



**CITY OF BOTHELL, WASHINGTON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
For the fiscal year ended December 31, 2004

**2004**

CITY OF BOTHELL, WASHINGTON

# COMPREHENSIVE ANNUAL FINANCIAL REPORT



**For the Fiscal Year Ended December 31, 2004**

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, 2004**

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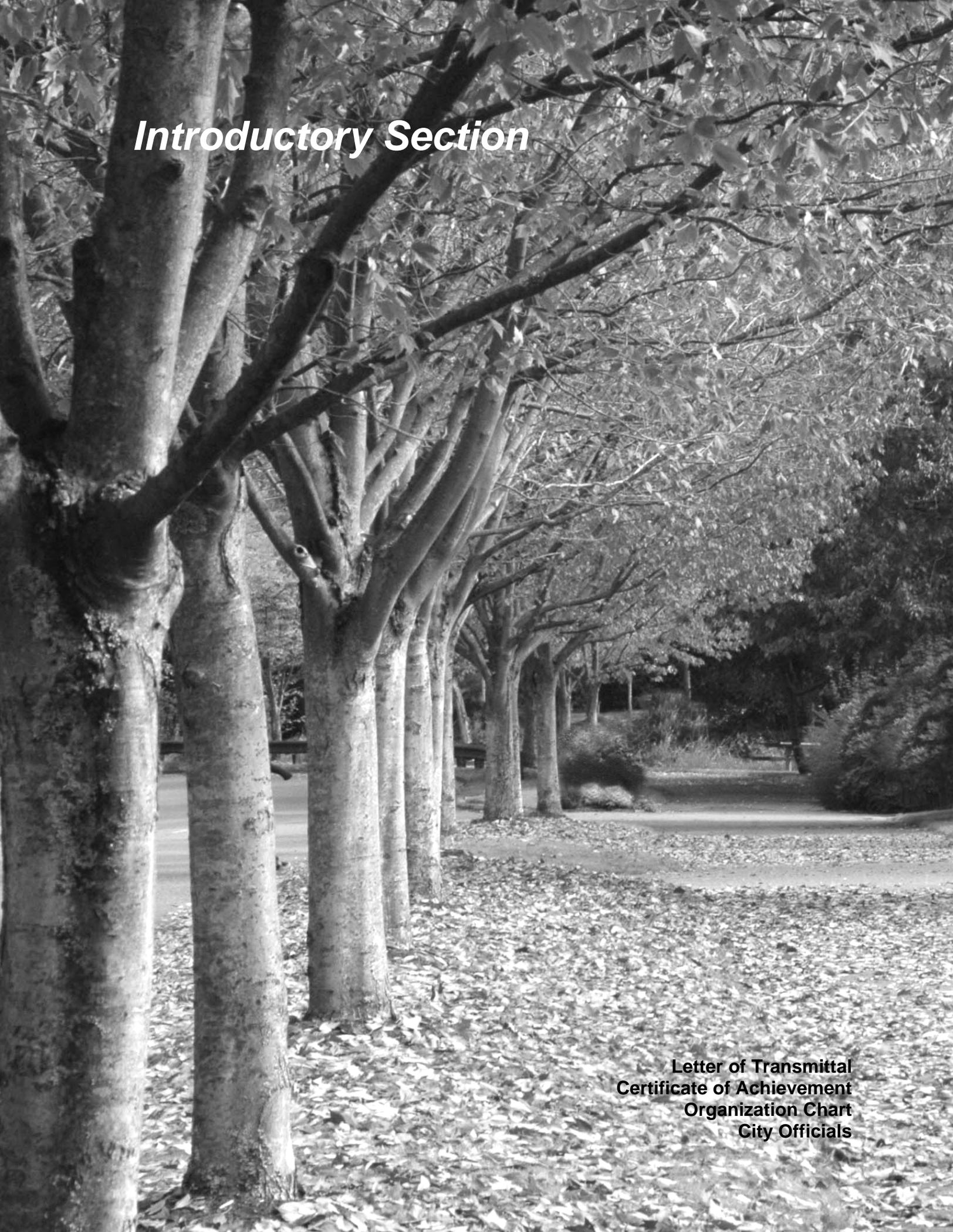
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A black and white photograph of a row of trees in a park. The trees are in the foreground and middle ground, with their trunks and branches visible. The ground is covered in fallen leaves. The background shows more trees and a path.

# *Introductory Section*

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

# City of Bothell

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Date: June 30, 2005

## To the Residents of Bothell, Washington

The City of Bothell's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2004 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 Chief Financial Officer's letter of transmittal, Bothell City Government's organizational structure, and listing of officials, along with a copy of its 2003 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**

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**City Administration**

18305 101<sup>st</sup> Avenue NE  
Bothell, WA 98011  
(425) 486-3256  
Fax: 486-2434  
[www.ci.bothell.wa.us](http://www.ci.bothell.wa.us)

**Community Dev. & Public Works**

9654 NE 182<sup>nd</sup> 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 101<sup>st</sup> Avenue NE  
Bothell, WA 98011  
(425) 486-1254  
Fax: 487-0650

**Municipal Court**

10116 NE 183<sup>rd</sup> 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 2004 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.



### **Community Profile**

Bothell was settled in the early 1870's and quickly became a logging village.

In a little over a century Bothell has evolved from an isolated logging village, housing a handful of hardy pioneers, to a multi-faceted, full-service city with a resident population of 30,930 and an employment population of over 20,000.



Bothell is situated northeast of Lake Washington within the Seattle metropolitan area, and comprises 12.6 square miles. The City is located half in King County and half in Snohomish County.

The City is draped over six moderately steep-sided hills and is drained by two main waterways. This topography contributes to Bothell's image as a community of extensive green spaces.

Bothell is unique and desirable because it is central to an Interstate and three major highways. For this reason, Bothell experienced substantial growth in recent years as businesses sought locations with access to new markets along with attractive surroundings for their employees and customers or clientele.



Homebuyers and renters also came seeking residential areas with direct access to the interstate and major highways, as well as, amenities, security, esteemed schools and a strong sense of community.

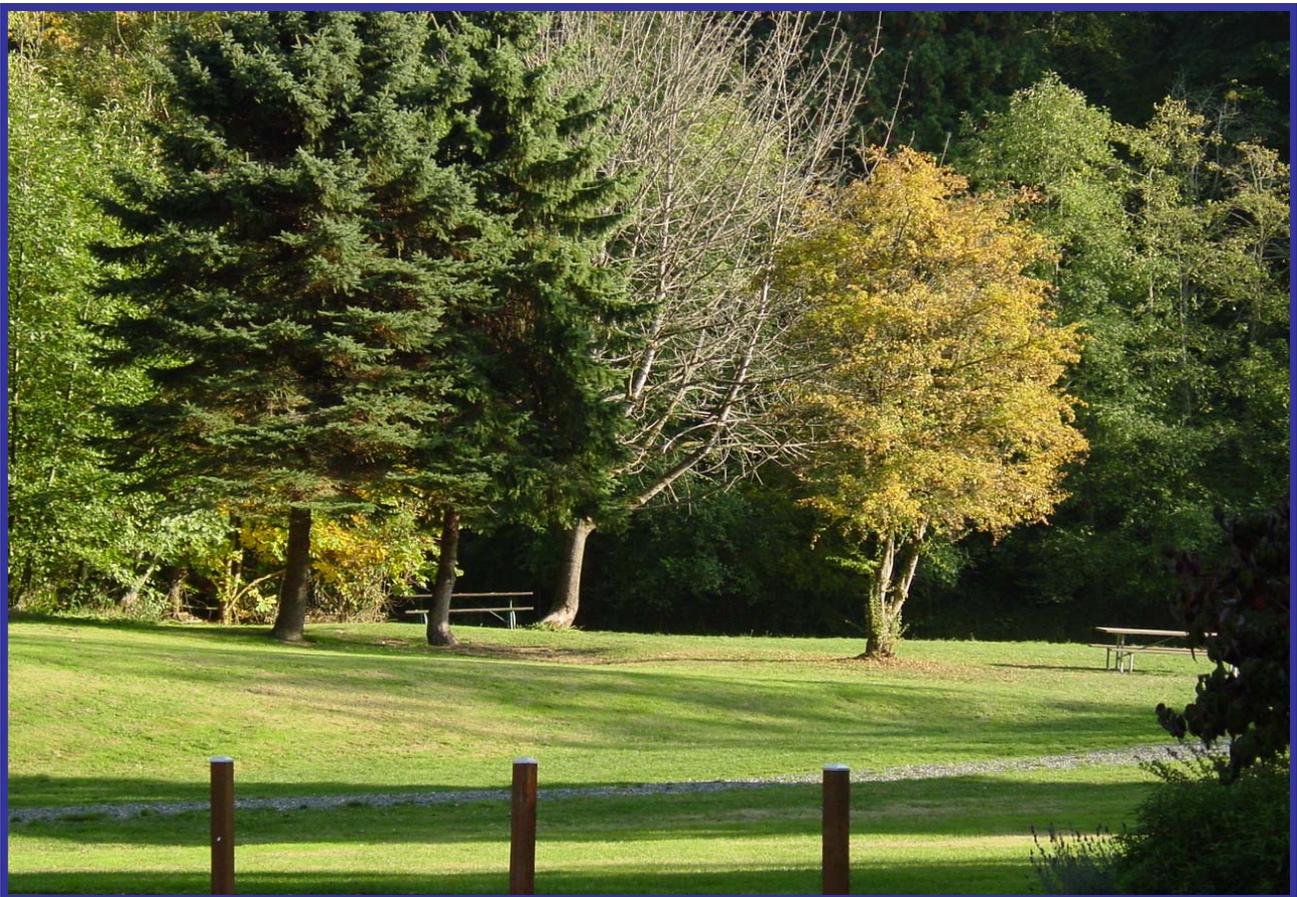
The City has proved a particularly appealing location for high technology firms. Among Bothell's resident businesses are several notable international biotechnology and computer software firms. Bothell is recognized as one of the nations leading biotechnology centers.

Bothell is also home to a relatively rare higher-education partnership between the University of Washington – Bothell Campus and Cascadia Community College.

The university and community college site includes one of the nation's largest wetlands restoration projects.

Despite its rapid growth, Bothell managed to retain a "home town" feeling that extends to its residential neighborhoods, its historic downtown and even its recently developed business parks and commercial centers.

Bothell was incorporated in 1909. The City is an Optional Municipal Code City operating under the Council-City Manager form of government. The seven Council members are elected at-large for 4-year terms. The Council contracts with a professional City Manager to direct the day-to-day operations of the City. Six department heads and an Assistant City Manager are appointed by the City Manager.



In the 2003-2004 biennium, 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 dispatch for Lake Forest Park), community development, public works and parks and recreation for our 30,930 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.

**Community Statistical Information is located in the Statistical Section.**

### 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.

In 2004, as a recipient of more than \$500,000 in federal financial assistance, the City of Bothell was 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 was conducted by the State

Auditor's Office in conjunction with the City's annual independent audit.

The City's independent audit covering 2004 was conducted between February and June of 2005, and is now complete. The results of the audit for the year ended December 31, 2004 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 March 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 2004, 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 2004, general government revenues (general, special revenue, debt service, capital projects, and LID Control fund revenues excluding operating transfers) totaled \$33,908,203 nearly a 11% increase over 2003. The change is largely attributed to increased receipts in tax and intergovernmental revenues.

Revenue collections declined during the previous two years. In 2002 revenue collections decreased 5% and in 2003 they decreased another 8%. The prior year declines were reflective of our nation's sluggish economy, Bothell's sharp decline in building permits and recent legislation limiting property tax growth to 1% annually.

#### Taxes

The City's general government tax revenues grew over 6% in 2004.

Property tax collections increased 2% or \$147,000 (1% levy increase and 1% in new construction being added to the property tax rolls).

Retail sales and use tax revenues rose 5% or nearly \$380,000.

Real Estate Excise tax (REET), increased 29% in 2003 and an additional 52% in 2004. This dramatic spike is attributable to the current 30 to 40-year low in interest rates and Bothell's predominantly residential makeup. 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.

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.

#### Licenses & Permits

In 2004, license and permit fee revenue decreased 10% or \$89,000 due to a decline in requests for new construction permits. Current permit tracking data indicates this downward trend is not expected to continue in 2005-2006.

It is important to note when analyzing general government revenues that permitting revenues and development review revenues are not always received in the same fiscal year.

