,901	4,707,518	7,565,474
FUND BALANCES - JANUARY 1	11,098,409	11,098,409	20,251,377	9,152,968	12,687,084
Prior year adjustment			(419,044)	(419,044)	(1,180)
FUND BALANCES - DECEMBER 31	8,472,992	8,441,792	21,883,234	13,441,442	20,251,377

City of Bothell
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Arterial Street Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Intergovernmental revenues	1,775,000	1,775,000	760,996	(1,014,004)	662,678
Charges for services	961,100	961,100	232,112	(728,988)	419,293
Interest earnings	30,786	30,786	32,638	1,852	43,267
Other revenue	640,000	640,000	6,309	(633,691)	850
Total revenues	3,406,886	3,406,886	1,032,055	(2,374,831)	1,126,088
EXPENDITURES					
Current:					
Construction projects	5,190,955	5,190,955	2,466,859	2,724,096	1884930
Debt service - Principal			33,862	(33,862)	33862
Debt Service - Interest			1,185	(1,185)	3894
Total expenditures	5,190,955	5,190,955	2,501,907	2,689,048	1,922,686
OTHER FINANCING SOURCES (USES)					
Equity Transfer					2,857,905
total other financing sources					2,857,905
Excess of revenue over(under) expenditures	(1,784,069)	(1,784,069)	(1,469,852)	314,217	2,061,307
Net change in fund balances	(1,784,069)	(1,784,069)	(1,469,852)	314,217	2,061,307
FUND BALANCES - JANUARY 1	4,919,881	4,919,881	3,803,282	(1,116,599)	1,741,976
FUND BALANCES - DECEMBER 31	3,135,812	3,135,812	2,333,430	(802,382)	3,803,282



Combining Financial Statements

**Non-Major Funds – Other Governmental Funds
Budget to Actual Comparison Non-Major – Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
- Budget to Actual
Internal Service Funds**

City of Bothell
Combining Balance Sheet
Other Governmental Funds
December 31, 2003

	Special Revenue Funds						Debt Service Funds			Capital Projects Funds		Total Other Governmental Funds	
	Street	Cable TV	Park Cum. Reserve	Drug Forfeitures	Nuisance Abatement	Cemetery Endowment	Property Assessment Redemption	1990 GO Bond	1995 GO Bond	1997 GO Bond	LID Guaranty		Construction & Acquisition
ASSETS													
Current cash & cash equivalents	99,860	3,001	4,995	426	5,337	2,975	7	25,057	55,555	73,712	13,209	3,463	287,598
Investments	19,671	25,035	548,069	18,966	31,942	69,873					175,161	522,833	1,411,551
Receivables (net of allowances)													
Taxes								1,325		21,726			23,050
Due from other governmental units	105,367						50			10,801			116,218
TOTAL ASSETS	224,899	28,036	553,064	19,392	37,279	72,849	58	26,381	55,555	106,239	188,371	526,296	1,838,417
LIABILITIES AND FUND BALANCE													
Liabilities													
Accounts payable	45,618												45,618
Payroll payable	24,469												24,469
Unearned revenue								1,325		21,726			23,050
Total liabilities	70,087	0	0	0	0	0	0	1,325	0	21,726	0	0	93,137
Fund balances													
Unreserved, report in:													
Special revenue funds	154,812	28,036	553,064	19,392	37,279	72,849							865,431
Debt service funds							58	25,057	55,555	84,513	188,371		353,553
Capital projects funds												526,296	526,296
Total fund balances	154,812	28,036	553,064	19,392	37,279	72,849	58	25,057	55,555	84,513	188,371	526,296	1,745,280
TOTAL LIABILITIES AND FUND BALANCES	224,899	28,036	553,064	19,392	37,279	72,849	58	26,381	55,555	106,239	188,371	526,296	1,838,417

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Other Governmental Funds
For the Year Ended December 31, 2003

	Special Revenue Funds						Debt Service Funds		Debt Service Funds Continued			Capital Projects	Total Other Governmental Funds
	Street	Cable TV	Park Cum. Reserve	Drug Forfeitures	Nuisance Abatement	Cemetery Endowment	Property Assessment Redemption	1990 GO Bond	1995 GO Bond	1997 GO Bond	LID Guaranty	Construction & Acquisition	
REVENUES													
Taxes	437,389						2,987	792		799,711			1,240,879
Licenses and permits	52,521												52,521
Intergovernmental revenue	40,371												40,371
Interest earnings	1	1	7,409	(34)	(58)	(127)		123	60		161	10,148	17,683
Charges for services	288,761		117,263	5,994									412,018
Other revenue	124												124
Total Revenues	819,167	1	124,671	5,960	(58)	(127)	2,987	915	60	799,711	161	10,148	1,763,596
EXPENDITURES													
Current:													
Security of persons and property				9,286									9,286
Transportation	1,068,423												1,068,423
Physical environment					163								163
Other expenditures									367	607		224,207	225,181
Debt service:													
Principal retirement							4,017		260,000	380,000			644,017
Interest							465		141,380	334,767			476,612
Total expenditures	1,068,423	0	0	9,286	163	0	4,481	0	401,747	715,374	0	224,207	2,423,682
Excess of revenue over (under) expenditures	(249,257)	1	124,671	(3,326)	(221)	(127)	(1,494)	915	(401,687)	84,337	161	(214,059)	(660,086)
OTHER FINANCING SOURCES (USES)													
Transfers in	531,120				12,500		500		403,500				947,620
Transfers out	(127,604)	0	(246,550)									(260,000)	(634,154)
Total other financing sources	403,516	0	(246,550)	0	12,500	0	500	0	403,500	0	0	(260,000)	313,466
Net change in fund balances	154,259	1	(121,879)	(3,326)	12,279	(127)	(994)	915	1,813	84,337	161	(474,059)	(346,620)
FUND BALANCES -JANUARY 1	552	28,035	674,943	22,718	25,000	72,975	1,052	24,142	53,742	176	188,209	1,065,382	2,156,927
Prior Year Adjustment												(65,027)	(65,027)
FUND BALANCES DECEMBER 31	154,812	28,036	553,064	19,392	37,279	72,849	58	25,057	55,555	84,513	188,371	526,296	1,745,280

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Street Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Taxes			437,389	437,389	726,278
Licenses and permits	75,000	75,000	52,521	(22,479)	57,187
Charges for services	987,000	987,000	288,761	(698,239)	211,080
Intergovernmental revenue			40,371	40,371	
Interest earnings			1	1	
Other revenue	12,500	12,500	124	(12,376)	163
Total revenues	1,074,500	1,074,500	819,167	(255,333)	994,709
EXPENDITURES					
Current:					
Personnel services	463,422	462,672	503,483	(40,811)	532,622
Operating supplies	578,548	576,548	535,712	40,836	649,263
Other services and charges	141,450	141,450	29,228	112,222	48,042
Capital outlays	16,500	16,500	0	16,500	
Total Expenditures	1,199,920	1,197,170	1,068,423	128,747	1,229,928
Excess of revenue over (under) expenditures	(125,420)	(122,670)	(249,257)	(126,587)	(235,219)
OTHER FINANCING SOURCES (USES)					
Transfers in	252,424	252,424	531,120	278,696	183,716
Transfers out	(127,004)	(127,004)	(127,604)	(600)	(227,655)
Total other financing sources	125,420	125,420	403,516	278,096	(43,939)
Net change in fund balances	0	2,750	154,259	151,509	(279,157)
FUND BALANCES JANUARY 1	0	0	552	552	279,710
FUND BALANCES DECEMBER 31	0	2,750	154,812	152,062	552

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Cable TV Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Interest earnings	0	0	1	1	10,000
Total revenues	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>10,000</u>
EXPENDITURES					
Current:					
Capital outlays	9,950	9,950		9,950	12,723
Total Expenditures	<u>9,950</u>	<u>9,950</u>	<u>0</u>	<u>9,950</u>	<u>12,723</u>
Excess of revenue over (under) expenditures	(9,950)	(9,950)	1	9,951	(2,723)
Net change in fund balances	(9,950)	(9,950)	1	9,951	(2,723)
FUND BALANCES JANUARY 1	25,758	25,758	28,035	2,277	30,758
FUND BALANCES DECEMBER 31	<u><u>15,808</u></u>	<u><u>15,808</u></u>	<u><u>28,036</u></u>	<u><u>12,228</u></u>	<u><u>28,035</u></u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Park Cumulative Reserve Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Charges for Service	40,000	40,000	117,263	77,263	115,276
Investment interest	0	0	7,409	7,409	12,593
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>124,671</u>	<u>84,671</u>	<u>127,869</u>
EXPENDITURES					
Other services and charges					44,092
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>44,092</u>
Excess of revenues over (under) expenditures	40,000	40,000	124,671	84,671	83,777
OTHER FINANCING SOURCES (USES)					
Operating transfers out	(575,000)	(575,000)	(246,550)	328,450	(400,000)
Total other financing sources	<u>(575,000)</u>	<u>(575,000)</u>	<u>(246,550)</u>	<u>328,450</u>	<u>(400,000)</u>
Net change in fund balances	(535,000)	(535,000)	(121,879)	413,121	(316,223)
FUND BALANCES JANUARY 1	1,421,166	1,421,166	674,943	(746,223)	991,166
FUND BALANCES DECEMBER 31	<u><u>886,166</u></u>	<u><u>886,166</u></u>	<u><u>553,064</u></u>	<u><u>(333,102)</u></u>	<u><u>674,943</u></u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Drug Forfeitures Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Charges for services	25,000	25,000	5,994	(19,006)	18,845
Interest earnings			(34)	(34)	
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>5,960</u>	<u>(19,040)</u>	<u>18,845</u>
EXPENDITURES					
Current:					
Personnel services	3,500	3,500		3,500	2,025
Operating supplies	9,000	9,000	4,970	4,030	9,976
Other services and charges	12,500	12,500	4,316	8,184	1,215
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>9,286</u>	<u>15,714</u>	<u>13,216</u>
Excess of revenue over (under) expenditures	0	0	(3,326)	(3,326)	5,629
Net change in fund balances	0	0	(3,326)	(3,326)	5,629
FUND BALANCES JANUARY 1	19,137	19,137	22,718	3,581	17,089
FUND BALANCES DECEMBER 31	<u>19,137</u>	<u>19,137</u>	<u>19,392</u>	<u>255</u>	<u>22,718</u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Nuisance Abatement Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
Revenues					
Interest earnings	0	0	(58)	(58)	
Total revenues	<u>0</u>	<u>0</u>	<u>(58)</u>	<u>(58)</u>	<u>0</u>
EXPENDITURES					
Other services and charges	25,000	25,000	163	24,837	
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>163</u>	<u>24,837</u>	<u>0</u>
Excess of revenue over (under) expenditures	(25,000)	(25,000)	(221)	24,779	
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	0	12,500	12,500	25,000
Total other financing sources	<u>0</u>	<u>0</u>	<u>12,500</u>	<u>12,500</u>	<u>25,000</u>
Net change in fund balances	(25,000)	(25,000)	12,279	37,279	25,000
FUND BALANCES JANUARY 1	25,000	25,000	25,000	0	
FUND BALANCES DECEMBER 31	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>37,279</u></u>	<u><u>37,279</u></u>	<u><u>25,000</u></u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Cemetery Endowment Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive(Negative)</u>	<u>2002</u> <u>Actuals</u>
	<u>Original</u>	<u>Final</u>			
Revenues					
Interest earnings	1,000	1,000	(127)	(1,127)	0
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>(127)</u>	<u>(1,127)</u>	<u>0</u>
Net change in fund balances	1,000	1,000	(127)	(1,127)	0
FUND BALANCES JANUARY 1	72,975	72,975	72,975	0	72,975
FUND BALANCES DECEMBER 31	<u><u>73,975</u></u>	<u><u>73,975</u></u>	<u><u>72,849</u></u>	<u><u>(1,126)</u></u>	<u><u>72,975</u></u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Property Assessment Redemption Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Taxes	3,000	3,000	2,987	(13)	3,336
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,987</u>	<u>(13)</u>	<u>3,336</u>
EXPENDITURES					
Current:					
Principal retirement	2,400	2,400	4,017	(1,617)	2,008
Interest	600	600	465	135	1,072
Total Expenditures	<u>3,000</u>	<u>3,000</u>	<u>4,481</u>	<u>(1,481)</u>	<u>3,080</u>
Excess of revenue over (under) expenditures	0	0	(1,494)	(1,494)	256
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0	0	500	500	
Total other financing sources	<u>0</u>	<u>0</u>	<u>500</u>	<u>500</u>	<u>0</u>
Net change in fund balances	0	0	(994)	(994)	256
FUND BALANCES JANUARY 1	4,277	4,277	1,052	(3,225)	4,277
Prior year adjustment					(3,481)
FUND BALANCES DECEMBER 31	<u><u>4,277</u></u>	<u><u>4,277</u></u>	<u><u>58</u></u>	<u><u>(4,219)</u></u>	<u><u>1,052</u></u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
1990 G. O. Bond Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Taxes	0	0	792	792	10,066
Interest			123	123	203
Total revenues	<u>0</u>	<u>0</u>	<u>915</u>	<u>915</u>	<u>10,269</u>
Excess of revenue over (under) expenditures	0	0	915	915	10,269
Net change in fund balances	0	0	915	915	10,269
FUND BALANCES JANUARY 1	13,056	13,056	24,142	11,086	13,056
Prior year Adjustment					817
FUND BALANCES DECEMBER 31	<u>13,056</u>	<u>13,056</u>	<u>25,057</u>	<u>12,001</u>	<u>24,142</u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
1995 G. O. Bond Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Interest earnings	0	0	60	60	78
Total revenues	0	0	60	60	78
EXPENDITURES					
Current:					
Principal retirement	260,000	260,000	260,000	0	245,000
Interest	142,616	142,616	141,380	1,236	167,363
Other expenditures	384	384	367	17	278
Total Expenditures	403,000	403,000	401,747	1,253	412,641
OTHER FINANCING SOURCES (USES)					
Operating transfers in	403,000	403,000	403,500	500	400,800
Total other financing sources	403,000	403,000	403,500	500	400,800
Excess of revenue over (under) expenditures	0	0	1,813	1,813	(11,763)
Net change in fund balances	0	0	1,813	1,813	(11,763)
FUND BALANCES JANUARY 1	65,605	65,605	53,742	(11,863)	65,505
FUND BALANCES DECEMBER 31	65,605	65,605	55,555	(10,050)	53,742