#### Intergovernmental

Intergovernmental revenues increased 57% or upwards towards \$1.5 million in 2004. The sharp incline is attributable to one-time grant funds earmarked for projects or capital asset purchases.

The City received approximately \$275,000 from King County for a land purchase, the Fire Department received over \$725,000 in grants to purchase breathing apparatuses and the Parks Department received nearly \$250,000 in grant funding to help develop a new City park.

#### Charges for Services

In 2004, revenue receipts related to charges for City services saw an increase of 34% or nearly \$834,000.

The largest increases occurred in Arterial Street Fund impact fees, which

were in excess of \$472,000, \$78,000 in General Fund emergency medical transport fees (this fee was enacted in the second-half of 2003) and another \$271,000 in development review fees. Along with its biennial budget, the City Council adopts a biennial fee schedule ordinance that provides for annual inflation and emphasizes 100% cost recovery for nearly all City services.

### **Fines & Forfeitures**

In 2004, revenues from fines and forfeitures increased \$38,000 or 9% mainly due to an increase in filings.

Fine and forfeiture revenues often fluctuate from year to year in response to police activity and police department goals/focus areas. In 2003 revenues increased 22% and in 2002 revenues declined 24%.

### **Miscellaneous**

Miscellaneous revenues dropped by 29% or nearly \$351,000 in 2004. The lion's share of the decrease can be directly attributed to a parcel of land the City sold in 2003 for \$325,000, which inflated the 2003 miscellaneous revenue figure in comparison to the 2004 figure.

**Expenditures Summary**

2004 general government expenditures (General, Special Revenue, Debt Service, Capital Improvement and LID Control Funds excluding operating transfers) totaled \$28,842,704 a 10% increase over 2003. The City's general government expenditures decreased 10% in 2003.

Personnel costs (union contracted wage negotiations along with the escalating cost of providing medical benefits) spiked a 13% rise in the City's 2004 Public Safety expenditures.

Transportation expenditures rose 29% in 2004 due to federal, state, and local road project grant awards.

This influx of intergovernmental transportation funding was preceded by a 22% increase in 2003.

The City's physical and economic environment spending increased nearly 12% or approximately \$410,000 in 2004. The change is explained by the increased cost of staffing (increased personnel wage and benefit costs) and operating (supplies and professional services) of the City's community planning and engineering functions. Both departments are project driven so increases in their expenditures result in increases in their associated revenues.

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

<b>Fund</b>	<b>2003</b>	<b>2004</b>	<b>Increase (Decrease)</b>
General Fund	21,883,234	22,220,732	337,498
Arterial Street	2,333,430	2,078,978	(254,452)
Capital Improvements	4,326,497	5,826,040	1,499,543
LID Control	132,573	202,737	70,164
Other Governmental Funds	1,745,280	1,592,284	(152,996)

**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 2004, the City operated three internal service funds, Equipment Rental (Fleet), Self Insurance, and Asset Replacement.

Two additional internal service funds, Computer Services and Facilities Management, were absorbed into the general fund at the end of the 2003 budget fiscal year.

Comparative data for the above funds for 2003 and 2004 are presented below:

Fund	Operating Revenues		Net Assets	
	2004	2003	2004	2003
Water	3,259,509	3,202,248	9,450,031	9,381,977
Sewer	3,564,534	3,514,127	8,544,038	8,286,604
Storm Drain	1,733,226	1,461,783	8,947,300	8,576,126
Equipment Rental*	0	0	686,925	746,839
Self Insurance*	0	0	19,999	98,706
Asset Replacement*	0	0	4,732,145	4,519,884

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

In 2004, Water, Sewer and Storm Drain operating revenues increased \$379,000 or 4.6%. The increase in utility revenues was substantially due to pass through rate increases on wholesale water and contracted sewage disposal.

#### 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 \$1,745,693 in Public Works Administration loans. Total long-term general obligation debt, including G.O. bonds outstanding at 12-31-04, is \$11,925,693. 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 2004, the rate had fallen to 5.8% but still .4% above the national average. Economists predict the economy will continue to recover gradually throughout 2005 as it steadily did throughout 2004, but maintain this recovery is unique in that it continues to be slow in creating jobs.

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 Cingular Wireless, 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 2004:

- **GFOA Certificate of Achievement for Excellence in Financial Reporting** for its 2003 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,



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, 2003

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.



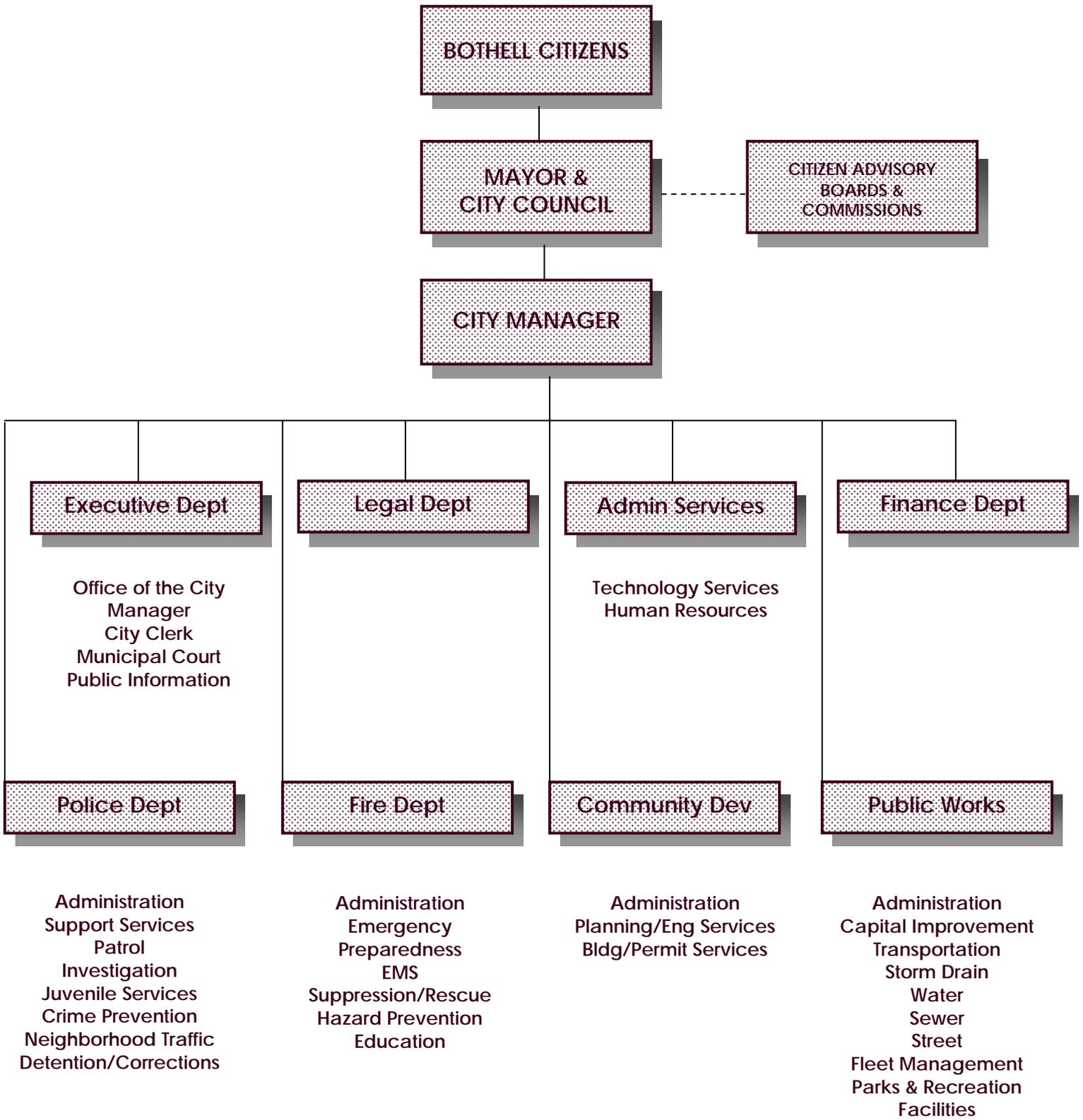
*Nancy L. Zielle*

President

*Jeffrey R. Emer*

Executive Director

# City of Bothell 2005-2006



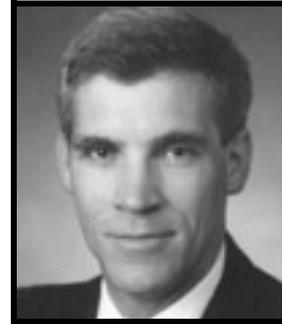
# City of Bothell

## Elected Officials

(Officials at Time of Report Submission)



**MAYOR**  
**Patrick Ewing**



**Tim Tobin**



**Mike Johnson**  
**Deputy Mayor**



**Andrea Perry**



**Jeff Merrill**



**Mark Lamb**



**Sandy Guinn**

### EXECUTIVE STAFF

---

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

**Robert S. Stowe**  
**Manny Ocampo**  
**Manny Ocampo**  
**Tami Schackman**  
**Michael Weight**  
**Bill Wiselogle**  
**Ron Zsigmondovics**  
**Forrest Conover**  
**Dave Zabell**

A black and white photograph of a row of trees in a park, with fallen leaves on the ground. The trees are in the foreground and middle ground, creating a sense of depth. The ground is covered in a thick layer of fallen leaves. The background shows more trees and a path.

# *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  
<http://www.sao.wa.gov>

**INDEPENDENT AUDITOR'S REPORT**

June 17, 2005

Mayor and City Council  
City of Bothell  
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 County, Washington, as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bothell, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund and Arterial Street Special Revenue Fund 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 A12 and pension trust fund information on page B11 through B12 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's basic financial statements. The accompanying information listed as combining financial statements on pages D1 through D19 and supplemental information on pages E1 through E16 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, is 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## 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, 2004.\*

*\* 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 - xi) and the City's financial statements (section IIB page 1 - 37).*

### Financial Highlights

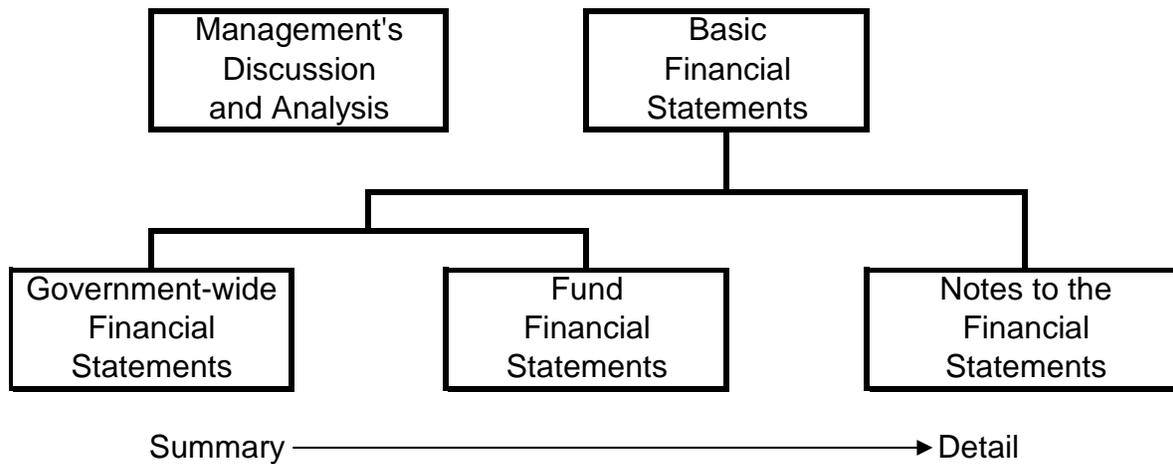
- Fund balance for the General Fund as of 12/31/04 was \$22,220,732 or 61% of total 2004 budgeted expenditures. Total fund balance for all governmental funds was \$31,920,770 as of 12/31/04.
- Total net change in fund balance for governmental funds in 2004 was \$337,497.
- City debt decreased by \$1,258,468 in 2004.
- Total net assets for governmental activities decreased in 2004 by \$29,359,889 due significantly to depreciation of infrastructure assets.
- Total cost of General Fund activities in the second year of the City's 2003-2004 biennium budget period was \$26,791,865 compared to \$22,741,077 in the first year.
- In 2004, revenues exceeded expenditures in the General Fund by \$1,620,099.

### 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 are 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 its first biennial budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the City's 2004 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 Equipment Rental, 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 are located 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 presented 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 are located 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, 2004, 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 the City's 2003 report, comparative data has been available for all facets and therefore provides 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 \$989,966,108 as of December 31, 2004. 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, 2004**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2004	2003	2004	2003	2004
Current and other Assets	\$ 38,385,707	\$ 40,798,941	\$ 7,228,465	\$ 7,803,668	\$ 45,614,172	\$ 48,602,609
Capital Assets	968,220,138	936,683,699	21,548,426	21,311,650	989,768,564	957,995,349
<b>Total assets</b>	<b>\$ 1,006,605,845</b>	<b>\$ 977,482,640</b>	<b>\$ 28,776,890</b>	<b>\$ 29,115,318</b>	<b>\$ 1,035,382,736</b>	<b>\$ 1,006,597,958</b>
Long-term debt	\$ 10,224,312	\$ 10,119,311	\$ 1,966,381	\$ 1,806,381	\$ 12,190,693	\$ 11,925,692
Other liabilities	4,255,653	4,338,590	565,802	367,568	4,821,455	4,706,158
<b>Total Liabilities</b>	<b>\$ 14,479,965</b>	<b>\$ 14,457,901</b>	<b>\$ 2,532,182</b>	<b>\$ 2,173,949</b>	<b>\$ 17,012,148</b>	<b>\$ 16,631,850</b>
<b>Net Assets:</b>						
Invested in capital, net of debt	\$ 957,239,957	\$ 926,564,388	\$ 19,344,446	\$ 19,505,269	\$ 976,584,403	\$ 946,069,657
Restricted	358,713	5,475,649	45,950	45,950	404,663	5,521,599
Unrestricted	34,527,209	30,984,702	6,854,312	7,390,151	41,381,521	38,374,853
<b>Total net assets</b>	<b>\$ 992,125,879</b>	<b>\$ 963,024,739</b>	<b>\$ 26,244,708</b>	<b>\$ 26,941,370</b>	<b>\$ 1,018,370,587</b>	<b>\$ 989,966,108</b>

The balance of unrestricted net assets, \$30,984,702 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2004 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 \$28,663,226 during 2004.

**Governmental Activities.** Governmental activities decreased the City's net assets by \$29,359,888. The key factors influencing the decrease to net assets are described below:

- \$36,325,976 decrease due to the depreciation of infrastructure assets;
- \$4,790,570 increase resulting from capital asset expenditures, which will be depreciated over their useful life;
- \$73,639 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
- \$860,871 increase attributable to bond principal payments that reduced long-term liabilities on the statement of assets.

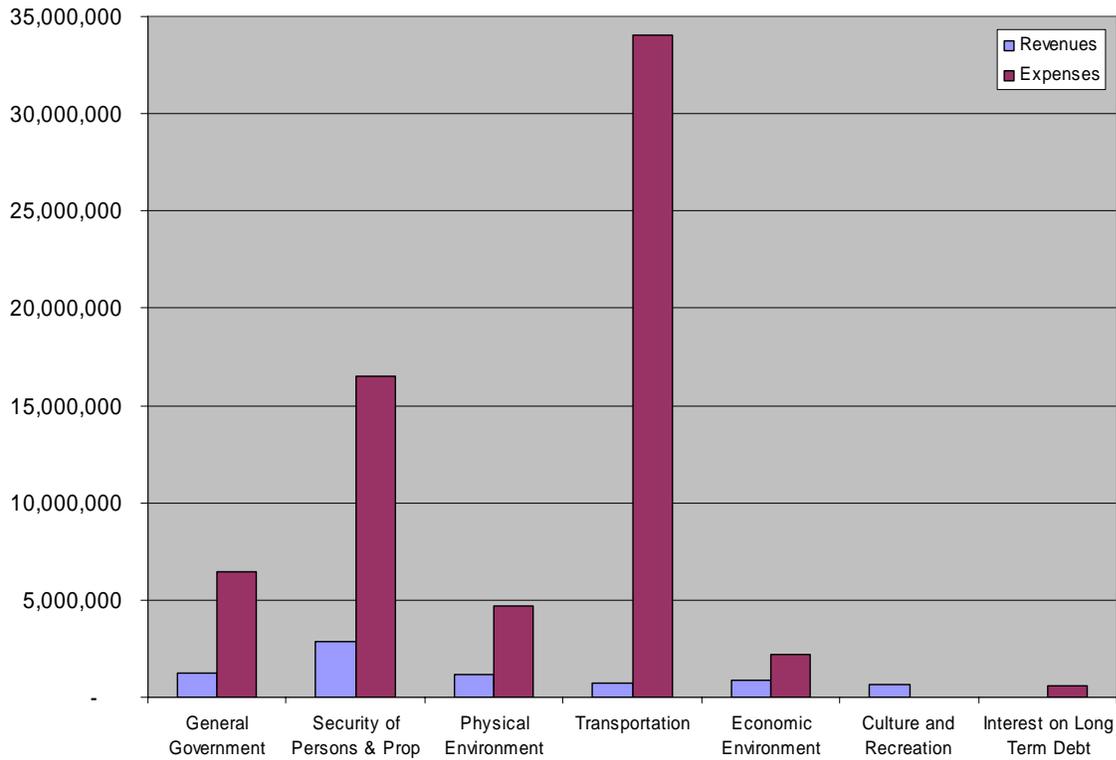
**Business-type Activities.** Business-type activities increased the City's net assets by \$696,662. The key components of this increase were higher than projected revenues, bond principal payments that reduced long-term liabilities and expenditures for capital assets.

In 2004, the overall financial position of the city did not materially change.

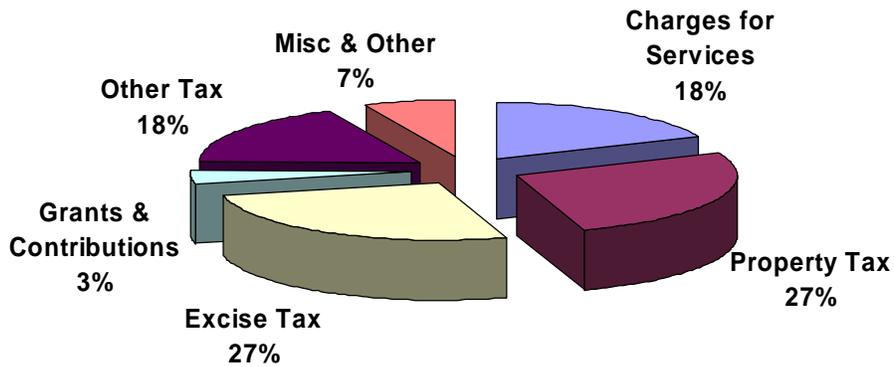
Table 2  
Changes in Net Assets  
As of December 31, 2004

	2003			2004		
	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	\$ 6,405,611	\$ 8,557,269	\$ 14,962,880
Operating grants and contributions	575,740		575,740	872,463		872,463
Capital grants and contributions	571,787		571,787	333,556		333,556
General Revenues						0
Property tax	8,468,939		8,468,939	9,363,115		9,363,115
Excise Tax	8,795,760		8,795,760	9,355,346		9,355,346
Business tax	5,783,829		5,783,829	6,433,375		6,433,375
Grants and contributions not restricted to specific programs			0			0
Interest and investment earnings	476,393	47,456	523,849	391,823	53,708	445,531
Miscellaneous	1,074,637	5,731	1,080,368	1,414,231		1,414,231
Transfers	518,903	(518,903)	0	521,153	(521,153)	0
Total revenue	<u>\$ 31,119,711</u>	<u>\$ 7,712,443</u>	<u>\$ 38,832,154</u>	<u>\$ 35,090,673</u>	<u>\$ 8,089,824</u>	<u>\$ 43,180,497</u>
Program expenses including indirect expenses						
General government	6,127,315		6,127,315	6,459,084		6,459,084
Security of persons and property	14,114,020		14,114,020	16,513,236		16,513,236
Physical environment	2,016,379		2,016,379	4,706,457		4,706,457
Transportation	34,181,706		34,181,706	34,035,627		34,035,627
Economic Environment	1,874,318		1,874,318	2,184,275		2,184,275
Interest on long-term debt	489,954		489,954	551,882		551,882
Water		2,653,301	2,653,301		3,031,706	3,031,706
Sewer		3,052,256	3,052,256		3,179,756	3,179,756
Storm Drain		976,137	976,137		1,181,700	1,181,700
Total Expenses	<u>\$ 58,803,692</u>	<u>\$ 6,681,694</u>	<u>\$ 65,485,386</u>	<u>\$ 64,450,560</u>	<u>\$ 7,393,161</u>	<u>\$ 71,843,723</u>
Change in net assets	<u>\$ (27,683,981)</u>	<u>\$ 1,030,749</u>	<u>\$ (26,653,232)</u>	<u>\$ (29,359,888)</u>	<u>\$ 696,662</u>	<u>\$ (28,663,226)</u>

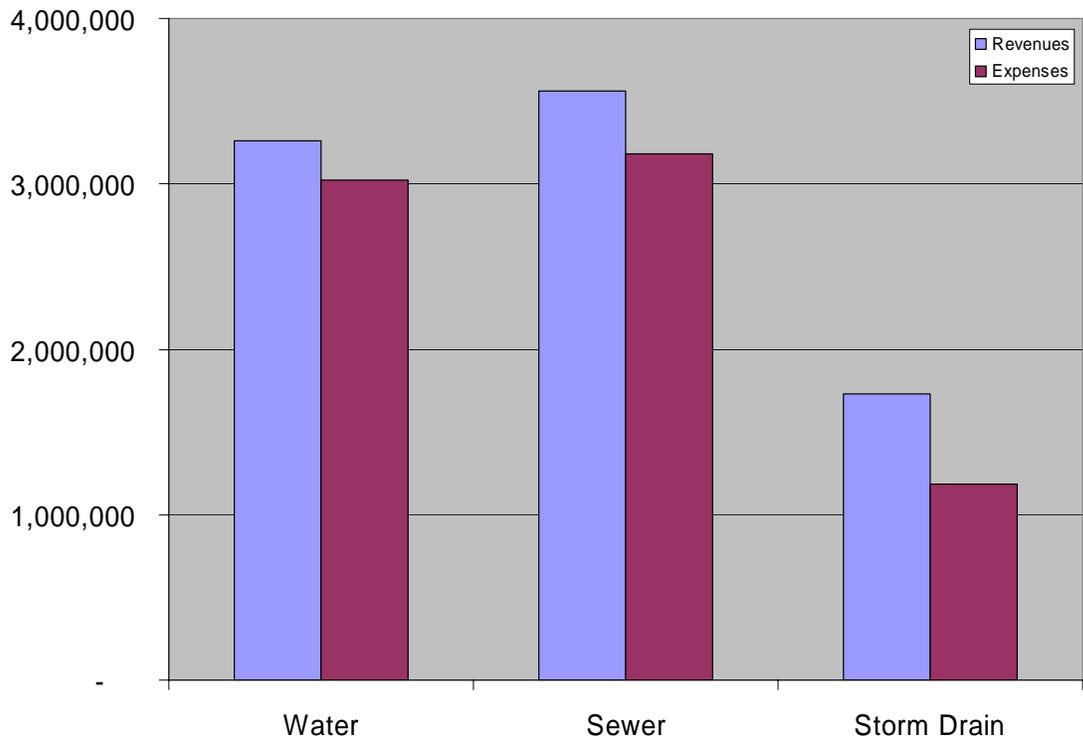
### Expenses and Program Revenues - Governmental Activities



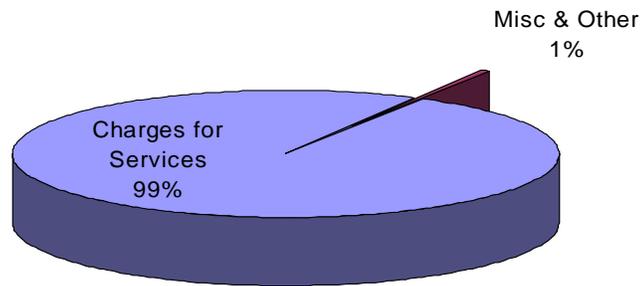
### 2004 Governmental Activities Revenue



### Expenses and Program Revenues - Business-type Activities



### 2004 Proprietary Activities 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 \$16,865,602. (See Basic Financial Statements Page 4.)