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
1997 G. O. Bond Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Taxes	783,000	783,000	799,711	16,711	800,373
Total revenues	<u>783,000</u>	<u>783,000</u>	<u>799,711</u>	<u>16,711</u>	<u>800,373</u>
EXPENDITURES					
Current:					
Principal retirement	380,000	380,000	380,000	0	360,000
Interest	402,500	402,500	334,767	67,733	485,323
Other expenditures	500	500	607	(107)	965
Total Expenditures	<u>783,000</u>	<u>783,000</u>	<u>715,374</u>	<u>67,626</u>	<u>846,288</u>
Excess of revenue over (under) expenditures	0	0	84,337	84,337	(45,915)
OTHER FINANCING SOURCES (USES)					
Transfers in					61,000
Total other financing sources					<u>61,000</u>
Net change in fund balances	0	0	84,337	84,337	15,085
FUND BALANCES JANUARY 1	23,175	23,175	176	(22,999)	1,875
Prior year adjustment					(16,783)
FUND BALANCES DECEMBER 31	<u><u>23,175</u></u>	<u><u>23,175</u></u>	<u><u>84,513</u></u>	<u><u>61,338</u></u>	<u><u>176</u></u>

City of Bothell
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
LID Guaranty Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Investment interest	0	0	161	161	
Total revenues	<u>0</u>	<u>0</u>	<u>161</u>	<u>161</u>	<u>0</u>
Net change in fund balances	0	0	161	161	
FUND BALANCES JANUARY 1	0	0	188,209	188,209	188,209
FUND BALANCES DECEMBER 31	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>188,371</u></u>	<u><u>188,371</u></u>	<u><u>188,209</u></u>

City of Bothell
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Construction and Acquisition Fund
For the Year Ended December 31, 2003
(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
REVENUES					
Interest earnings	13,752	13,752	10,148	(3,604)	18,126
Total revenues	<u>13,752</u>	<u>13,752</u>	<u>10,148</u>	<u>(3,604)</u>	<u>18,126</u>
EXPENDITURES					
Other expenditures	0	0	224,207	(224,207)	161,064
Total expenditures	<u>0</u>	<u>0</u>	<u>224,207</u>	<u>(224,207)</u>	<u>161,064</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	0	0	260,000	(260,000)	
Total other financing sources	<u>0</u>	<u>0</u>	<u>260,000</u>	<u>(260,000)</u>	<u>0</u>
Excess of revenue over(under) expenditures	13,752	13,752	(474,059)	(487,811)	(142,938)
Net change in fund balances	13,752	13,752	(474,059)	(487,811)	(142,938)
FUND BALANCES - JANUARY 1	1,215,823	1,215,823	1,065,382	(150,441)	1,208,320
Prior year adjustment			(65,027)	(65,027)	
FUND BALANCES - DECEMBER 31	<u><u>1,229,575</u></u>	<u><u>1,229,575</u></u>	<u><u>526,296</u></u>	<u><u>(703,280)</u></u>	<u><u>1,065,382</u></u>

City of Bothell
Combining Statement of Net Assets
Internal Service Funds
December 31, 2003

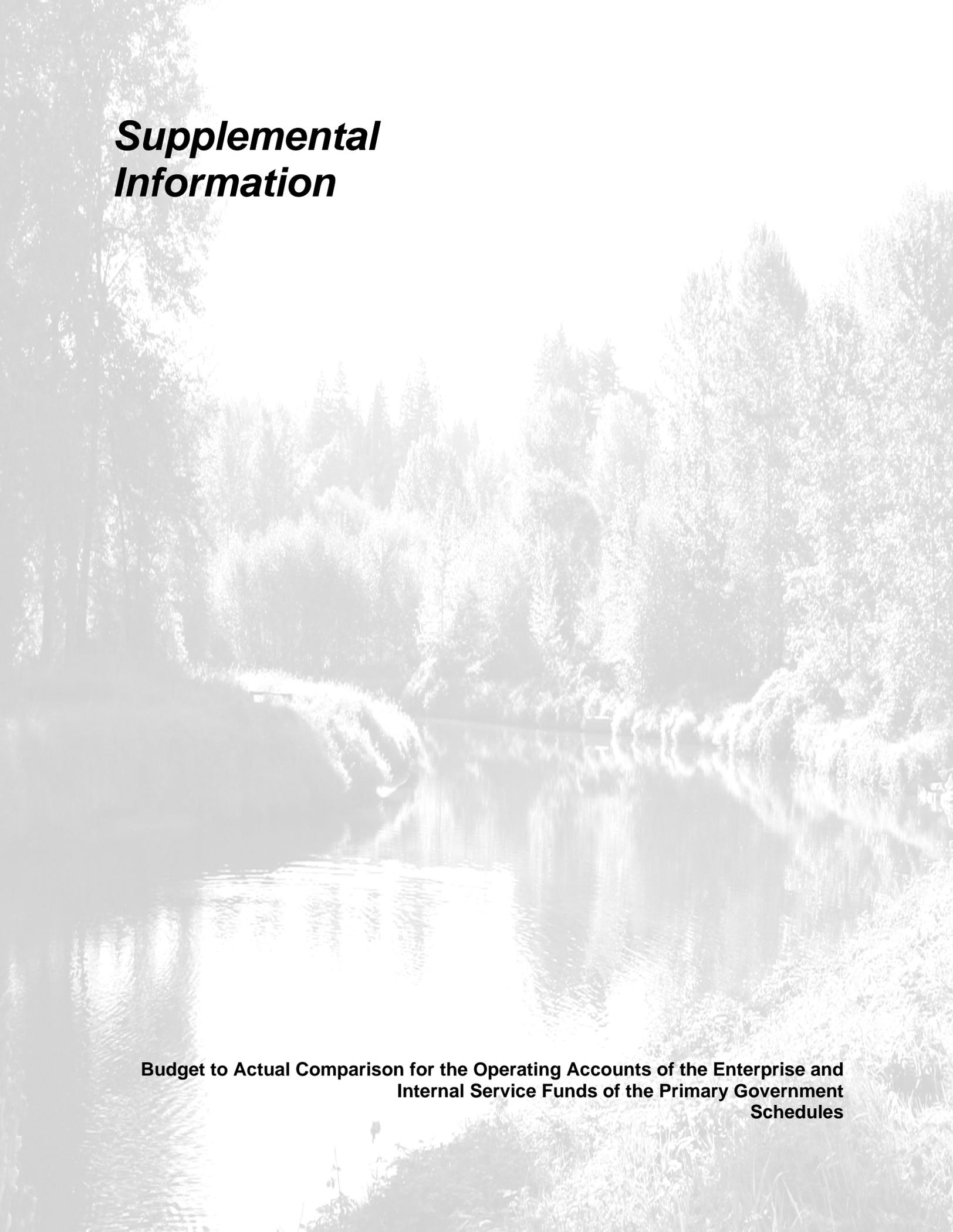
	Governmental Activities			Total
	Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	
ASSETS				
Current assets:				
Cash and cash equivalents	6,579	33,590	119	40,288
Investments	655,520	71,656	4,519,765	5,246,941
Inventories	50,472			50,472
Prepaid insurance				0
Total current assets:	<u>712,571</u>	<u>105,246</u>	<u>4,519,884</u>	<u>5,337,701</u>
Non-current assets:				
Restricted:				
Capital assets, net of depreciation:				
Equipment - shop	8,922			8,922
Equipment - vehicles	<u>51,405</u>			<u>51,405</u>
Total non-current assets	<u>60,328</u>	<u>0</u>	<u>0</u>	<u>60,328</u>
Total assets	<u>772,898</u>	<u>105,246</u>	<u>4,519,884</u>	<u>5,398,028</u>
LIABILITIES				
Current liabilities:				
Accounts payable	5,702			5,702
Payroll Payable	9,547	3,376		12,923
Compensated absences	<u>10,809</u>	<u>3,164</u>		<u>13,973</u>
Total liabilities	26,059	6,540	0	32,598
NET ASSETS				
Investment in capital assets, net of retained debt	60,328	0	0	60,328
Unrestricted	<u>686,512</u>	<u>98,706</u>	<u>4,519,884</u>	<u>5,305,103</u>
Total net assets	<u>746,840</u>	<u>98,706</u>	<u>4,519,884</u>	<u>5,365,430</u>

City of Bothell
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2003

	Governmental Activities			Total
	Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	
Operating revenues:				
Charges for services	0	603,046	0	603,046
Total operating revenues	<u>0</u>	<u>603,046</u>	<u>0</u>	<u>603,046</u>
Operating expenses:				
Maintenance and operation	302,788			302,788
Capital outlay			599,087	599,087
Administration and general	99,910	694,921		794,830
Depreciation & amortization	38,920			38,920
Total operating expense	<u>441,617</u>	<u>694,921</u>	<u>599,087</u>	<u>1,735,625</u>
Operating income (loss)	<u>(441,617)</u>	<u>(91,874)</u>	<u>(599,087)</u>	<u>(1,132,579)</u>
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets	6,615			6,615
Interest earnings	554	2	39,418	39,974
Total non-operating revenues (expenses)	<u>7,169</u>	<u>2</u>	<u>39,418</u>	<u>46,589</u>
Income (loss) before contributions and transfers	<u>(434,448)</u>	<u>(91,872)</u>	<u>(559,669)</u>	<u>(1,085,989)</u>
Contributed capital				
Transfers in	1,357,776	205,038	1,136,372	2,699,186
Transfers out	<u>(880,987)</u>			<u>(880,987)</u>
Change in net assets	42,340	113,166	576,703	732,209
Net assets - beginning	704,499	84,818	3,943,181	4,732,498
Prior year adjustment		<u>(99,277)</u>		<u>(99,277)</u>
Net assets - ending	<u><u>746,839</u></u>	<u><u>98,706</u></u>	<u><u>4,519,884</u></u>	<u><u>5,365,430</u></u>