At December 31, 2004, the Total Governmental Funds of the City reported a combined fund balance of \$31,920,771, a near 5% increase over last year. Included in this change in fund balances are increases in the General, Capital Improvement and LID Control Funds along with decreases in the Arterial Street Fund and Other Governmental Funds.

Fund balance for the City's general fund increased only 1% in 2004 (\$337,497) compared to 8% (\$1,631,856) in 2003. The key factor influencing the deviation in fund balance growth between 2003 and 2004 was implementation of the City's first biennial budget in 2003. Department directors were able to carryover 2003 projects and acquisitions into 2004. Therefore, expenditures for the first year of the biennium were not wholly tied to the annual revenue receipts for the same period.

**General Fund Budgetary Highlights:** 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 second year of its 2003-2004 biennial budget was made to appropriate the following effective December 27, 2004:

- \$68,000 in General Fund restricted fund balance was appropriated for transfer to the Street Fund for sanitation expenditures.

Significant differences between the General Fund final amended budget and actual spending are as follows:

- Taxes exceeded projection by \$2,640,435 or 6.7%. This increase in tax receipts can be attributed equally between increases in utility tax revenues resulting from rate increases (electricity, cable, and telephone) and retail sales tax (communications and wholesales durable goods).
- Capital outlay expenditures amounted to only 38% of their adopted budget figure due to a major land purchase which did not take place during the budget period.
- Operating transfers-in were 75% or \$3,736,440 less than budgeted mainly due to anticipated transfers-in for a land purchase, which did not take place during the budget period.

**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 \$1,809,761; Sewer \$2,579,560; Storm Drain \$3,000,830.

The total growth in net assets for each proprietary fund is as follows: Water increased \$68,054; Sewer increased \$257,434; and Storm Drain increased \$371,173. Other factors concerning the finances of these funds were 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, 2004, totals \$957,995,350 (net of accumulated depreciation). These assets include bridges, right of way, buildings, streets and sidewalks, land, machinery and equipment, and vehicles.

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

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Land and land improvements	\$ 10,448,097	\$ 10,935,002	\$ 285,301	\$ 285,301	\$ 10,733,398	\$ 11,220,303
Infrastructure right-of-way	66,050,120	66,050,120			66,050,120	66,050,120
Buildings	16,955,731	16,600,046	135,741	123,914	17,091,472	16,723,960
Improvements	11,550,547	9,661,377	20,418,984	20,077,966	31,969,531	29,739,343
Infrastructure	858,008,655	827,165,048			858,008,655	827,165,048
Vehicles	1,155,326	1,774,933	378,472	220,311	1,533,798	1,995,244
Machinery & Equipment	489,649	656,129	13,284	57,248	502,933	713,378
Construction in progress	3,562,014	3,841,044	316,644	546,909	3,878,658	4,387,953
<b>Total</b>	<b>\$ 968,220,139</b>	<b>\$ 936,683,699</b>	<b>\$ 21,548,426</b>	<b>\$ 21,311,651</b>	<b>\$ 989,768,565</b>	<b>\$ 957,995,350</b>

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, 2004, the City had total debt outstanding of \$11,925,693.

Table 4  
Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General Obligation Debt	\$ 9,305,000	\$ 9,975,000	\$	\$	\$ 9,305,000	\$ 9,975,000
Revenue Debt			230,000	335,000	230,000	335,000
Assessment Debt	645,000	800,000	0	180,000	645,000	980,000
Other Debt	169,312	205,181	1,576,381	1,688,980	1,745,693	1,894,161
<b>Total</b>	<b>\$ 10,119,312</b>	<b>\$ 10,980,181</b>	<b>\$ 1,806,381</b>	<b>\$ 2,203,980</b>	<b>\$ 11,925,693</b>	<b>\$ 13,184,161</b>

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 \$312,839,570. The City has \$9,305,000 in outstanding bonds at December 31, 2004. Additional information regarding the City's long-term debt is located in section IIB note 12 on pages 34-36.

### **Economic Factors and Next Year's Budgets and Rates**

- Municipalities throughout the State of Washington continue to experience budget shortfalls mainly due to property tax reforms and the rising cost of providing services to our citizens.
- The current unemployment rate in Washington State is 5.8 percent, which is above the National average of 5.4 percent.
- City Fees increase basically in-line with the consumer price index (CPI).

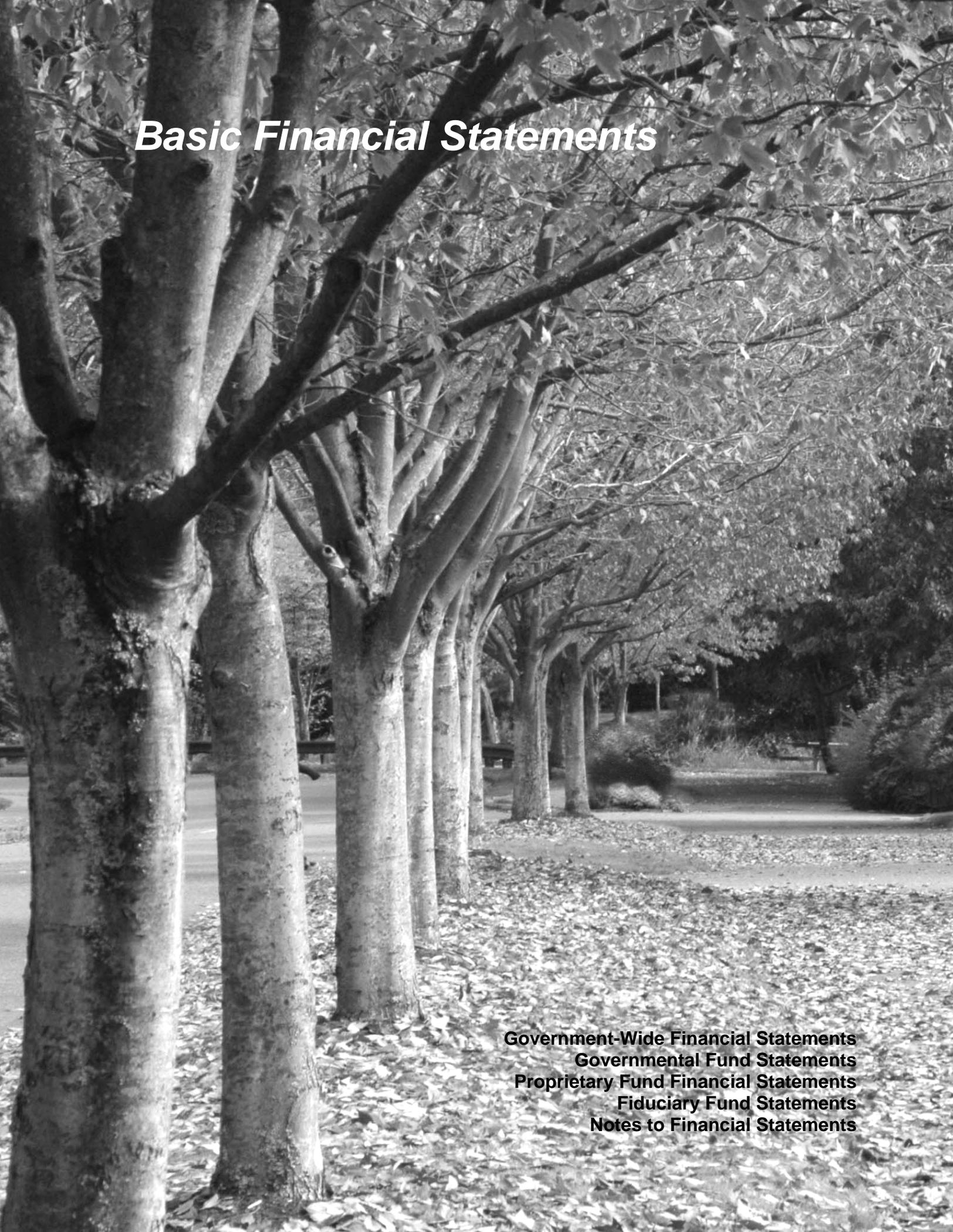
### **Biennial Budget Highlights for the Period Ending December 31, 2005**

**Governmental Activities:** Property taxes revenues are expected to increase overall by 2 percent each year, along with a 3 percent expected annual growth in sales tax revenues.

**Business-Type Activities:** Water, Sewer and Storm Drain rates increased primarily inline with the increase in wholesale water and sanitary sewer service costs and to meet capital project needs. In 2005 rates increased as follows: Water 1.8%, Sewer 9% 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 101<sup>st</sup> 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, 2004**

	2004		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	2,487,730	613,813	3,101,543
Investments	32,173,085	6,113,607	38,286,692
Receivables (net)	5,948,378	1,076,248	7,024,626
Taxes receivable	189,748		189,748
Capital assets:			
Non-depreciable	80,826,165	832,211	81,658,376
Depreciable, net	855,857,534	20,479,440	876,336,973
<b>Total assets</b>	<b>977,482,640</b>	<b>29,115,318</b>	<b>1,006,597,958</b>
<b>Liabilities</b>			
Accounts payable	3,339,970	367,568	3,707,538
Unearned revenue	998,620		998,620
Long-term liabilities (see note 12)			
Due within one year	943,862	227,599	1,171,461
Due in more than one year	9,175,449	1,578,782	10,754,231
<b>Total liabilities</b>	<b>14,457,901</b>	<b>2,173,949</b>	<b>16,631,850</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	926,564,388	19,505,269	946,069,657
Restricted for:			
Debt Service		45,950	45,950
Tourism	536,635		536,635
Advances	11,470		11,470
Sanitation	483,408		483,408
Ball Field	500,000		500,000
Facilities	3,362,965		3,362,965
Thrasher's Corner Park	576,471		576,471
Fire CPR Equipment	4,700		4,700
Unrestricted (deficit)	30,984,701	7,390,151	38,374,852
<b>Total net assets</b>	<b>963,024,739</b>	<b>26,941,370</b>	<b>989,966,108</b>

The accompanying notes are an integral part of this statement  
Basic Financial Statements 1

**City of Bothell**  
**Statement of Activities**  
**For the Year Ended December 31, 2004**

Functions/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government Activities:				
General government	6,459,084	1,255,310	12,325	
Security of persons and property	16,513,236	2,637,365	227,462	
Physical environment	4,706,457	834,657		307,420
Transportation	34,035,627	630,191	111,090	
Economic environment	2,184,275	925,573		
Culture and recreation		122,515	521,586	26,135
Interest on long-term debt	551,882			
<b>Total governmental activities</b>	<b>64,450,560</b>	<b>6,405,611</b>	<b>872,463</b>	<b>333,556</b>
Business-type activities:				
Water	3,031,706	3,259,509		
Sewer	3,179,756	3,564,534		
Storm Drain	1,181,700	1,733,226		
<b>Total Business -type activities</b>	<b>7,393,161</b>	<b>8,557,269</b>	<b>0</b>	<b>0</b>
<b>Total primary government</b>	<b>71,843,722</b>	<b>14,962,880</b>	<b>872,463</b>	<b>333,556</b>

General Revenues:  
Property tax  
Excise tax  
Business tax  
Interest and investment earnings  
Miscellaneous  
Transfers

Total general revenues, special items and transfers

Change in net assets

Net assets - beginning  
Prior year adjustment  
Net assets - ending

The accompanying notes are an integral part of this statement  
Basic Financial Statements 2

**City of Bothell**  
**Statement of Activities**  
**For the Year Ended December 31, 2004**

Net(expense)Revenues and Changes in Net		
Assets Governmental Activities	Primary Government Business-type Activities	Total
(5,191,449)		(5,191,449)
(13,648,409)		(13,648,409)
(3,564,379)		(3,564,379)
(33,294,345)		(33,294,345)
(1,258,702)		(1,258,702)
670,236		670,236
(551,882)		(551,882)
(56,838,931)		
	227,803	227,803
	384,778	384,778
	551,526	551,526
	1,164,107	
(56,838,931)	1,164,107	(55,674,823)
9,363,115		9,363,115
9,355,346		9,355,346
6,433,375		6,433,375
391,823	53,708	445,531
1,414,231		1,414,231
521,153	(521,153)	0
27,479,042	(467,445)	27,011,597
(29,359,888)	696,662	(28,663,226)
992,125,879	26,244,708	1,018,370,587
258,748		258,748
963,024,739	26,941,370	989,966,108

The accompanying notes are an integral part of this statement  
Basic Financial Statements 3

**City of Bothell**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2004**

	General	Special Revenue Fund Arterial Street	Capital Projects Fund Capital Improvements	Debt Service Fund LID Control	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current cash & cash equivalents	478,041	236,785	369,804	187,995	308,153	1,580,777
Investments	19,826,000	1,847,301	4,700,134		1,195,159	27,568,594
Receivables (net of allowances)						
Taxes	167,185				22,562	189,748
Accounts receivable	1,035,372			782,690	26,240	1,844,303
Due from other governmental units	3,001,171	127,596	756,102		101,769	3,986,638
Due from employees	96,663					96,663
<b>TOTAL ASSETS</b>	<b>24,604,432</b>	<b>2,211,683</b>	<b>5,826,040</b>	<b>970,686</b>	<b>1,653,883</b>	<b>35,266,723</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	1,292,051	132,705			8,200	1,432,956
Unearned revenue	208,109			767,949	22,562	998,620
Deposits payable	22,271					22,271
Payroll payable	807,394				30,836	838,230
Due to other governmental units	53,874					53,874
<b>Total liabilities</b>	<b>2,383,700</b>	<b>132,705</b>	<b>0</b>	<b>767,949</b>	<b>61,598</b>	<b>3,345,952</b>
<b>Fund balances</b>						
<b>Reserved</b>						
Tourism	536,635					536,635
Advances	11,470					11,470
Sanitation	483,408					483,408
Ball Field	500,000					500,000
Facilities	3,362,965					3,362,965
Thrasher's Corner Park	576,471					576,471
Fire CPR Equipment	4,700					4,700
<b>Unreserved, report in:</b>						
General funds	16,745,083					16,745,083
Special revenue funds		2,078,978			1,245,482	3,324,460
Debt service funds				202,737	346,802	549,539
Capital Projects			5,826,040			5,826,040
<b>Total fund balances</b>	<b>22,220,732</b>	<b>2,078,978</b>	<b>5,826,040</b>	<b>202,737</b>	<b>1,592,284</b>	<b>31,920,771</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>24,604,432</b>	<b>2,211,683</b>	<b>5,826,040</b>	<b>970,686</b>	<b>1,653,883</b>	<b>35,266,723</b>

The accompanying notes are an integral part of this statement  
Basic Financial Statements 4

**City of Bothell**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**December 31, 2004**

Total fund balances for the governmental funds		\$31,920,771
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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	\$80,826,165	
Depreciable Assets (net)	<u>855,857,534</u>	936,683,699

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:

5,425,108

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	(885,528)	
Bonds and notes payable	<u>(10,119,311)</u>	<u>(11,004,839)</u>

Total net assets of governmental activities		<u><u>\$963,024,739</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, 2004**

	General	Special Revenue Fund Arterial Street	Capital Projects Fund Capital Improvements	Debt Service Fund LID Control	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	21,515,176		2,224,178		773,404	24,512,757
Licenses and permits	740,130				43,882	784,012
Intergovernmental revenues	3,056,144	307,420			647,761	4,011,325
Charges for services	2,162,054	630,191			507,195	3,299,441
Fines and forfeitures	447,781					447,781
Interest earnings	254,714	27,346	50,842	50,966	14,891	398,759
Proceeds from the sale of capital assets	12,420					12,420
Other revenue	223,544			211,334	6,830	441,708
<b>Total revenue</b>	<b>28,411,964</b>	<b>964,958</b>	<b>2,275,020</b>	<b>262,299</b>	<b>1,993,963</b>	<b>33,908,203</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General government	5,913,630					5,913,630
Security of persons and property	14,916,973				6,240	14,923,213
Transportation					1,379,542	1,379,542
Physical environment	1,880,611				86	1,880,697
Economic environment	2,039,339					2,039,339
<b>Debt Service</b>						
Debt service - principal		33,862		155,000	672,008	860,871
Debt service - interest		2,032		36,700	513,151	551,882
Other expenditures				435	1,018	1,453
<b>Capital Outlay</b>						
Capital outlay	2,041,312	1,450,833	371,977			3,864,122
<b>Total expenditures</b>	<b>26,791,865</b>	<b>1,486,727</b>	<b>371,977</b>	<b>192,135</b>	<b>2,572,045</b>	<b>31,414,749</b>
Excess of revenue over (under) expenditures	1,620,099	(521,769)	1,903,042	70,164	(578,082)	2,493,454
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer in	612,217	7,000			1,308,529	1,927,746
Transfer out	(1,894,818)		(403,500)		(881,873)	(3,180,191)
<b>Total other financing sources</b>	<b>(1,282,602)</b>	<b>7,000</b>	<b>(403,500)</b>	<b>0</b>	<b>426,656</b>	<b>(1,252,446)</b>
Net change in fund balances	337,497	(514,769)	1,499,542	70,164	(151,426)	1,241,008
FUND BALANCES - JANUARY 1, 2003	21,883,234	2,333,430	4,326,497	132,573	1,745,280	30,421,014
Prior year adjustment		260,317			(1,570)	258,748
<b>FUND BALANCES - DECEMBER 31, 2004</b>	<b>22,220,732</b>	<b>2,078,978</b>	<b>5,826,040</b>	<b>202,737</b>	<b>1,592,284</b>	<b>31,920,770</b>

The accompanying notes are an integral part of this statement  
Basic Financial Statements 6

**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, 2004**

Net change in Fund Balances - total governmental funds \$ 1,241,008

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	4,590,820
Depreciation	(36,126,226)

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

Principal payments	860,871
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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

	73,639
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Change in net assets of governmental activities	\$ (29,359,889)
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**City of Bothell**  
**Statement of Fund Net Assets**  
**Proprietary Funds**  
**December 31, 2004**

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	451,433	63,959	98,421	613,813	906,953
Investments	1,272,200	2,187,912	2,653,495	6,113,607	4,604,491
Accounts receivable	372,736	351,965		724,701	20,775
Due from other governments			310,542	310,542	
Special assessments receivable		41,004		41,004	
Total current assets	<u>2,096,369</u>	<u>2,644,841</u>	<u>3,062,459</u>	<u>7,803,668</u>	<u>5,532,218</u>
Non-current assets:					
Capital Assets, net of depreciation					
Land	122,175	163,126		285,301	
Buildings	81,530	42,384		123,914	
Improvements other than buildings	9,146,742	5,551,088	5,380,135	20,077,966	
Equipment	0	5,937	51,311	57,248	1,963
Vehicles	35,752	41,721	142,839	220,311	27,480
Construction in progress	14,503	160,221	372,185	546,909	
Total non-current assets	<u>9,400,702</u>	<u>5,964,478</u>	<u>5,946,470</u>	<u>21,311,650</u>	<u>29,443</u>
Total Assets	<u>11,497,071</u>	<u>8,609,319</u>	<u>9,008,929</u>	<u>29,115,318</u>	<u>5,561,661</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	185,225	30,071	4,049	219,345	95,720
Payroll payable	22,002	14,379	33,986	70,367	11,390
Compensated absences	33,432	20,830	23,594	77,856	15,482
Current portion of loans payable	112,599			112,599	
Current portion of revenue bonds	115,000			115,000	
Total current liabilities	<u>468,257</u>	<u>65,280</u>	<u>61,629</u>	<u>595,167</u>	<u>122,592</u>
Non-current liabilities					
Loans payable	1,463,782			1,463,782	
Revenue bonds payable	115,000			115,000	
Total non-current liabilities	<u>1,578,782</u>	<u>0</u>	<u>0</u>	<u>1,578,782</u>	<u>0</u>
Total liabilities	<u>2,047,040</u>	<u>65,280</u>	<u>61,629</u>	<u>2,173,949</u>	<u>122,592</u>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	7,594,321	5,964,478	5,946,470	19,505,269	29,443
Restricted for debt service	45,950			45,950	
Unrestricted	<u>1,809,761</u>	<u>2,579,560</u>	<u>3,000,830</u>	<u>7,390,151</u>	<u>5,409,626</u>
Total net assets	<u>9,450,031</u>	<u>8,544,038</u>	<u>8,947,300</u>	<u>26,941,370</u>	<u>5,439,069</u>

The accompanying notes are an integral part of this statement  
Basic Financial Statements 8

**City of Bothell**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
<b>OPERATING REVENUES</b>					
Charges for services	3,259,509	3,564,534	1,733,226	8,557,269	581,506
Total operating revenue	<u>3,259,509</u>	<u>3,564,534</u>	<u>1,733,226</u>	<u>8,557,269</u>	<u>581,506</u>
<b>OPERATING EXPENSES</b>					
Administrative and general	608,532	521,104	698,589	1,828,225	975,130
Purchased water	1,384,545			1,384,545	
Metro service		1,987,924		1,987,924	
Maintenance and operations	124,388	47,213	36,756	208,357	407,080
Customer accounts	49,002	52,425		101,428	
Taxes	366,493	257,667	99,736	723,896	
Capital outlay					926,448
Depreciation and amortization	464,091	304,041	343,712	1,111,843	30,885
Total operating expenses	<u>2,997,051</u>	<u>3,170,373</u>	<u>1,178,793</u>	<u>7,346,218</u>	<u>2,339,543</u>
<b>OPERATING INCOME (LOSS)</b>	<u>262,458</u>	<u>394,161</u>	<u>554,432</u>	<u>1,211,051</u>	<u>(1,758,037)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	12,961	18,394	22,353	53,708	40,153
Gain (loss) on disposition of capital assets					2,925
Debt Service			(2,906)	(2,906)	
Interest expense	(34,655)	(9,382)		(44,037)	
Total non-operating revenue (expense)	<u>(21,694)</u>	<u>9,012</u>	<u>19,446</u>	<u>6,764</u>	<u>43,078</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	240,764	403,173	573,879	1,217,815	(1,714,959)
Transfers in					2,699,186
Transfers out	(172,710)	(145,738)	(202,706)	(521,153)	(910,587)
<b>CHANGES IN NET ASSETS</b>	68,054	257,435	371,173	696,662	73,639
<b>NET ASSETS - BEGINNING</b>	9,381,977	8,286,604	8,576,127	26,244,708	5,365,430
<b>NET ASSETS - ENDING</b>	<u>9,450,031</u>	<u>8,544,038</u>	<u>8,947,300</u>	<u>26,941,370</u>	<u>5,439,069</u>

The accompanying notes are an integral part of this statement  
Basic Financial Statements 9

**City of Bothell**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2004**

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash received from customers	3,259,408	3,564,534	1,733,226	8,557,168	581,506
Cash paid to employees	(450,050)	(335,178)	(527,464)	(1,312,692)	(280,852)
Cash paid to suppliers for goods and services	(1,889,305)	(2,188,477)	(64,929)	(4,142,710)	(1,908,116)
Cash paid for taxes	(366,493)	(257,668)	(99,736)	(723,897)	
Net cash provided by operating activities	<u>553,560</u>	<u>783,212</u>	<u>1,041,096</u>	<u>2,377,868</u>	<u>(1,607,462)</u>
<b>CASH FLOW FROM NON-CAPITAL ACTIVITIES</b>					
Transfers in					2,699,186
Transfers out	(172,710)	(145,738)	(202,706)	(521,153)	(910,587)
Net cash provided from non-capital activities	<u>(172,710)</u>	<u>(145,738)</u>	<u>(202,706)</u>	<u>(521,153)</u>	<u>1,788,599</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(482,388)	(137,285)	(255,396)	(875,068)	
Interest paid on capital debt	(34,655)	(9,382)		(44,037)	
Debt service			(2,906)	(2,906)	
Proceeds from the sale of capital assets					2,925
Net cash (used) by capital and related activities	<u>(517,042)</u>	<u>(146,667)</u>	<u>(258,302)</u>	<u>(922,012)</u>	<u>2,925</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	561,330	(500,934)	(505,766)	(445,369)	642,451
Interest and dividends	12,961	18,394	22,353	53,708	40,153
Net cash provided by investing activities	<u>574,291</u>	<u>(482,539)</u>	<u>(483,413)</u>	<u>(391,661)</u>	<u>682,603</u>
Net increase (decrease) in cash and cash equivalents	<u>438,099</u>	<u>8,268</u>	<u>96,675</u>	<u>543,042</u>	<u>866,665</u>
Balances - beginning of the year	13,334	55,691	1,746	70,771	40,288
Balances - end of year	<u><u>451,433</u></u>	<u><u>63,959</u></u>	<u><u>98,421</u></u>	<u><u>613,813</u></u>	<u><u>906,953</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	262,458	394,160	554,432	1,211,051	(1,758,037)
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities</b>					
Depreciation expense	464,091	304,041	343,712	1,111,843	30,885
<b>Change in assets and liabilities:</b>					
Decrease (increase) in inventory	24,549	7,209	7,101	38,860	50,472
Decrease (increase) in accounts receivable	(1,846)	237,625		235,779	(20,775)
Decrease (increase) in due from other governments			133,561	133,561	
Decrease (increase) in Special Assessments Deferred		5,009		5,009	
Increase (decrease) in non-capital accounts payable	20,776	24,558	1,943	47,277	90,018
Increase (decrease) in accrued interest payable	0	(1,268)		(1,268)	
Increase (decrease) in revenue bonds payable	(105,000)	(180,000)		(285,000)	
Increase (decrease) in compensated absences payable	5,190	(2,427)	1,375	4,138	911
Increase (decrease) in payroll payable	(4,058)	(5,695)	(1,028)	(10,782)	(935)
Increase (decrease) in contracts payable	(112,599)			(112,599)	
Net cash provided by operating activities	<u><u>553,560</u></u>	<u><u>783,212</u></u>	<u><u>1,041,096</u></u>	<u><u>2,377,868</u></u>	<u><u>(1,607,462)</u></u>
<b>Noncash investing, capital and financing activities</b>					
Increase (decrease) in fair value of investments	(1,100)	(11,232)	(12,332)	(24,665)	(41,000)