City of Bothell
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2003

	Governmental Activities			Total
	Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	
Cash flows from operating activities				
Cash received from customers		603,046		603,046
Cash paid to employees for services	(195,765)	(70,571)		(266,336)
Cash paid to suppliers for goods and services	(217,110)	(538,136)	(629,565)	(1,384,810)
Net cash provided (used) by operating activities	(412,874)	(5,661)	(629,565)	(1,048,099)
Cash flows from non-operating activities				
Transfers out	(880,987)			(880,987)
Transfers in	1,357,776	205,038	1,136,372	2,699,186
Net cash provided (used) by non-operating activities	476,789	205,038	1,136,372	1,818,199
Cash flows from capital and related financing activities				
Proceeds from sales of capital assets	6,615			6,615
Net cash provided (used) by capital and related financing activities	6,615			6,615
Cash flows from investing activities				
Proceeds from sales and maturities of investments	(655,520)	(71,656)	(1,785,668)	(2,512,845)
Interest and Dividends	554	2	39,418	39,975
Net cash provided by investing activities	(654,966)	(71,654)	(1,746,250)	(2,472,870)
Net increase (decrease) in cash and cash equivalents	(584,437)	127,723	(1,239,443)	(1,696,156)
Balances - beginning of the year	591,016	5,143	1,239,562	1,835,721
Prior year adjustment		(99,277)		(99,277)
Balances - end of the year	6,579	33,590	119	40,288
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(441,617)	(91,874)	(599,087)	(1,132,579)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	38,920			38,920
Change in assets and liabilities:				
Decrease (increase) in inventory				0
Decrease (increase) in prepaid expense		99,277		99,277
Increase (decrease) in accounts payable	(9,611)	(17,815)	(30,477)	(57,904)
Increase (decrease) in compensated absences payable	2,230	2,323		4,553
Increase (decrease) in payroll payable	(2,796)	2,429		(366)
Net cash provided by operating activities	(412,874)	(5,661)	(629,565)	(1,048,099)



Supplemental Information

**Budget to Actual Comparison for the Operating Accounts of the Enterprise and
Internal Service Funds of the Primary Government
Schedules**

City of Bothell

Schedule of Operations - Budget to Actual

Water Fund

For the Year Ended December 31, 2003

(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
OPERATING REVENUES					
Charges for services	3,101,750	3,101,750	3,202,248	100,498	3,071,500
Total operating revenues	<u>3,101,750</u>	<u>3,101,750</u>	<u>3,202,248</u>	<u>100,498</u>	<u>3,071,500</u>
OPERATING EXPENSES					
Administrative and general	819,057	815,807	604,823	210,984	443,143
Purchase water	1,224,500	1,224,500	1,295,052	(70,552)	1,103,895
Maintenance and operation	120,305	120,305	73,132	47,173	90,906
Customer accounts	50,631	50,631	52,361	(1,730)	42,846
Taxes	300,500	300,500	293,094	7,406	304,838
Capital outlay	559,000	559,000		559,000	
Depreciation and amortization	292,000	292,000	313,726	(21,726)	758,578
Total operating expenses	<u>3,365,993</u>	<u>3,362,743</u>	<u>2,632,188</u>	<u>730,555</u>	<u>2,744,207</u>
OPERATING INCOME (LOSS)	<u>(264,243)</u>	<u>(260,993)</u>	<u>570,060</u>	<u>831,053</u>	<u>327,293</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	16,022	16,022	15,173	(849)	21,487
Interest expense	(45,757)	(45,757)	(21,113)	24,644	(53,476)
Other revenue (expense)	0	0	311	311	2,826
Total non-operating revenue (expense)	<u>(29,735)</u>	<u>(29,735)</u>	<u>(5,629)</u>	<u>24,106</u>	<u>(29,163)</u>
Income (loss) before contributions and transfers	(293,978)	(290,728)	564,431	855,159	298,129
Transfers out	(250,135)	(250,135)	(171,960)	78,176	(174,788)
Contributed capital					29,007
Net assets - beginning	1,938,991	1,938,991	8,989,506	7,050,515	8,837,158
Net assets - ending	<u><u>1,394,878</u></u>	<u><u>1,398,128</u></u>	<u><u>9,381,977</u></u>	<u><u>7,983,849</u></u>	<u><u>8,989,506</u></u>

City of Bothell
Schedule of Operations - Budget to Actual
Sewer Fund

For the Year Ended December 31, 2003

(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
OPERATING REVENUES					
Charges for Services	3,475,500	3,475,500	3,514,127	38,627	3,416,227
Total operating revenues	<u>3,475,500</u>	<u>3,475,500</u>	<u>3,514,127</u>	<u>38,627</u>	<u>3,416,227</u>
OPERATING EXPENSES					
Administrative and general	527,220	524,070	525,831	(1,761)	350,676
Metro service	2,300,000	2,300,000	2,027,727	272,273	1,901,291
Maintenance and operation	64,680	64,680	26,059	38,621	43,779
Customer accounts	49,491	49,491	52,344	(2,853)	41,680
Taxes	157,700	157,700	216,663	(58,963)	206,293
Capital outlay	365,000	365,000	0	365,000	
Depreciation and amortization	<u>220,000</u>	<u>220,000</u>	<u>210,725</u>	<u>9,275</u>	<u>478,636</u>
Total operating expenses	<u>3,684,091</u>	<u>3,680,941</u>	<u>3,059,349</u>	<u>621,592</u>	<u>3,022,355</u>
OPERATING INCOME (LOSS)	<u>(208,591)</u>	<u>(205,441)</u>	<u>454,778</u>	<u>660,219</u>	<u>393,871</u>
NON-OPERATING REVENUE (EXPENSE)					
Investment earnings	14,097	14,097	14,959	862	17,518
Interest expense	(29,520)	(29,520)	7,093	36,613	(20,443)
Gain on the sale of capital assets					1,530
Other revenue (expense)			<u>5,420</u>	<u>5,420</u>	<u>1,177</u>
Total non-operating revenue (expense)	<u>(15,423)</u>	<u>(15,423)</u>	<u>27,472</u>	<u>42,895</u>	<u>(217)</u>
Income (loss) before contributions and transfers	(224,014)	(220,864)	482,250	703,114	393,654
Operating transfers out	(206,123)	(206,123)	(144,988)	61,136	(150,216)
Net assets - beginning	1,077,170	1,077,170	7,949,341	6,872,171	7,715,903
Net assets - ending	<u>647,033</u>	<u>650,183</u>	<u>8,286,604</u>	<u>7,636,421</u>	<u>7,959,341</u>

City of Bothell
Schedule of Operations - Budget to Actual
Storm Drain Fund
For the Year Ended December 31, 2003

(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
OPERATING REVENUES					
Charges for Services	1,825,000	1,825,000	1,461,784	(363,216)	1,642,076
Total operating revenues	1,825,000	1,825,000	1,461,784	(363,216)	1,642,076
OPERATING EXPENSES					
Administrative and general	731,291	729,241	646,742	82,499	367,462
Maintenance and operation	120,840	120,840	37,884	82,956	59,956
Taxes	17,150	62,150	43,761	18,389	18,279
Capital outlay	630,334	585,334		585,334	
Depreciation and amortization	300,000	300,000	236,830	63,170	654,633
Total operating expenses	1,799,615	1,797,565	965,216	832,349	1,100,330
OPERATING INCOME (LOSS)	25,385	27,435	496,567	469,132	541,746
NON-OPERATING REVENUE (EXPENSE)					
Investment earnings	19,064	19,064	17,324	(1,740)	25,541
Miscellaneous revenue					25
Debt service	(19,500)	(19,500)	(10,920)	8,580	
Total non-operating revenue (expense)	(436)	(436)	6,403	6,839	25,566
Income (loss) before contributions and transfers	24,949	26,999	502,971	475,972	567,312
Operating transfers out	(432,869)	(432,869)	(201,956)	230,913	(469,911)
Net assets - beginning	1,717,729	1,717,729	8,275,113	6,557,384	8,177,712
Net assets - ending	1,309,809	1,311,859	8,576,127	7,264,268	8,275,113

City of Bothell
Schedule of Operations - Budget to Actual
Equipment Rental Fund
For the Year Ended December 31, 2003

(With comparison to prior year)

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)	2002 Actuals
	Original	Final			
OPERATING REVENUES					
Charges for services	3,000	3,000	0	(3,000)	0
Total operating revenues	3,000	3,000	0	(3,000)	0
OPERATING EXPENSES					
Administrative and general	105,783	105,783	99,910	5,873	187,112
Maintenance and operation	345,853	345,853	302,788	43,065	341,505
Depreciation			38,920	(38,920)	184,537
Total operating expenses	451,636	451,636	441,617	10,019	713,154
OPERATING INCOME (LOSS)	(448,636)	(448,636)	(441,617)	7,019	(713,154)
NON-OPERATING REVENUES (EXPENSES)					
Gain (loss) on sale of scrap	200	200	0	(200)	
Investment earnings	0	0	554	554	
Gain (loss) on disposition of capital assets	20,000	20,000	6,615	(13,385)	4,018
Total non-operating revenue (expense)	20,200	20,200	7,169	(13,031)	4,018
Income (loss) before contributions and transfers	(428,436)	(428,436)	(434,448)	(6,012)	(709,136)
Transfers out	(880,987)	(880,987)	(880,987)	0	(450,757)
Transfers in	1,210,093	1,210,093	1,357,776	147,683	1,246,440
Net assets - beginning	405,762	405,762	704,499	298,737	617,952
Net assets - ending	306,432	306,432	746,840	440,408	704,499

City of Bothell
Schedule of Operations - Budget to Actual
Self Insurance Fund
For the Year Ended December 31, 2003

(With comparison to prior year)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive(Negative)</u>	<u>2002 Actuals</u>
	<u>Original</u>	<u>Final</u>			
OPERATING REVENUES					
Charges for services	538,400	538,400	603,046	64,646	344,779
Total operating revenues	538,400	538,400	603,046	64,646	344,779
OPERATING EXPENSES					
Administrative and general	837,897	837,897	694,921	142,976	562,551
Total operating expenses	837,897	837,897	694,921	142,976	562,551
OPERATING INCOME (LOSS)	<u>(299,497)</u>	<u>(299,497)</u>	<u>(91,874)</u>	<u>207,623</u>	<u>(217,772)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment earnings	0	0	2	2	
Total non-operating revenue (expense)	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Income (loss) before contributions and transfers	(299,497)	(299,497)	(91,872)	207,625	(217,772)
Transfers in	76,322	76,322	205,038	128,716	154,469
Net assets - beginning	223,175	223,175	84,818	(138,357)	148,121
Prior year Adjustment			(99,277)	(99,277)	
Net assets - ending	<u>0</u>	<u>0</u>	<u>98,706</u>	<u>98,706</u>	<u>84,818</u>

City of Bothell
Schedule of Operations - Budget to Actual
Asset Replacement Fund
For the Year Ended December 31, 2003

(With comparison to prior year)

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive(Negative)</u>	<u>2002 Actuals</u>
	<u>Original</u>	<u>Final</u>			
OPERATING EXPENSES					
Capital outlay	775,621	755,621	599,087	156,534	254,595
Total operating expenses	<u>775,621</u>	<u>755,621</u>	<u>599,087</u>	<u>156,534</u>	<u>254,595</u>
OPERATING INCOME (LOSS)	<u>(775,621)</u>	<u>(755,621)</u>	<u>(599,087)</u>	<u>156,534</u>	<u>(254,595)</u>
NON-OPERATING REVENUES (EXPENSES)					
interest earnings	35,343	35,343	39,418	4,075	47,298
Interest expense					
Total non-operating revenue (expense)	<u>35,343</u>	<u>35,343</u>	<u>39,418</u>	<u>4,075</u>	<u>47,298</u>
Income (loss) before contributions and transfers	(740,278)	(720,278)	(559,669)	160,609	(207,297)
Transfers in	1,391,757	1,391,757	1,136,372	(255,385)	936,392
Net assets - beginning	3,841,014	3,841,014	3,943,181	102,167	3,214,085
Net assets - ending	<u><u>4,492,493</u></u>	<u><u>4,512,493</u></u>	<u><u>4,519,884</u></u>	<u><u>7,391</u></u>	<u><u>3,943,181</u></u>

City of Bothell
Schedule 16
Schedule of Federal Financial Assistance
For the Year Ended December 31, 2003

Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Current Year Expenditures
US Department of Transportation			
North Creek Trail	20.205	STPUL-CM-0110(05)	99,282
SR522 - I/S Widening & Realignment @ Wayne Curve	20.205	STPF-0522(032)	62,306
Dept of Transportation Total:			\$ 161,588
Department of Justice			
COPS Universal Hiring Program	16.711	96-UM-WX-0794	\$ 0
Bulletproof Vest Partnership Program	16.607	03016967	7,932
Dept of Justice Total:			\$ 7,932
Federal Emergency Management Agency			
Assist to Firefighter - SCBA	83.554	EMW-2003-FG-13027	\$ 0
Assist to firefighter - Wellness/Fitness	83.554	FG0218379	63,876
Federal Emergency Management Agency			\$ 63,876
Dept of Ecology			
Northcreek TMDL CCWF	n/a	GO300107	51,509
Coordinated Prevention LTCA	n/a	G0200240	7,801
Dept of Ecology Total:			\$ 59,310
Total Federal Assistance for 2003:			\$ 292,706

City of Bothell
Schedule 16
Schedule of State and Local Financial Assistance
For the Year Ended December 31, 2003

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
Dept of Community, Trade & Economic Development			
At Risk Child/Child Abuse Response Programs	336.06.23	N/A	\$ 6,741
Criminal Justice/Population	336.06.21	N/A	5,375
School Resource Officer	336.06.22	N/A	4,580
Criminal Justice/Domestic Violence Programs	336.06.24	N/A	6,784
Dept of Community, Trade & Econ Dev Total:			\$ 23,481
Dept of Transportation (WSDOT)			
Snohomish County - commuter Trip Reduction	334.03.20	GCA-2905	\$ 0
Commute Trip Reduction	334.03.20	GCA-2908	48,488
Dept of Transportation (WSDOT) Total:			\$ 48,488
Transportation Improvement Board			
102nd Ave Pedestrian Improvements	334.03.80	8-1-114(PO3)-1	\$ 90,177
39th Avenue SE Extension	334.03.80	9-P-114(003)-1	127,301
Transportation Improvement Board Total:			\$ 217,478
Dept of Social & Health Services			
Juvenile Accountability Incentive Block	334.04.60	1264-15088	\$ 5,345
Dept of Social & Health Services Total:			\$ 5,345
Washington State Traffic Safety Commission			
Traffic Safety Grant - Radar	334.03.50	N/A	\$ 4,010
DUI Emphasis Patrol - Radar Unit	334.03.50	N/A	5,091
Washington State Traffic Safety Commission			\$ 9,101
Sound Transit			
SR522 Phase 1 Improvements	337.07.00	SR 522 HOV Enh #384	\$ 255,322
Sound Transit			\$ 255,322
City of Woodinville			
Sammamish Releaf	337.07.00	MOU	\$ 26,912
City of Woodinville			\$ 26,912
King County			
SD Stenciling Grant	337.07.00	N/A	\$ 0
Waste Reduction & Recycling	337.07.00	D30701D	17,761
King County			\$ 17,761
Total State Financial Assistance for 2003:			\$ 603,888

City of Bothell
City Share of LID 87-1
December 31, 2003

Year Ended December 31, 2003	<u>Interest Rate</u>	<u>Interest Mar 1</u>	<u>Principal Mar 1</u>	<u>Total Debt Service</u>
2004	7.750%	311	2,008	2,320
	Total	<u>\$311</u>	<u>\$2,008</u>	<u>\$2,320</u>

City of Bothell
General Obligation Bonds, 1995
December 31, 2003

Year Ended December 31, 2003	<u>Interest Rate Range</u>	<u>Interest Jun 1</u>	<u>Interest Dec 1</u>	<u>Principal Dec 1</u>	<u>Total Debt Service</u>
2004	5.35 to 5.7%	64,418	64,418	275,000	403,835
2005	5.4 to 5.7%	57,061	57,061	295,000	409,123
2006	5.4 to 5.7%	49,096	49,096	310,000	408,193
2007	5.5 to 5.7%	40,726	40,726	330,000	411,453
2008	5.6 to 5.7%	31,651	31,651	350,000	413,303
2009	5.65 to 5.7%	21,851	21,851	375,000	418,703
2010	5.700%	11,258	11,258	395,000	417,515
	Total	<u>\$276,061</u>	<u>\$276,061</u>	<u>\$2,330,000</u>	<u>\$2,882,123</u>

City of Bothell
General Obligation Bonds, 1997
December 31, 2003

Year Ended December 31, 2003	<u>Interest Rate Range</u>	<u>Interest Jun 1</u>	<u>Interest Dec 1</u>	<u>Principal Dec 1</u>	<u>Total Debt Service</u>
2004	4.625 to 5.3%	192,073	192,072	395,000	779,145
2005	4.625 to 5.3%	182,938	182,938	415,000	780,876
2006	4.65 to 5.3%	173,342	173,341	430,000	776,683
2007	4.75 to 5.3%	163,344	163,344	450,000	776,688
2008	4.8 to 5.3%	152,657	152,656	475,000	780,313
2009	4.9 to 5.3%	141,257	141,256	495,000	777,513
2010	5.0 to 5.3%	129,129	129,129	520,000	778,258
2011	5.05 to 5.3%	116,129	116,129	545,000	777,258
2012	5.1 to 5.3%	102,367	102,368	575,000	779,735
2013	5.15 to 5.3%	87,705	87,705	605,000	780,410
2014	5.2 to 5.3%	72,126	72,127	635,000	779,253
2015	5.25 To 5.3%	55,616	55,617	665,000	776,233
2016	5.300%	38,160	38,160	700,000	776,320
2017	5.300%	19,610	19,610	740,000	779,220
	Total	<u>\$1,626,453</u>	<u>\$1,626,452</u>	<u>\$7,645,000</u>	<u>\$10,897,905</u>

City of Bothell
Local Improvement District 95-1, 1997
Fire Side Sewer
December 31, 2003

Year Ended December 31, 2003	<u>Interest Rate range</u>	<u>Interest May 1</u>	<u>Principal May 1</u>	<u>Total Debt Service</u>
2004	5.6 to 6.1%	10,650	40,000	50,650
2005	5.8 to 6.1%	8,380	20,000	28,380
2006	5.9 to 6.1%	7,220	20,000	27,220
2007	5.95 to 6.1%	6,040	20,000	26,040
2008	6.0 to 6.1%	4,850	20,000	24,850
2009	6.05 to 6.1%	3,650	20,000	23,650
2010	6.100%	2,440	20,000	22,440
2011	6.100%	1,220	20,000	21,220
	Total	<u>\$44,450</u>	<u>\$180,000</u>	<u>\$224,450</u>

City of Bothell
Local Improvement District 95-2, 1997
195th Overpass I-405
December 31, 2003

Year Ended December 31, 2003	<u>Interest Rate range</u>	<u>Interest Dec 1</u>	<u>Principal Dec 1</u>	<u>Total Debt Service</u>
2004	4.4 TO 4.7%	36,700	50,000	86,700
2005	4.5 TO 4.7%	34,500	250,000	284,500
2006	4.6 TO 4.7%	23,250	250,000	273,250
2007	4.700%	11,750	250,000	261,750
	Total	<u>\$106,200</u>	<u>\$800,000</u>	<u>\$906,200</u>

City of Bothell
Public Works Trust Fund Loan
PW-5-89-962-0046
December 31, 2003

Year Ended December 31, 2003	<u>Interest Rate</u>	<u>Interest July 1</u>	<u>Principal July 1</u>	<u>Total Debt Service</u>
2004	1.000%	2,032	33,862	35,894
2005	1.000%	1,693	33,862	35,555
2006	1.000%	1,354	33,862	35,216
2007	1.000%	1,016	33,862	34,878
2008	1.000%	677	33,863	34,540
2009	1.000%	338	33,863	34,201
	Total	<u>\$7,110</u>	<u>\$203,174</u>	<u>\$210,284</u>

City of Bothell
Public Works Trust Fund Loan
PW-98-791-007
December 31, 2003

<u>Year Ended</u> <u>December 31, 2003</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Total Debt</u> <u>Service</u>
2004	1.000%	\$16,890	\$112,599	\$129,488
2005	1.000%	15,764	112,599	128,363
2006	1.000%	14,638	112,599	127,237
2007	1.000%	13,512	112,599	126,111
2008	1.000%	12,386	112,599	124,985
2009	1.000%	11,260	112,599	123,859
2010	1.000%	10,134	112,599	122,733
2011	1.000%	9,008	112,599	121,607
2012	1.000%	7,882	112,599	120,481
2013	1.000%	6,756	112,599	119,355
2014	1.000%	5,630	112,599	118,229
2015	1.000%	4,504	112,599	117,103
2016	1.000%	3,378	112,599	115,977
2017	1.000%	2,252	112,599	114,851
2018	1.000%	1,126	112,599	113,725
	Total	<u>\$135,118</u>	<u>\$1,688,980</u>	<u>\$1,824,099</u>