The accompanying notes are an integral part of this statement  
Basic Financial Statements 10

**City of Bothell**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2004**

	PENSION TRUST FIREMEN'S PENSION RES.	AGENCY TRUST
<b>ASSETS</b>		
Cash and cash equivalents	\$16,594	\$244,642
Accounts receivable		17,873
Total receivables	16,594	262,516
Investments, at fair value	28,877	301,769
State investment pool	115,321	3,018,300
Total investments	144,198	3,320,068
Total Assets	160,792	3,582,584
<b>LIABILITIES</b>		
Refunds payable and others		3,582,584
Accounts payable	9,978	
Total Liabilities	9,978	3,582,584
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	\$150,814	\$0

The accompanying notes are an integral part of this statement  
Basic Financial Statements 11

**City of Bothell**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2004**

	PENSION TRUST FIREMEN'S PENSION RES.
<b>ADDITIONS</b>	
Contributions:	
State entitlement	34,790
Total Contributions	34,790
Investment earnings:	
Interest	1,942
Total investment earnings	1,942
Total Additions	36,733
<b>DEDUCTIONS</b>	
Benefits	17,953
Transfer out	15,000
Total Deductions	32,953
Change in net assets	3,779
Net assets - beginning of year	147,035
Net assets - end of year	150,814

The accompanying notes are an integral part of this statement  
Basic Financial Statements 12

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

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**NOTES TO FINANCIAL STATEMENTS**  
**January 1, 2004 through December 31, 2004**

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	\$52,879,492	\$57,676,569	\$55,839,892	\$60,862,769
Street Fund	2,726,240	2,726,240	3,710,340	3,707,590
Arterial Street Fund	11,368,274	14,768,342	11,530,374	14,873,642
Cable TV Fund	0	25,758	0	25,758
Park Cumulative Reserve Fund	80,000	591,720	290,000	955,720
Drug Seizure Fund	50,000	50,000	50,000	50,000
Nuisance Abatement Fund	25,000	50,000	25,000	50,000
Bothell Prop. Assmt Redemption Fund	8,300	8,300	8,300	8,300
1990 GO Bond Fund	0	0	0	0
1995 GO Bond Redemption Fund	807,000	807,000	807,000	807,000
1997 GO Bond Redemption Fund	1,563,000	1,563,000	1,563,000	1,563,000
Capital Improvements Fund	2,065,666	4,638,929	2,065,666	5,144,829
Construction & Acquisition Fund	27,234	0	27,234	1,254,300
Water Fund	6,350,230	7,139,687	6,350,230	7,364,837
Sewer Fund	7,029,035	8,000,917	7,029,035	8,022,167
Storm Drain Fund	3,722,754	4,474,709	3,734,754	4,097,159
Equipment Rental Fund	2,761,951	2,664,189	2,761,951	2,742,189
Self Insurance Fund	1,577,776	1,800,951	1,727,776	1,800,951
Asset Replacement Fund	2,342,737	1,528,420	2,342,737	2,019,320
Cemetery Endowment Fund	2,000		2,000	
Firemen's Pension Reserve Fund	52,800	50,000	52,800	50,000
<b>Total</b>	<b>\$95,439,489</b>	<b>\$108,564,731</b>	<b>\$99,918,089</b>	<b>\$115,399,531</b>

**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		\$20,842,458	\$20,842,458	
<b>Total Investments not subject to categorization</b>		<b>\$20,842,458</b>	<b>\$20,842,458</b>	
Investments subject to categorization		Category	Cost	Fair Value
U.S. Agencies		1	\$21,123,241	\$20,908,500
<b>Total Investments subject to categorization</b>			<b>\$21,123,241</b>	<b>\$20,908,500</b>
<b>Grand Total Investments</b>			<b>\$41,965,699</b>	<b>\$41,750,958</b>

Investments as of December 31, 2004

Invest Type	Coupon	Maturity	Fair Value	Investment Maturities (In Years)		
				Less Than 1	1-2	2+
State Investment Pool		Daily	\$20,842,458	\$20,842,458		
FHLB	1.400	1/3/2005	2,000,000	2,000,000		
FHLMC	1.900	5/26/2005	947,530	947,530		
FHLB	1.570	6/23/2005	1,791,000	1,791,000		
FHLB	2.030	2/13/2006	543,895		\$543,895	
HUD	5.200	8/1/2006	1,288,625		1,288,625	
FNMA	2.550	8/17/2006	4,951,000		4,951,000	
FHLB	3.435	10/13/2006	500,050		500,050	
FHLB	2.550	3/28/2007	3,934,400			\$3,934,400
FHLB	2.875	3/30/2007	4,952,000			4,952,000
<b>Total</b>			<b>\$41,750,958</b>	<b>\$25,580,988</b>	<b>\$7,283,570</b>	<b>\$8,886,400</b>
Percent of Total				61%	17%	21%

Portfolio Diversification

Instrument Type	Percentage	Amount
State Investment Pool	50%	\$20,842,458
FHLB (Over night)	5%	2,000,000
FHLMC (Feddie Mac)	2%	947,530
FHLB	28%	11,721,345
HUD	3%	1,288,625
FNMA (Fannie Mae)	12%	4,951,000
<b>Total Investments</b>	<b>100%</b>	<b>\$41,750,958</b>

**C. DEPOSIT AND INVESTMENT RECONCILIATION**

Amounts reported in the fund statements are as follows:

Government Funds	Amount
Cash	\$2,487,730
Investments	32,173,085
<b>Proprietary Funds</b>	<b>Amount</b>
Cash & Cash Equivalents	\$613,813
Investments	6,113,607
<b>Fiduciary Funds</b>	<b>Amount</b>
Cash & Cash Equivalents	\$261,173
Investments	3,464,266
<b>Total</b>	<b>\$45,113,675</b>

Cash, Deposits and Investments are as follows:

Cash on Hand	\$23,897
Checking Accounts	3,338,820
U.S. Agencies	20,908,500
State Investment Pool	20,842,458
<b>Total</b>	<b>\$45,113,675</b>

#### 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 2004, the City's General Tax Levy was \$1.52, and the Special Tax Levy was 18 cents per \$1,000 on a total assessed valuation of \$4,195,825,835.

**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	\$254,675
Security of persons & property	770,291
Physical environment	35,068,346
Culture & recreation	32,915
<b>Total governmental activities depreciation expense</b>	<b>36,126,226</b>
Business-type activities	Amount
Water	\$464,091
Sewer	304,041
Storm Drain	343,712
<b>Total business-type activities depreciation expense</b>	<b>1,111,843</b>

## Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Reclass	Decreases	Ending Balance
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land and Improvements	\$10,448,097	\$622,227		\$135,322	\$10,935,002
Infrastructure right of way	66,050,120				66,050,120
Construction in progress	3,562,014	1,932,575		1,653,625	3,840,964
<b>Total capital not being depreciated</b>	<b>80,060,230</b>	<b>2,554,803</b>		<b>1,788,947</b>	<b>80,826,085</b>

<b>Other Capital Assets:</b>					
Buildings	17,689,575				17,689,575
Improvements	13,377,193	2,034,089	(4,083,690)		11,327,592
Infrastructure	1,522,800,473	220,360	4,083,690		1,527,104,522
Vehicles	4,627,940	1,180,094	60,205	249,577	5,618,662
Equipment	2,380,236	539,779	(60,205)	375,076	2,484,736
<b>Total other capital assets at historical cost</b>	<b>1,560,875,417</b>	<b>3,974,322</b>	<b>0</b>	<b>624,653</b>	<b>1,564,225,086</b>

<b>Less accumulated depreciation for:</b>					
Buildings	733,844	355,684			1,089,528
Improvements	1,826,646	554,215	(714,646)		1,666,215
Infrastructure	664,791,818	34,433,011	714,646		699,939,474
Vehicles	3,475,060	529,065	30,477	190,873	3,843,729
Machinery & equipment	1,888,141	254,251	(30,477)	283,308	1,828,606
<b>Total accumulated depreciation</b>	<b>672,715,508</b>	<b>36,126,226</b>	<b>0</b>	<b>474,182</b>	<b>708,367,553</b>

<b>Governmental activities capital assets, net</b>	<b>\$968,220,139</b>	<b>(\$29,597,101)</b>	<b>\$0</b>	<b>\$1,939,418</b>	<b>\$936,683,619</b>
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<b>Business-type activities:</b>					
Capital assets not being depreciated:					
Construction in progress	\$316,644	\$342,873		\$112,607	\$546,909
Land and Improvements	285,302				285,302
<b>Total capital not being depreciated</b>	<b>601,945</b>	<b>342,873</b>	<b>0</b>	<b>112,607</b>	<b>832,210.85</b>

<b>Other capital assets:</b>					
Buildings	467,477				467,477.03
Intangible Plant	411,179				411,178.85
Improvements	30,888,949	594,995			31,483,943.14
Vehicles	616,096	49,808			665,903.73
Machinery & equipment	329,259				329,258.76
<b>Total other capital assets at historical cost</b>	<b>32,712,959</b>	<b>644,802</b>	<b>0</b>	<b>0</b>	<b>33,357,761.51</b>

<b>Less accumulated depreciation for:</b>					
Buildings	331,736	11,827			343,563
Intangible Plant	411,179				411,179
Improvements	10,469,965	938,563			11,408,528
Vehicles	237,624	158,161			395,785
Machinery & equipment	315,975	3,292			319,267
<b>Total accumulated depreciation</b>	<b>11,766,479</b>	<b>1,111,843</b>	<b>0</b>	<b>0</b>	<b>12,878,321.96</b>

<b>Business-type activities capital assets, net</b>	<b>\$21,548,426</b>	<b>(\$124,169)</b>	<b>\$0</b>	<b>\$112,607</b>	<b>\$21,311,650</b>
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## 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.

**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.

**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.

**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		
Plan I City Contribution rate @ 12/31/04	1.38%	0.19%
Plan II City Contribution rate @ 12/31/04	1.38%	3.25%
Plan III City Contribution rate @ 12/31/04	1.38%	N/A
City Plan Contribution:		
2004	\$106,145	\$259,621
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
Plan I Employee Contribution Rate @ 12/31/04	6.00%	0.00%
Plan II Employee Contribution Rate @ 12/31/04	1.18%	5.09%
Plan III Employee Contribution Rate @ 12/31/04	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**

<b>Accrued Compensated Absences</b>	
Governmental Funds	\$ 870,046
Special Funds	12,181
Enterprise Funds	77,856
Internal Service Funds	15,482
<b>Total Compensated Absences</b>	<b>\$ 975,565</b>

## 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 2004.

## 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.

Insurance settlements have not exceeded insurance coverage in each of the past three years.