City of Bothell
Water Utility Revenue Bonds, 1997
December 31, 2003

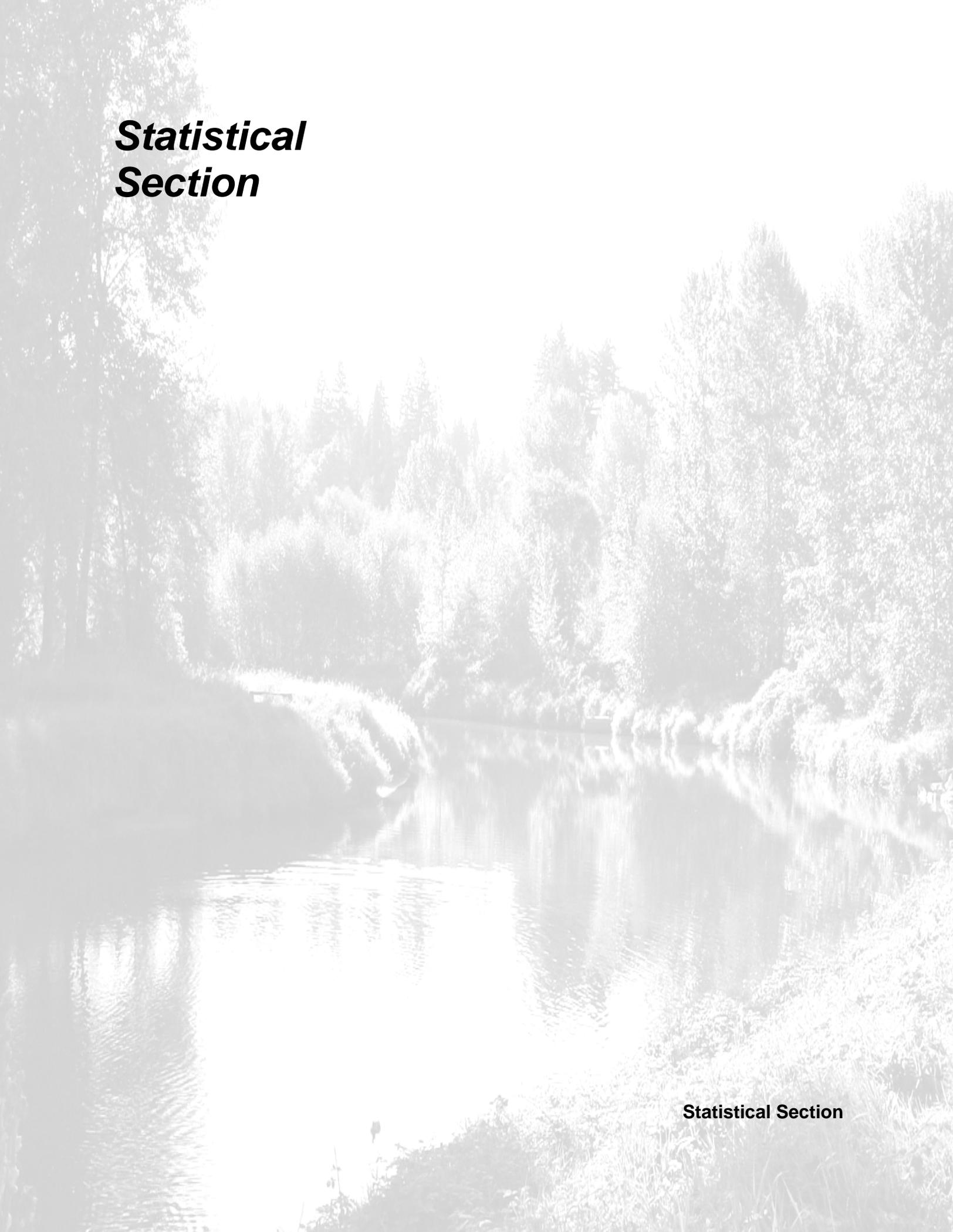
Year Ended December 31, 2003	Interest Mar 1	Interest Sep 1	Principal Sep 1	Total Debt Service
2004	8,883	8,883	105,000	122,765
2005	6,153	6,153	115,000	127,305
2006	3,105	3,105	115,000	121,210
Total	\$18,140	\$18,140	\$335,000	\$371,280

City of Bothell
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Capital Improvements Fund
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Taxes	1,000,000	1,000,000	1,462,608	462,608
Investment interest	33,158	33,158	30,999	(2,159)
Total revenues	<u>1,033,158</u>	<u>1,033,158</u>	<u>1,493,607</u>	<u>460,449</u>
EXPENDITURES				
Current:				
Debt service - principal	27,493	27,493	0	27,493
Debt service - interest	34,387	34,387	0	34,387
Capital outlay	500,000	500,000	41,352	458,648
Total expenditures	<u>561,880</u>	<u>561,880</u>	<u>41,352</u>	<u>520,528</u>
Excess of revenue over(under) expenditures	471,278	471,278	1,452,255	980,977
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,411,169)	(3,411,169)	(411,669)	2,999,500
Total other financing sources	<u>(3,411,169)</u>	<u>(3,411,169)</u>	<u>(411,669)</u>	<u>2,999,500</u>
Net change in fund balances	(2,939,891)	(2,939,891)	1,040,586	3,980,477
FUND BALANCES - JANUARY 1	2,870,569	2,870,569	3,285,911	415,342
FUND BALANCES - DECEMBER 31	<u>(69,322)</u>	<u>(69,322)</u>	<u>4,326,497</u>	<u>4,395,819</u>

City of Bothell
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
LID Control
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Interest earnings	0	0	64,055	64,055
Other revenue	0	0	222,835	222,835
Total revenues	<u>0</u>	<u>0</u>	<u>286,890</u>	<u>286,890</u>
EXPENDITURES				
Debt service - Interest	0	0	12,157	(12,157)
Debt service - Principal			780,000	(780,000)
Other Expenditures	0	0	391	(391)
Total expenditures	<u>0</u>	<u>0</u>	<u>792,548</u>	<u>(792,548)</u>
Excess of revenue over(under) expenditures	0	0	(505,658)	(505,658)
Net change in fund balances	0	0	(505,658)	(505,658)
FUND BALANCES - JANUARY 1	0	0	638,231	638,231
FUND BALANCES - DECEMBER 31	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>132,573</u></u>	<u><u>132,573</u></u>



***Statistical
Section***

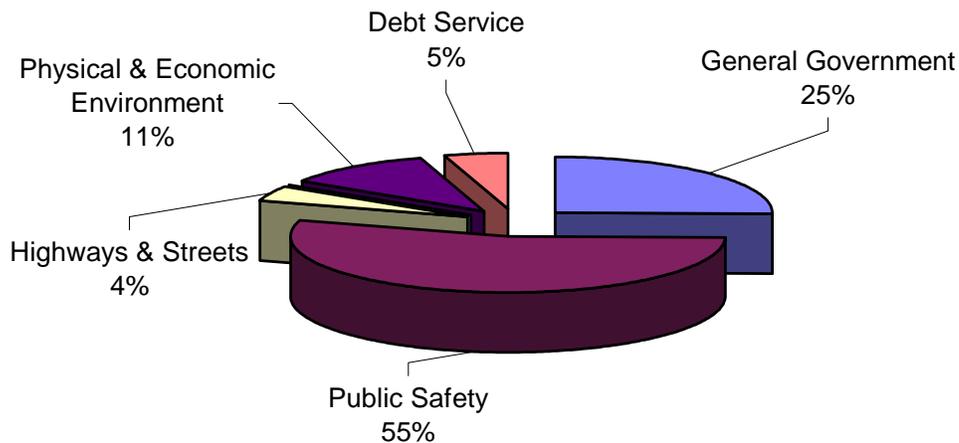
Statistical Section

General Government Expenditures by Function General, Special Revenue and Debt Service Funds* Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Highways & Streets	Health	Physical & Economic Environment	Debt Service	Total
1994	1,902,144	6,978,460	1,505,903	163,344	1,969,723	232,842	12,752,416
1995	2,241,853	7,680,865	1,363,642	187,231	2,683,896	1,194,014	15,351,501
1996	3,081,288	8,166,249	798,759	4,407	2,008,674	1,283,657	15,343,034
1997	3,015,996	9,179,794	862,952	4,350	2,167,932	755,298	15,986,322
1998	3,799,023	10,287,005	962,497	5,164	3,001,155	1,491,705	19,546,549
1999	3,961,103	11,140,907	989,952	4,982	2,925,098	1,342,496	20,364,538
2000	5,391,186	12,962,378	1,068,600	4,408	3,425,425	1,344,291	24,196,288
2001	7,472,533	13,381,963	1,100,556	0	4,313,593	1,296,169	25,872,169
2002	6,234,105	12,597,499	1,229,928	0	3,823,376	1,322,646	25,207,554
2003	6,144,389	13,189,914	1,068,423	0	2,687,912	1,120,628	24,211,266

*Includes Current, Street, Park, Debt Service (excluding LID funds) and Capital Improvement Funds.

2003 Expenditures by Function

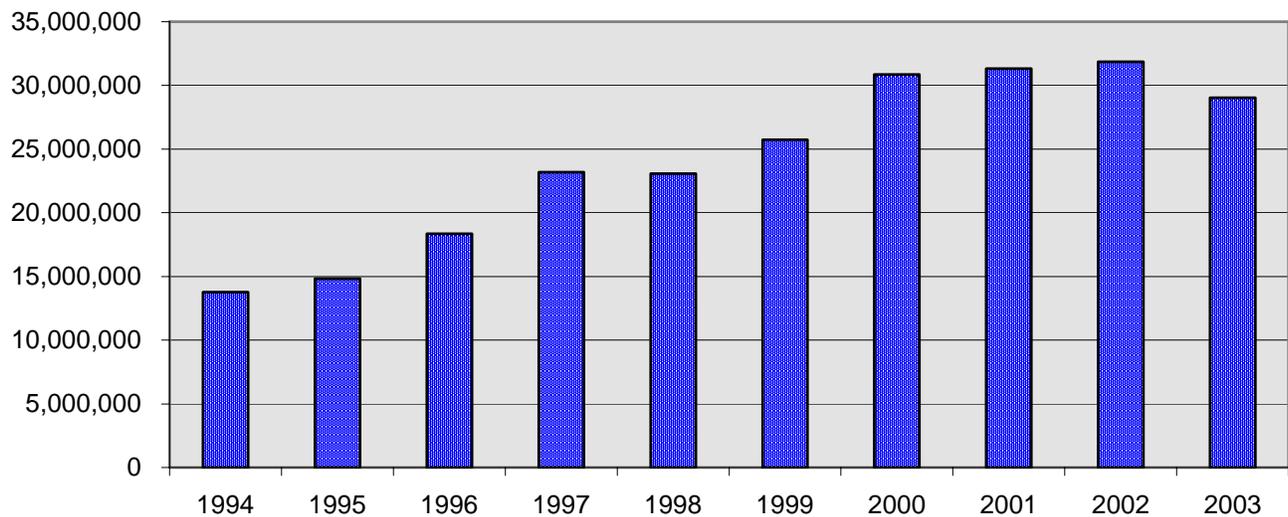


General Revenues by Source General, Special Revenue and Debt Service Funds* Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses & Permits	Intergovernmental	Charges for Services	Fines & Forfeitures	Misc.	Total
1994	9,599,228	493,713	2,214,885	890,135	178,390	399,465	13,775,816
1995	10,266,711	393,423	2,148,842	1,138,180	163,430	723,827	14,834,413
1996	12,368,252	780,803	3,109,184	1,121,847	222,260	764,198	18,366,544
1997	14,500,158	744,993	5,177,784	1,780,755	226,200	752,458	23,182,348
1998	16,468,280	1,033,096	2,053,138	2,296,459	251,091	960,644	23,062,708
1999	18,003,787	1,164,161	2,339,963	2,639,543	403,981	1,176,274	25,727,709
2000	22,028,094	1,212,924	2,921,519	2,337,157	389,978	1,970,767	30,860,439
2001	22,821,240	1,016,765	2,496,444	2,399,146	382,264	2,184,740	31,300,599
2002	22,496,075	769,685	5,267,979	2,143,051	321,246	866,804	31,864,840
2003	22,611,139	873,403	2,237,948	2,102,008	409,791	803,416	29,037,705

*Includes Current, Street, Park, Debt Service (excluding LID funds) and Capital Improvement Funds (excluding construction funds).

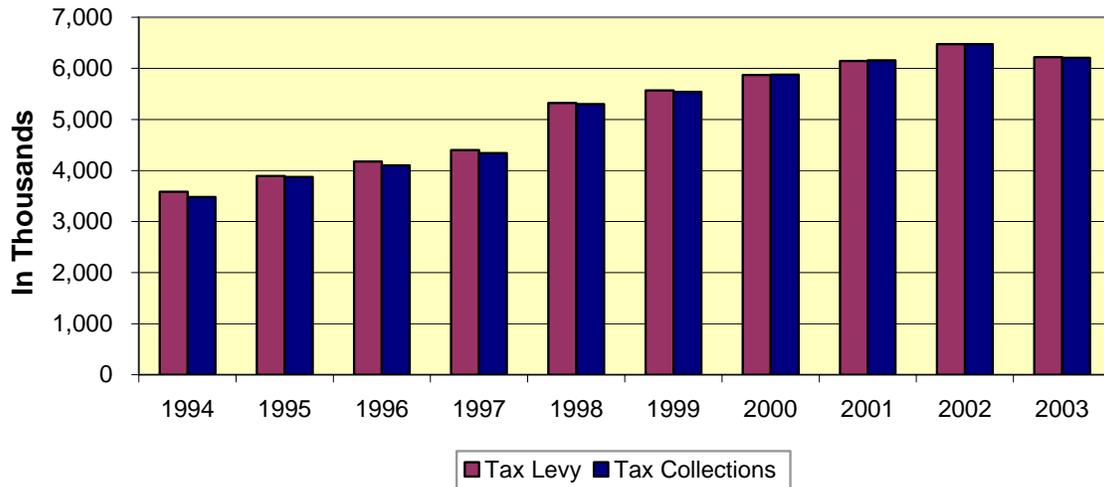
Total General Revenue Trends



Property Tax Levies and Collections (in thousands) Last Ten Years

Year	Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total
1994	3,585	3,419	95.4%	59	3,478	97.0%	100	2.8%
1995	3,890	3,813	98.0%	62	3,875	99.6%	124	3.2%
1996	4,178	4,017	96.1%	83	4,099	98.1%	109	2.6%
1997	4,401	4,283	97.3%	60	4,343	98.7%	156	3.5%
1998	5,324	5,213	97.9%	85	5,297	99.5%	188	3.5%
1999	5,571	5,436	97.6%	104	5,540	99.5%	210	3.8%
2000	5,871	5,750	97.9%	125	5,875	100.1%	173	2.9%
2001	6,145	6,072	98.8%	81	6,153	100.1%	86	1.3%
2002	6,476	6,344	98.0%	129	6,473	99.9%	186	2.9%
2003	6,216	6,110	98.3%	112	6,209	99.9%	166	2.7%

Property Tax Levies & Collections



**Property Tax Rates - Direct and Overlapping Governments
(Per \$1,000 of Assessed Value)
Last Ten Years**

King County

Year	City of Bothell	WA State	King County	School Dist	County Port	Hospital Dist	Library Dist	Emerg Medical Services	Park/Rec Dist	Total King County
1994	1.92	3.40	2.22	5.13	0.30	0.41	0.58	0.25	0.04	14.25
1995	1.99	3.42	2.25	5.82	0.29	0.42	0.62	0.25	0.04	15.10
1996	2.01	3.50	2.21	5.73	0.29	0.45	0.62	0.25	0.04	15.10
1997	2.04	3.52	2.13	5.85	0.28	0.44	0.62	0.25	0.06	15.19
1998	2.34	3.51	1.85	5.86	0.26	0.43	0.60	0.00	0.06	14.91
1999	2.29	3.36	1.77	5.89	0.24	0.41	0.59	0.29	0.04	14.88
2000	2.05	3.30	1.69	5.46	0.22	0.41	0.59	0.27	0.03	14.02
2001	1.96	3.14	1.55	5.39	0.19	0.39	0.56	0.25	0.03	13.46
2002	1.87	3.29	1.45	5.02	0.19	0.36	0.53	0.25	0.06	13.02
2003	1.86	2.90	1.35	4.88	0.25	0.34	0.54	0.24	0.05	12.41

Snohomish County

Year	City of Bothell	WA State	Snohomish County	School Dist	Library Dist	Stevens Hospital	Park/Rec Dist	Total Snohomish County
1994	1.92	3.56	1.28	5.13	0.58	0.34	0.04	12.85
1995	2.00	3.49	1.34	5.82	0.62	0.26	0.04	13.57
1996	2.00	3.38	1.39	5.73	0.62	0.25	0.04	13.41
1997	2.04	3.62	1.44	5.85	0.62	0.24	0.06	13.87
1998	2.34	3.58	1.49	5.86	0.60	0.38	0.06	14.31
1999	2.29	3.52	1.53	5.89	0.59	0.39	0.04	14.25
2000	1.78	3.50	1.48	5.46	0.59	0.34	0.03	13.18
2001	1.96	3.40	1.48	5.39	0.55	0.35	0.03	13.16
2002	1.87	3.29	1.42	5.02	0.53	0.33	0.05	12.51
2003	1.86	3.18	1.37	4.88	0.55	0.36	0.05	12.25

Note: The City of Bothell is split equally between King and Snohomish Counties.
City of Bothell rate includes the Public Safety Bond

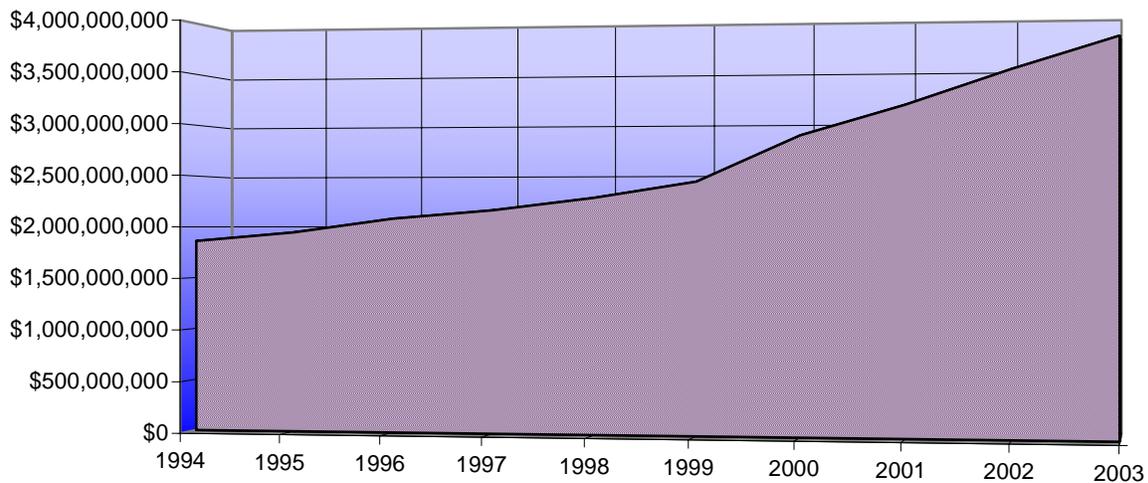
Assessed and Estimated Actual Value of Taxable Property* Last Ten Years

Year	Real Property	Personal Property	Total	Percent Increase (Decrease)
1994	1,651,887,028	206,396,830	1,858,283,858	47.91%
1995	1,735,509,164	209,490,096	1,944,999,260	4.46%
1996	1,815,816,074	262,503,612	2,078,319,686	6.41%
1997	1,937,667,247	222,602,547	2,160,269,794	3.79%
1998	2,003,486,545	272,799,144	2,276,285,689	5.10%
1999	2,188,410,681	242,520,855	2,430,931,536	6.36%
2000	2,552,472,171	313,234,015	2,865,706,186	15.17%
2001	2,813,337,817	337,480,399	3,150,818,216	9.05%
2002	3,112,934,976	365,860,429	3,478,795,405	9.43%
2003	3,232,972,513	546,921,112	3,779,893,625	7.97%

Source: King & Snohomish County Assessors Office

*Real and personal property has been assessed at 100% of the estimated value.

Value of Taxable Property



Special Assessments, Billing and Collections Last Ten Years

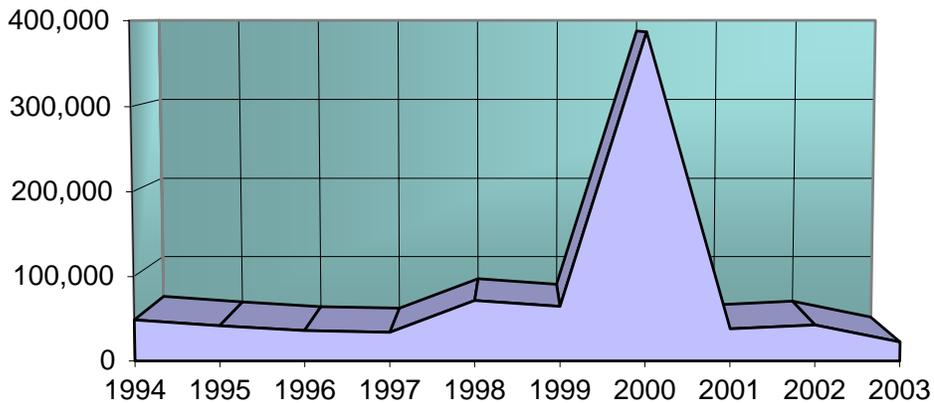
Year	Current Assessments Due	Current Assessments Collected (1)	Ratio of Collections to Amount Due	Total Outstanding Assessments
1994	42,760	59,760	1.40	49,000
1995	39,184	30,899	0.79	42,000
1996	36,902	42,616	1.15	36,000
1997	62,308	53,257	0.85	34,000
1998	231,590	49,157	0.21	72,029
1999	738,264	441,775	0.60	64,700
2000	344,592	783,369	2.27	386,555
2001	333,164	215,352	0.65	38,230
2002	308,497	362,967	1.18	42,716
2003	278,384*	338,945**	1.22	22,416

*Current year billing includes principal and interest.

**Taken from LID special assessment CAFR income statement.

Total Outstanding Assessments include principal and interest and penalties.

Special Assessments, Billings and Collections

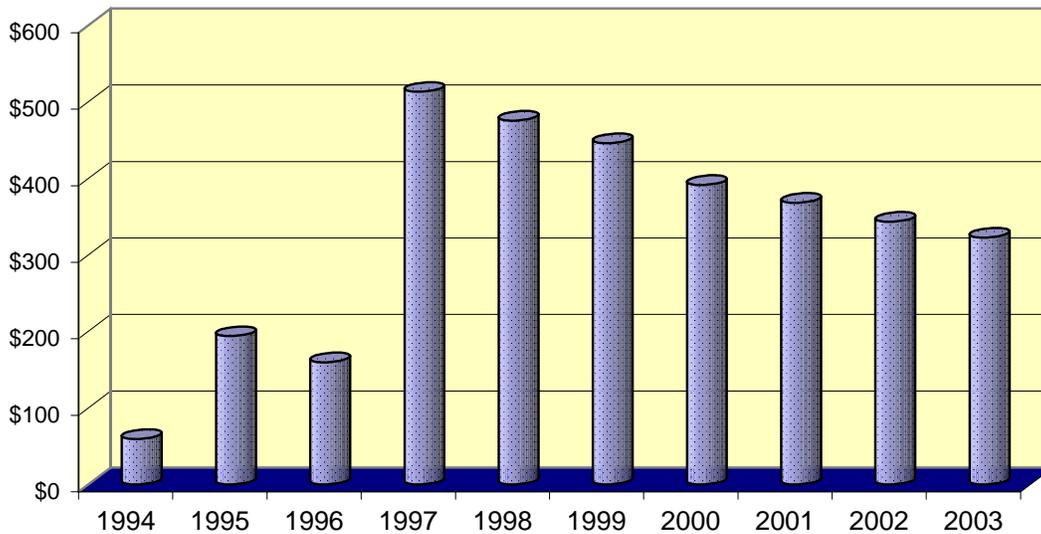


Ratio of Net General Bonded Debt to Assessed Value And Net Bonded Debt Per Capita Last Ten Years

Year	Population	A/V in 000's	Bonded Debt	Debt Srv Monies Available	Net Bonded Debt	Ratio-Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994	24,490	1,848,018	1,459,000	517,379	941,621	0.08%	60
1995	25,440	1,942,267	4,934,000	223,961	4,710,039	0.25%	194
1996	25,990	2,075,947	4,154,000	162,498	3,991,502	0.20%	160
1997	26,418	2,160,324	13,559,000	156,642	13,402,358	0.63%	513
1998	27,300	2,275,842	12,985,000	135,740	12,849,260	0.57%	476
1999	27,810	2,418,661	12,410,000	197,130	12,212,870	0.51%	446
2000	30,150	2,871,366	11,805,000	191,411	11,613,589	0.41%	392
2001	30,470	3,150,818	11,220,000	85,703	11,135,297	0.35%	368
2002	30,910	3,463,959	10,615,000	76,112	10,538,888	0.30%	343
2003	30,910	3,769,106	9,975,000	165,183	10,449,817	2.80%	323

Includes General, Street, Park, Debt Service and Capital Improvement Funds.