**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	Arterial Street	Nuisance Abatement Fund	1995 GO Bond Fund	Equipment Rental Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General fund		359,120	7,000	12,500		1,055,775	205,038	255,385	1,894,818
Street Fund						78,294			78,294
Park Cumulative Reserve Fund	270,170								270,170
Capital Improvements Fund					403,500				403,500
Construction & Acquisition Fund		533,409							533,409
Water Fund	111,449					61,261			172,710
Sewer Fund	92,999					52,739			145,738
Storm Drain Fund	92,999					109,707			202,706
Equipment Rental Fund								880,987	880,987
Asset Replacement Fund	29,600								29,600
Fireman's Pension Reserve Fund	15,000								15,000
Total Transferred In	612,217	892,529	7,000	12,500	403,500	1,357,776	205,038	1,136,372	4,626,931

## 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. 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	
<b>Governmental Activities</b>									
2005	710,000	479,998	145,000	29,775			33,862	1,849	1,400,484
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
<b>Subtotal</b>	<b>9,305,000</b>	<b>3,292,046</b>	<b>645,000</b>	<b>64,775</b>			<b>169,312</b>	<b>5,234</b>	<b>13,481,367</b>
<b>Business-type Activities</b>									
2005					115,000	12,306	112,599	15,764	255,669
2006					115,000	6,210	112,599	14,638	248,447
2007							112,599	13,512	126,111
2008							112,599	12,386	124,985
2009							112,599	11,260	123,859
2010							112,599	10,134	122,733
2011							112,599	9,008	121,607
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
<b>Subtotal</b>			<b>0</b>	<b>0</b>	<b>230,000</b>	<b>18,516</b>	<b>1,576,382</b>	<b>118,229</b>	<b>1,943,126</b>
<b>Total</b>	<b>9,305,000</b>	<b>3,292,046</b>	<b>645,000</b>	<b>64,775</b>	<b>230,000</b>	<b>18,516</b>	<b>1,745,694</b>	<b>123,463</b>	<b>15,424,493</b>

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.

**Other Long-Term Debt**

Other long-term general obligation debt of are comprised of:

- 1) The City owes Snohomish County \$169,312 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 5-89-962-0046, which was used for street improvements that are partially within the City.

- 2) The City owes Snohomish County \$1,576,381 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.

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/04	Issued	Redeemed	Balance 12/31/04
<b>Governmental Activities</b>								
G.O. Bond (Voted)	11/1/1997	12/1/2017	4.625-5.3%	\$9,700,000	\$7,645,000		\$395,000	\$7,250,000
G.O. Bond (Non-voted)	3/1/1995	12/1/2010	5.3 -5.7%	4,200,000	2,330,000		275,000	2,055,000
PWA Loan 5-89-962-0046		12/31/2009	1.00%	585,526	203,174		33,862	169,312
City Share LID	3/1/1990	2/1/2005	8.50%	43,388	2,007		2,007	0
LID Bonds - 195th Overpass I-405	2/4/1999	On Call	3.25 - 4.7%	2,469,000	800,000		155,000	645,000
<b>Subtotal</b>				<b>16,997,914</b>	<b>10,980,181</b>	<b>0</b>	<b>860,869</b>	<b>10,119,312</b>
<b>Business-type Activities</b>								
Revenue Bond	2/15/1997	9/1/2006	4.1 - 5.4%	930,000	335,000		105,000	230,000
PWA Loan 98-791-007	10/15/1998	10/13/2003	1.00%	1,890,000	1,688,980		112,599	1,576,381
LID Bonds - Fireside Sewer	5/1/1997	On Call	5.6 - 6.1%	304,033	180,000		180,000	0
<b>Subtotal</b>				<b>3,124,033</b>	<b>2,203,980</b>	<b>0</b>	<b>397,599</b>	<b>1,806,381</b>
<b>Total</b>				<b>\$20,121,947</b>	<b>\$13,184,161</b>	<b>\$0</b>	<b>\$1,258,468</b>	<b>\$11,925,693</b>

**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, 2004, the City debt limits were based on assessed property of \$4,195,825,835.

**Debt Capacity as of January 1, 2005**

Regular levy assessed value less annexations 4,195,825,835

Item	Without a Vote		With a Vote of the People		
	1.5%	2.5%	5.0%	7.5%	
Legal Limit	62,937,388	104,895,646	209,791,292	314,686,938	
Outstanding Net Debt	2,055,000	9,305,000	9,305,000	9,305,000	
Margin Available	60,882,388	95,590,646	200,486,292	305,381,938	

## 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. \$258,748 was deposited in agency trust by

contractors that should have been recorded as planning and development fees. \$1,570 was deposited in Street that belongs to Arterial Street.

Arterial Street	260,317
Street	(1,570)
Total	\$258,747

### Subsequent Events

#### EMS Refund

The Canyon Park area of Snohomish County was annexed into the City of Bothell in 1992. At that time, most of this area received fire and EMS from Snohomish County Fire District No. 10. That service was funded by an EMS levy through 1993. Bothell residents in King County paid for EMS services through a King County levy, but Bothell residents in Snohomish County did not pay for this service after 1993. Starting in 1994, there existed an EMS funding deficit caused by the lack of a Snohomish County EMS levy. In order to eliminate this deficit, and to equalize what Bothell residents in Snohomish and King Counties paid for emergency medical services, the Bothell City Council in 1994 created a public ambulance EMS utility to provide City-wide EMS services. The EMS utility fee of \$5.17 per residence and \$15.10 for commercial properties make it possible for the Bothell Fire Department to provide quality "advanced life support" and ambulance services. The ambulance utility has worked well and public feedback has been very positive.

In April of this year, the City of Bothell stopped collecting the EMS utility fee in the Snohomish County portion of the city because of a decision by the Washington Supreme Court which invalidated the City of Kennewick's ambulance utility fee (*Arborwood Idaho, LLC v. City of Kennewick*). While Bothell's EMS utility charge is different from the City of Kennewick's ambulance utility fee, the City of Bothell has decided to stop assessing the charge.

A new program has been established to provide an opportunity for eligible participants to request a refund going back three years or to make a donation. Total maximum liability for the refund is \$1.3 million.

All the EMS fees collected since the establishment of the utility in 1994 have gone directly toward offsetting the costs of providing quality "advanced life support" services. Without this fee, Bothell will need to subsidize this service through the end of this year from reserves in the General Fund.

The City of Bothell is researching other avenues to fund emergency medical services for Bothell citizens in Snohomish County.

#### Conversion Adjustments

In June 2005, a \$245,522.59 accounts receivable overstatement in the General Fund was found along with a corresponding understatement in cash. The opposite scenario was found to be true in the City's Sewer Fund. There is a zero net affect on both Funds' financial statements. The situation resulted from a utility billing conversion problem. Staff found the error timely and revenue was corrected but the receivables were not adjusted. A prior period adjustment will be made on the City's 2005 financial statements.

A black and white photograph of a row of trees in a park. The trees are in the foreground and middle ground, with their trunks and branches clearly visible. The ground is covered with fallen leaves, suggesting an autumn setting. The background shows more trees and a path, creating a sense of depth. The overall tone is serene and natural.

***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, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
<b>REVENUES</b>						
Taxes	37,789,781	39,219,781	20,345,040	21,515,176	41,860,216	2,640,435
Licenses and permits	1,326,850	1,326,850	820,883	740,130	1,561,013	234,163
Intergovernmental revenues	3,160,142	4,550,742	1,752,386	3,056,144	4,808,530	257,788
Charges for services	3,831,855	4,081,855	1,820,924	2,162,054	3,982,979	(98,876)
Fines and forfeitures	628,051	628,051	409,791	447,781	857,572	229,521
Interest earnings	482,156	482,156	291,045	254,714	545,759	63,603
Proceeds from sale of capital assets	366,000	366,000	27,435	12,420	39,855	(326,145)
Other revenue	203,375	221,575	510,567	223,544	734,111	512,536
<b>Total revenues</b>	<b>47,788,210</b>	<b>50,877,010</b>	<b>25,978,071</b>	<b>28,411,964</b>	<b>54,390,034</b>	<b>3,513,024</b>
<b>EXPENDITURES</b>						
Current:						
General government	10,699,664	11,427,629	5,321,164	5,913,630	11,234,794	192,835
Security of persons and property	29,796,844	29,264,299	13,167,132	14,916,973	28,084,106	1,180,193
Physical environment	3,559,184	5,245,324	1,715,261	1,880,611	3,595,872	1,649,452
Economic environment	3,873,614	3,878,954	1,794,739	2,039,339	3,834,078	44,876
Capital outlay	6,147,627	7,340,727	742,781	2,041,312	2,784,092	4,556,635
<b>Total expenditures</b>	<b>54,076,933</b>	<b>57,156,933</b>	<b>22,741,077</b>	<b>26,791,865</b>	<b>49,532,941</b>	<b>7,623,992</b>
Excess of revenue over(under) expenditures	(6,288,723)	(6,279,923)	3,236,994	1,620,099	4,857,093	11,137,016
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	5,091,282	4,962,882	614,226	612,217	1,226,442	(3,736,440)
Transfers out	(3,599,636)	(3,694,636)	(1,800,318)	(1,894,818)	(3,695,136)	(500)
<b>Total other financing sources</b>	<b>1,491,646</b>	<b>1,268,246</b>	<b>(1,186,093)</b>	<b>(1,282,602)</b>	<b>(2,468,694)</b>	<b>(3,736,940)</b>
Net change in fund balances	(4,797,077)	(5,011,677)	2,050,901	337,497	2,388,399	7,400,076
<b>FUND BALANCES - JANUARY 1, 2003</b>	<b>11,098,409</b>	<b>11,098,409</b>	<b>20,251,377</b>		<b>20,251,377</b>	<b>9,152,968</b>
Prior year adjustment			(419,044)		(419,044)	(419,044)
<b>FUND BALANCES - DECEMBER 31, 2004</b>	<b>6,301,332</b>	<b>6,086,732</b>	<b>21,883,234</b>	<b>337,497</b>	<b>22,220,732</b>	<b>16,134,000</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Arterial Street Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
<b>REVENUES</b>						
Intergovernmental revenues	7,748,000	7,903,100	760,996	307,420	1,068,416	(6,834,684)
Charges for services	2,275,000	2,275,000	232,112	630,191	862,304	(1,412,696)
Interest earnings	92,974	92,974	32,638	27,346	59,983	(32,991)
Other revenue	1,252,300	1,252,300	6,309		6,309	(1,245,991)
<b>Total revenues</b>	<b>11,368,274</b>	<b>11,523,374</b>	<b>1,032,055</b>	<b>964,958</b>	<b>1,997,012</b>	<b>(9,526,362)</b>
<b>EXPENDITURES</b>						
Current:						
Construction projects	14,768,342	14,873,642	2,466,859	1,450,833	3,917,692	10,955,950
Debt service - Principal			33,862	33,862	67,724	(67,724)
Debt Service - Interest			1,185	2,032	3,217	(3,217)
<b>Total expenditures</b>	<b>14,768,342</b>	<b>14,873,642</b>	<b>2,501,907</b>	<b>1,486,727</b>	<b>3,988,634</b>	<b>10,885,008</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in		7,000		7,000	7,000	7,000
<b>total other financing sources</b>	<b>0</b>	<b>7,000</b>	<b>0</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>
Excess of revenue over(under) expenditures	(3,400,068)	(3,343,268)	(1,469,852)	(514,769)	(1,984,622)	1,358,646
Net change in fund balances	(3,400,068)	(3,343,268)	(1,469,852)	(514,769)	(1,984,622)	1,358,646
FUND BALANCES - JANUARY 1, 2003	4,919,881	4,919,881	3,803,282		3,803,282	(1,116,599)
Prior year adjustment				260,317	260,317	260,317
<b>FUND BALANCES - DECEMBER 31, 2004</b>	<b>1,519,813</b>	<b>1,576,613</b>	<b>2,333,430</b>	<b>(254,452)</b>	<b>2,078,978</b>	<b>502,365</b>



# ***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, 2004**

	Special Revenue Funds				
	Street	Cable TV	Park Cum. Reserve	Drug Forfeitures	Nuisance Abatement
<b>ASSETS</b>					
Current cash & cash equivalents	99,447	535	12,829	2,884	19,304
Investments	464,362	27,655	409,117	18,289	30,802
Receivables (net of allowances)					
Taxes					
Accounts receivable	26,240				
Due from other governmental units	99,301				
<b>TOTAL ASSETS</b>	<b>689,350</b>	<b>28,191</b>	<b>421,946</b>	<b>21,173</b>	<b>50,106</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts payable	8,200				
Payroll payable	30,836				
Unearned revenue					
<b>Total liabilities</b>	<b>39,036</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund balances</b>					
Unreserved, report in:					
Special revenue funds	650,314	28,191	421,946	21,173	50,106
Debt service funds					
<b>Total fund balances</b>	<b>650,314</b>	<b>28,191</b>	<b>421,946</b>	<b>21,173</b>	<b>50,106</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>689,350</b>	<b>28,191</b>	<b>421,946</b>	<b>21,173</b>	<b>50,106</b>