Net Bonded Debt Per Capita



**Computation of Legal Debt Margin
December 31, 2003**

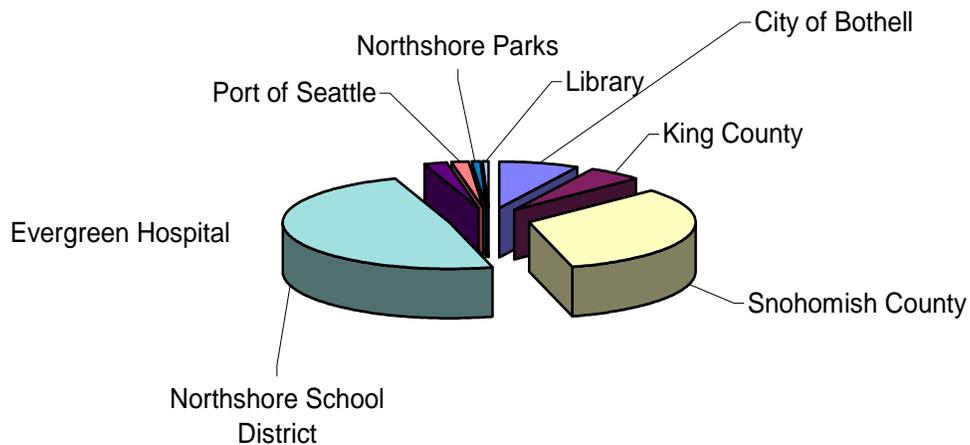
Total assessed value	\$	3,769,106,025
<hr/>		
Debt limit - 7.5 percent of total assessed value		282,682,952
Amount of debt applicable to debt limit:		
General obligation bonds (voted)	7,645,000	
General obligation bonds (non-voted)	2,330,000	
Total debt outstanding	\$ 9,975,000	
Less assets in debt service funds		
Available for payment of principal		10,449,817
Less total amount of debt applicable to debt limit		10,449,817
Legal debt margin	\$	<u>272,233,135</u>

Computation of Direct and Overlapping Debt December 31, 2003

Jurisdiction	Net Debt Outstanding	Percentage Applicable to Bothell	Amount Applicable to Bothell
City of Bothell	\$ 9,975,000	100.00%	\$ 9,975,000
King County	731,930,523	0.94%	6,880,147
Snohomish County	356,472,099	11.89%	42,384,533
Northshore School District	273,267,912	23.23%	63,480,136
Evergreen Hospital	45,695,000	6.14%	2,805,673
Port of Seattle	217,285,000	0.94%	2,042,479
Northshore Parks	5,090,000	23.23%	1,182,407
Library	30,985,000	2.22%	687,867
Total	\$ 1,670,700,534		\$ 129,438,241

Net Debt Source: King & Snohomish County Finance Department
 Percentage Source: King County & Snohomish County Levy Administration

Division of Outstanding Debt Applicable to Bothell

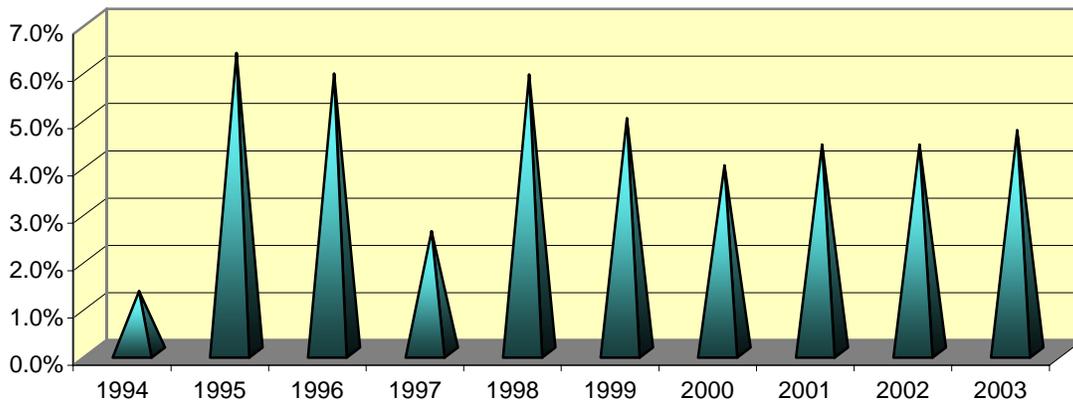


Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Years

Year	Principal	Interest	Total Debt Service	Total General Expense	Ratio of Debt Service to Gen Expense
1994	90,000	75,939	165,939	12,752,416	1.3%
1995	725,000	247,379	972,379	15,351,501	6.3%
1996	780,000	271,666	1,051,666	17,821,004	5.9%
1997	295,000	231,898	526,898	20,539,702	2.6%
1998	574,000	694,020	1,268,020	21,566,453	5.9%
1999	575,000	663,162	1,238,162	24,995,146	5.0%
2000	605,000	632,354	1,237,354	31,303,076	4.0%
2001	585,000	602,960	1,187,960	27,088,488	4.4%
2002	605,000	652,686	1,257,685	28,650,437	4.4%
2003	640,000	544,335	1,184,335	25,196,661	4.7%

Includes Current, Street, Park, Debt Service (excluding LID funds) and Capital Improvement Funds (excluding LID Capital Projects Fund).

Ratio of Debt Service to General Expenditures



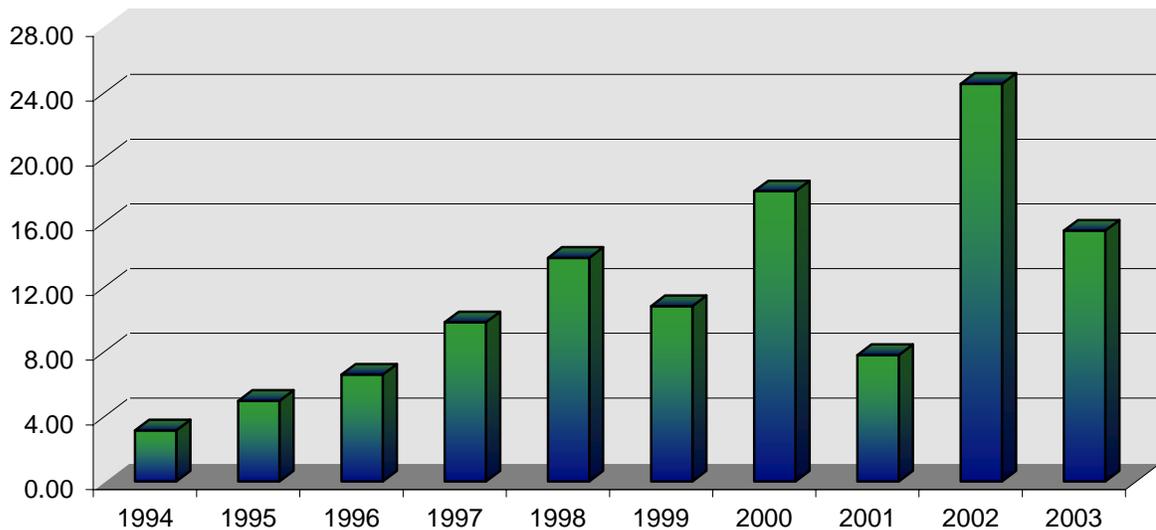
Revenue Bond Coverage Water and Sewer Bonds Last Ten Years

Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
1994	3,495,976	3,063,444	432,532	15,000	121,715	136,715	3.16
1995	4,413,458	3,732,014	681,444	15,000	121,824	136,824	4.98
1996	4,745,200	3,844,050	901,150	20,000	116,391	136,391	6.61
1997	5,173,338	3,868,559	1,304,779	20,000	112,648	132,648	9.84
1998	6,392,532	4,679,045	1,713,487	80,000	44,025	124,025	13.82
1999	6,006,433	4,647,137	1,359,296	85,000	40,505	125,505	10.83
2000	7,330,415	5,059,966	2,270,449	90,000	36,595	126,595	17.93
2001	6,673,427	5,718,272	955,155	90,000	32,275	122,275	7.82
2002	8,189,907	5,048,963	3,140,944	100,000	27,865	127,865	24.57
2003	7,824,367	5,920,412	1,903,955	100,000	22,865	122,865	15.50

(1) Includes operating and non-operating revenues.

(2) Excludes Depreciation.

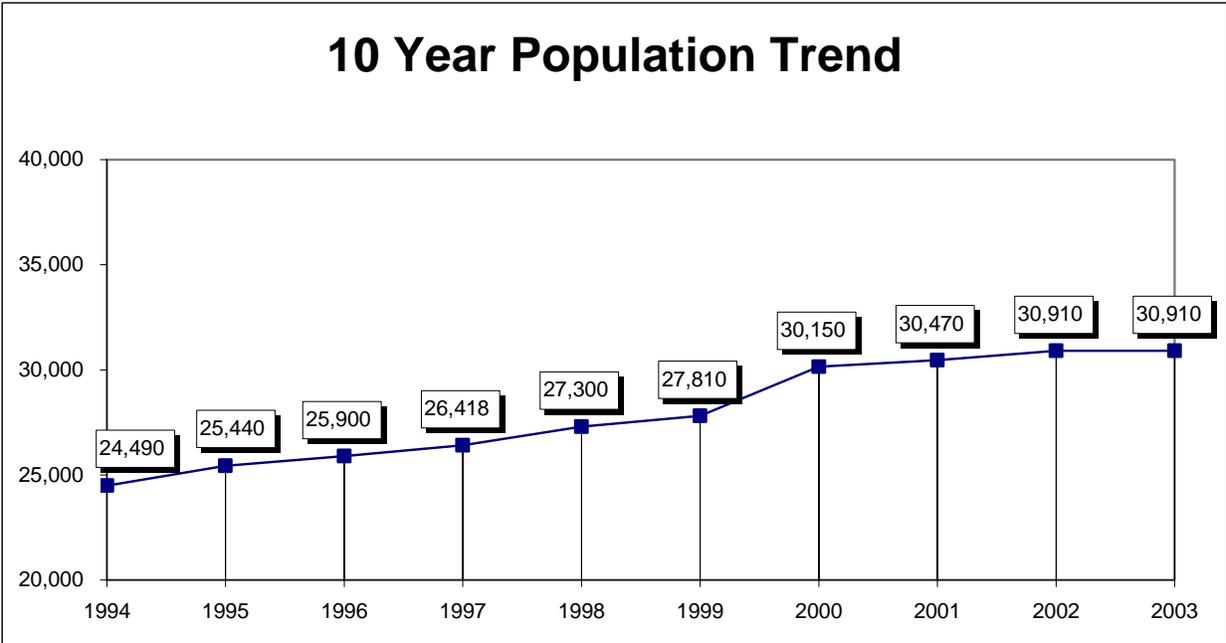
Coverage Ratio



Demographic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Per Capita		Education Level	Unemployment Rate
		Income	Median Age	(years of formal schooling)	
1994	24,490	21,538	38.3	13.1	5.7%
1995	25,440	20,868	33.9	13.1	5.3%
1996	25,900	23,596	33.9	13.1	5.0%
1997	26,418	24,800	33.9	13.1	3.3%
1998	27,300	24,800	33.9	13.1	3.1%
1999	27,810	26,483	33.9	13.1	3.4%
2000	30,150	26,483	36.0	13.1	3.7%
2001	30,470	26,483	36.0	13.1	4.8%
2002	30,910	26,483	36.0	13.1	2.8%
2003	30,910	26,483	36.0	13.1	7.3%

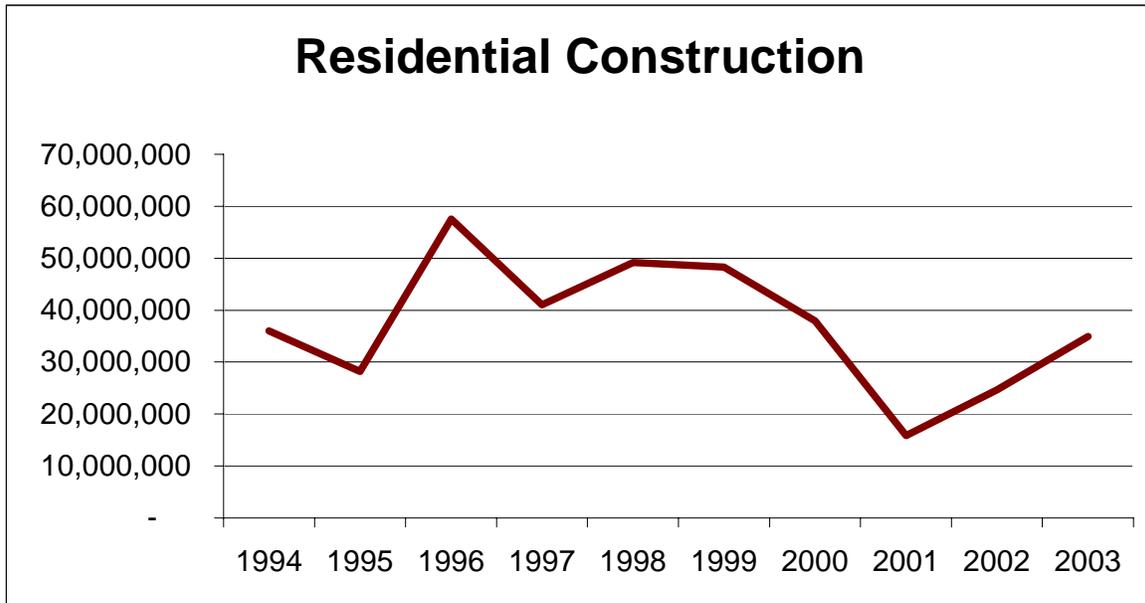
Source: 2000 US Census Bureau & 2003 Labor Force Data



Property Value and Construction Last Ten Years

Year	Commercial Construction*		Residential Construction*		Property Value	
	Number of Buildings	Value	No. of Units	Value	Commercial	Residential
1994	4	4,257,557	302	36,015,171	831,612,609	1,016,405,665
1995	10	18,223,426	129	28,197,808	874,024,760	1,068,242,240
1996	12	18,782,149	661	57,548,476	934,181,077	1,141,765,923
1997	14	32,084,552	471	41,044,606	972,150,927	1,188,173,073
1998	30	69,088,381	417	49,154,501	1,024,134,463	1,251,707,897
1999	20	22,003,384	354	48,309,967	1,088,403,119	1,330,257,723
2000	26	43,435,395	354	37,925,046	1,292,121,728	1,579,244,747
2001	15	26,370,644	67	15,838,566	1,417,868,197	1,732,950,019
2002	5	14,582,144	83	24,645,424	1,565,457,932	1,913,337,473
2003	7	6,895,963	119	34,963,564	1,700,952,131	2,078,941,494

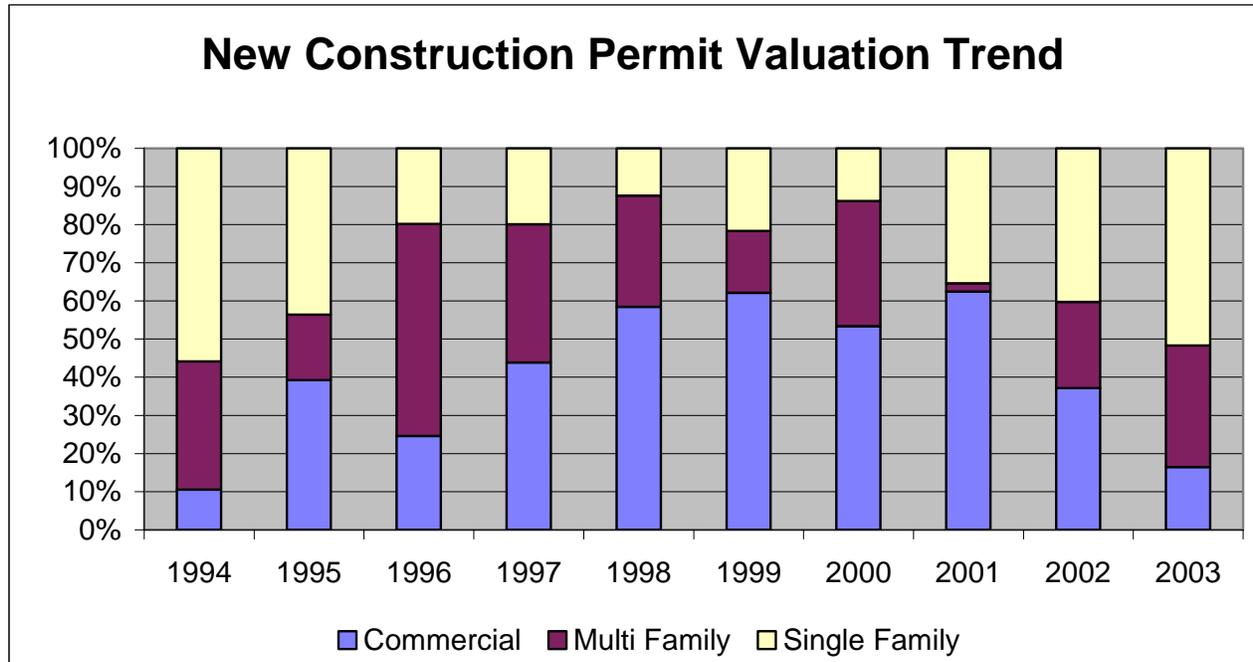
*Source: Building Permit Applications



Construction Permits Last Ten Years

Year	New Construction								All New Construction Permits	
	Building Permits						Other Permits*			
	Commercial		Multi Family		Single Family		Com/Multi/Single			
	No. of Permits	Dollar Value	No. of Permits	Dollar Value	No. of Permits	Dollar Value	No. of Permits	Dollar Value	No. of Permits	Dollar Value
1994	4	4,257,557	27	13,548,142	138	22,467,029	179	15,987,842	169	40,272,728
1995	10	18,223,426	5	7,987,911	107	20,209,897	223	13,349,795	122	46,421,234
1996	12	18,782,149	64	42,434,322	69	15,114,154	210	10,754,017	145	76,330,625
1997	14	32,084,552	27	26,491,945	67	14,552,661	313	23,999,974	108	73,129,158
1998	30	69,088,381	68	34,495,207	65	14,659,294	245	19,642,204	163	118,242,882
1999	20	79,400,201	16	20,640,531	117	27,669,436	249	5,379,511	153	127,710,168
2000	26	43,435,395	18	26,721,077	43	11,203,969	363	5,415,151	87	81,360,441
2001	15	26,370,644	4	897,222	59	14,941,344	318	66,135,066	78	42,209,210
2002	5	14,582,144	28	8,860,660	55	15,784,764	338	25,733,558	88	39,227,568
2003	7	6,895,963	41	13,351,047	78	21,612,517	300	13,994,075	126	41,859,527

Source: City of Bothell Community Development Building Permits Division



Principal Property Taxpayers December 31, 2003

Snohomish County Taxpayers

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
Teachers Insurance & Annuity Assn	Insurance	\$ 72,342,200	4.94%
Philips Ultrasound	Medical	65,476,512	4.47%
Carr American	Property Mgmt	62,524,600	4.27%
Verizon Northwest Inc	Utility	38,302,966	2.62%
Immunex Mfg Corp	Medical	32,315,780	2.21%
Insignia Kidder Mathews Prop Services	Property Mgmt	31,278,600	2.14%
MV 1996 LLC	Property Owner	30,827,900	2.11%
BRE FCMF LLC	Property Mgmt	26,660,600	1.82%
Benaroya Captial Co LLC	Property Owner	22,573,200	1.54%
Riggs & Company Trustee	Property Owner	22,309,600	1.52%
Total Assessed Valuation - Largest Taxpayers		404,611,958	27.64%
Total Assessed Valuation - All Other		1,058,996,377	72.36%
Total Assessed Value		<u>\$ 1,463,608,335</u>	<u>100.00%</u>

Source: Snohmish County Levy Technician

King County Taxpayers

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
Schnitzer Northwest	Property Mgmt	\$ 159,598,300	11.34%
Seattle Times	Publishing	76,380,100	5.43%
Archstone Communities Trust	Property Mgmt	40,956,000	2.91%
Allstate Insurance	Insurance	25,237,000	1.79%
McElroy George & Assoc.	Property Mgmt	27,667,500	1.97%
Puget Sound Energy/Electric	Utilities	20,664,584	1.47%
Essex Property Trust	Property Mgmt	17,848,900	1.27%
Home Depot USA, Inc.	Retail	14,945,300	1.06%
S/I North Creek VII LLC	Property Mgmt	10,110,900	0.72%
Verizon Northwest	Utility	6,814,859	0.48%
Total Assessed Valuation - Largest Taxpayers		400,223,443	28.43%
Total Assessed Valuation - All Other		1,007,534,697	71.57%
Total Assessed Value		<u>\$ 1,407,758,140</u>	<u>100.00%</u>

Source: King County Levy Administration

notes:

City of Bothell is split between Snohomish and King Counties.

King County Department of Assessment could provide data for top eight payers only.

City of Bothell
Miscellaneous Statistics
December 31, 2003

Date of Incorporation	1909
Form of Government	Council - Manager
Number of Full-Time Employees	243
Population	30,910
Number of Registered Voters	17,018
Area	12.6 square miles
Transportation	
Miles of Paved Roads	322
Street Lights Owned by the City	1,927
Fire Protection	
Number of Stations	3
Number of Uniformed Personnel	55
Number of Emergency Alarms	4,894
Police Protection	
Number of Stations	1
Number of Police Officers	53
Number of Calls for Service	20,886
Utility Services	
Residential Units Served	2,791
Commercial Units Served	300
	<u>Water:</u>
Number of Customer Accounts	3,603
Average Daily Demand	1.49 Million Gallons
Miles of Water Mains	71 miles
	<u>Sewer:</u>
Number of Customer Accounts	4,279
Miles of Main	57 miles
Miles of Storm Sewers	108
Parks, Recreation, & Culture	
Number of Parks	23
Acres of Parks	201
Museum	1
Senior Center	1
County Library	1 (205,000 volumes)
Museum	1

Public SchoolsNorthshore School District:

Attendance Centers	32
Number of Classrooms	882
Number of Employees	2317
Number of Students	19,872

Cascadia Community College:

Number of Students	1,865
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University of Washington - Bothell:

Number of Students	1,577
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Employment in City Limits

Number of Business Licenses Issued*	2,249
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2003 Top Ten Employers

AT&T Wireless	2,562
ATL Ultrasound	1,290
Washington Mutual	960
Matsushita	480
Seattle Times	447
ICOS	429
Puget Sound Energy	366
Allstate	337
Phillips Electric	312
Home Depot #4712	285