**City of Bothell**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**December 31, 2004**

	Debt Service Funds					Capital Projects Funds	Total Other Governmental Funds
	Property Assessment Redemption	1990 GO Bond	1995 GO Bond	1997 GO Bond	LID Guaranty	Construction & Acquisition	
Cemetery Endowment	6,374	525	25,057	55,173	72,814	13,209	308,153
	67,379					177,555	1,195,159
		1,327		21,235			22,562
				2,468			26,240
							101,769
	<u>73,753</u>	<u>525</u>	<u>26,384</u>	<u>55,173</u>	<u>96,518</u>	<u>190,764</u>	<u>1,653,883</u>
							8,200
		1,327		21,235			30,836
	<u>0</u>	<u>0</u>	<u>1,327</u>	<u>0</u>	<u>21,235</u>	<u>0</u>	<u>22,562</u>
							61,598
	73,753						1,245,482
		525	25,057	55,173	75,283	190,764	346,802
	<u>73,753</u>	<u>525</u>	<u>25,057</u>	<u>55,173</u>	<u>75,283</u>	<u>190,764</u>	<u>0</u>
							1,592,284
	<u>73,753</u>	<u>525</u>	<u>26,384</u>	<u>55,173</u>	<u>96,518</u>	<u>190,764</u>	<u>0</u>
							1,653,883

Taxes					
Licenses and permits	43,882				
Intergovernmental revenue	647,761				
Interest earnings	(3,176)	155	6,714	246	414
Charges for services	367,082		132,338	7,775	
Other revenue	6,830				
Total Revenues	<u>1,062,378</u>	<u>155</u>	<u>139,052</u>	<u>8,021</u>	<u>414</u>
EXPENDITURES					
Current:					
Security of persons and property				6,240	
Transportation	1,379,542				
Physical environment					86
Other expenditures					
Debt service:					
Principal retirement					
Interest					
Total expenditures	<u>1,379,542</u>	<u>0</u>	<u>0</u>	<u>6,240</u>	<u>86</u>
Excess of revenue over (under) expenditures	(317,164)	155	139,052	1,781	328
OTHER FINANCING SOURCES (USES)					
Transfers in	892,529				12,500
Transfers out	(78,294)		(270,170)		
Total other financing sources	<u>814,235</u>	<u>0</u>	<u>(270,170)</u>	<u>0</u>	<u>12,500</u>
Net change in fund balances	497,072	155	(131,118)	1,781	12,828
FUND BALANCES - JANUARY 1, 2003	154,812	28,036	553,064	19,392	37,279
Prior Year Adjustment	(1,570)				
FUND BALANCES DECEMBER 31, 2004	<u>650,314</u>	<u>28,191</u>	<u>421,946</u>	<u>21,173</u>	<u>50,106</u>

**City of Bothell**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended December 31, 2004**

Cemetery Endowment	Debt Service Funds		Debt Service Funds Continued			Capital Projects	Total Other Governmental Funds
	Property Assessment Redemption	1990 GO Bond	1995 GO Bond	1997 GO Bond	LID Guaranty	Construction & Acquisition	
	2,647			770,757			773,404
							43,882
							647,761
905			128		2,394	7,114	14,891
							507,195
							6,830
<u>905</u>	<u>2,647</u>	<u>0</u>	<u>128</u>	<u>770,757</u>	<u>2,394</u>	<u>7,114</u>	<u>1,993,963</u>
							6,240
							1,379,542
							86
			175	843			1,018
							-
	2,008		275,000	395,000			672,008
	171		128,835	384,145			513,151
<u>0</u>	<u>2,179</u>	<u>0</u>	<u>404,010</u>	<u>779,988</u>	<u>0</u>	<u>0</u>	<u>2,572,045</u>
905	468	0	(403,882)	(9,231)	2,394	7,114	(578,082)
			403,500				1,308,529
						(533,409)	(881,873)
<u>0</u>	<u>0</u>	<u>0</u>	<u>403,500</u>	<u>0</u>	<u>0</u>	<u>(533,409)</u>	<u>426,656</u>
905	468	0	(382)	(9,231)	2,394	(526,296)	(151,426)
72,849	58	25,057	55,555	84,513	188,371	526,296	1,745,280
							(1,570)
<u>73,753</u>	<u>525</u>	<u>25,057</u>	<u>55,173</u>	<u>75,283</u>	<u>190,764</u>	<u>0</u>	<u>1,592,284</u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Street Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
<b>REVENUES</b>						
Taxes			437,389		437,389	437,389
Licenses and permits	155,000	155,000	52,521	43,882	96,402	(58,598)
Charges for services	2,004,000	2,017,000	288,761	367,082	655,843	(1,361,157)
Intergovernmental revenue			40,371	647,761	688,132	688,132
Interest earnings			1	(3,176)	(3,176)	(3,176)
Other revenue	25,000	108,100	124	6,830	6,954	(101,146)
<b>Total revenues</b>	<b>2,184,000</b>	<b>2,280,100</b>	<b>819,167</b>	<b>1,062,378</b>	<b>1,881,545</b>	<b>(398,555)</b>
<b>EXPENDITURES</b>						
Current:						
Personnel services	968,878	968,878	503,483	583,645	1,087,128	(118,250)
Operating supplies	133,350	146,350	535,712	795,449	1,331,161	(1,184,811)
Other services and charges	1,333,324	1,504,424	29,228	448	29,676	1,474,748
Capital outlays	18,100	818,100	0		0	818,100
<b>Total Expenditures</b>	<b>2,453,652</b>	<b>3,437,752</b>	<b>1,068,423</b>	<b>1,379,542</b>	<b>2,447,965</b>	<b>989,787</b>
Excess of revenue over (under) expenditures	(269,652)	(1,157,652)	(249,257)	(317,164)	(566,421)	591,231
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	542,240	1,430,240	531,120	892,529	1,423,649	(6,591)
Transfers out	(272,588)	(272,588)	(127,604)	(78,294)	(205,898)	66,690
<b>Total other financing sources</b>	<b>269,652</b>	<b>1,157,652</b>	<b>403,516</b>	<b>814,235</b>	<b>1,217,751</b>	<b>60,099</b>
Net change in fund balances	0	0	154,259	497,072	651,331	651,331
FUND BALANCES JANUARY 1, 2003	0	0	552		552	552
Prior year adjustment				(1,570)	(1,570)	(1,570)
<b>FUND BALANCES DECEMBER 31, 2004</b>	<b>0</b>	<b>0</b>	<b>154,812</b>	<b>495,502</b>	<b>650,314</b>	<b>650,314</b>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Cable TV Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>REVENUES</b>						
Interest earnings	0	0	1	155	155	155
Total revenues	<u>0</u>	<u>0</u>	<u>1</u>	<u>155</u>	<u>155</u>	<u>155</u>
<b>EXPENDITURES</b>						
Current:						
Capital outlays	25,758	25,758			0	25,758
Total Expenditures	<u>25,758</u>	<u>25,758</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>25,758</u>
Excess of revenue over (under) expenditures	(25,758)	(25,758)	1	155	155	25,913
Net change in fund balances	(25,758)	(25,758)	1	155	155	25,913
FUND BALANCES JANUARY 1, 2003	25,758	25,758	28,035	0	28,035	2,277
FUND BALANCES DECEMBER 31, 2004	<u>0</u>	<u>0</u>	<u>28,036</u>	<u>155</u>	<u>28,191</u>	<u>28,191</u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Park Cumulative Reserve Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>REVENUES</b>						
Charges for Service	80,000	290,000	117,263	132,338	249,601	(40,399)
Investment interest	0	0	7,409	6,714	14,122	14,122
Total revenues	<u>80,000</u>	<u>290,000</u>	<u>124,671</u>	<u>139,052</u>	<u>263,723</u>	<u>(26,277)</u>
Excess of revenues over (under) expenditures	80,000	290,000	124,671	139,052	263,723	(26,277)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers out	(591,720)	(955,720)	(246,550)	(270,170)	(516,720)	439,000
Total other financing sources	<u>(591,720)</u>	<u>(955,720)</u>	<u>(246,550)</u>	<u>(270,170)</u>	<u>(516,720)</u>	<u>439,000</u>
Net change in fund balances	(511,720)	(665,720)	(121,879)	(131,118)	(252,997)	412,723
FUND BALANCES JANUARY 1, 2003	1,421,166	1,421,166	674,943	0	674,943	(746,223)
FUND BALANCES DECEMBER 31, 2004	<u><u>909,446</u></u>	<u><u>755,446</u></u>	<u><u>553,064</u></u>	<u><u>(131,118)</u></u>	<u><u>421,946</u></u>	<u><u>(333,500)</u></u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Drug Forfeitures Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
<b>REVENUES</b>						
Charges for services	50,000	50,000	5,994	7,775	13,769	(36,231)
Interest earnings			(34)	246	211	211
<b>Total revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>5,960</b>	<b>8,021</b>	<b>13,980</b>	<b>(36,020)</b>
<b>EXPENDITURES</b>						
Current:						
Personnel services	7,000	7,000			0	7,000
Operating supplies	18,000	18,000	4,970	5,484	10,453	7,547
Other services and charges	25,000	25,000	4,316	756	5,072	19,928
<b>Total Expenditures</b>	<b>50,000</b>	<b>50,000</b>	<b>9,286</b>	<b>6,240</b>	<b>15,525</b>	<b>34,475</b>
Excess of revenue over (under) expenditures	0	0	(3,326)	1,781	(1,545)	(1,545)
Net change in fund balances	0	0	(3,326)	1,781	(1,545)	(1,545)
FUND BALANCES JANUARY 1, 2003	19,137	19,137	22,718	0	22,718	3,581
<b>FUND BALANCES DECEMBER 31, 2004</b>	<b>19,137</b>	<b>19,137</b>	<b>19,392</b>	<b>1,781</b>	<b>21,173</b>	<b>2,036</b>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Nuisance Abatement Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
Revenues						
Interest earnings	0	0	(58)	414	356	356
Total revenues	<u>0</u>	<u>0</u>	<u>(58)</u>	<u>414</u>	<u>356</u>	<u>356</u>
EXPENDITURES						
Other services and charges	50,000	50,000	163	86	249	49,751
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>163</u>	<u>86</u>	<u>249</u>	<u>49,751</u>
Excess of revenue over (under) expenditures	(50,000)	(50,000)	(221)	328	106	50,106
OTHER FINANCING SOURCES (USES)						
Operating transfers in	25,000	25,000	12,500	12,500	25,000	0
Total other financing sources	<u>25,000</u>	<u>25,000</u>	<u>12,500</u>	<u>12,500</u>	<u>25,000</u>	<u>0</u>
Net change in fund balances	(25,000)	(25,000)	12,279	12,828	25,106	50,106
FUND BALANCES JANUARY 1, 2003	25,000	25,000	25,000		25,000	0
FUND BALANCES DECEMBER 31, 2004	<u>0</u>	<u>0</u>	<u>37,279</u>	<u>12,828</u>	<u>50,106</u>	<u>50,106</u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Cemetery Endowment Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with Final Budget Positive(Negative)
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	
Revenues						
Interest earnings	2,000	2,000	(127)	905	778	(1,222)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>(127)</u>	<u>905</u>	<u>778</u>	<u>(1,222)</u>
Net change in fund balances	2,000	2,000	(127)	905	778	(1,222)
FUND BALANCES JANUARY 1, 2003	75,975	75,975	72,975	0	72,975	(3,000)
FUND BALANCES DECEMBER 31, 2004	<u><u>77,975</u></u>	<u><u>77,975</u></u>	<u><u>72,849</u></u>	<u><u>905</u></u>	<u><u>73,753</u></u>	<u><u>(4,222)</u></u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Property Assessment Redemption Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes	8,300	8,300	2,987	2,647	5,634	(2,666)
Total revenues	<u>8,300</u>	<u>8,300</u>	<u>2,987</u>	<u>2,647</u>	<u>5,634</u>	<u>(2,666)</u>
<b>EXPENDITURES</b>						
Current:						
Principal retirement	7,000	7,000	4,017	2,008	6,025	975
Interest	1,300	1,300	465	171	635	665
Total Expenditures	<u>8,300</u>	<u>8,300</u>	<u>4,481</u>	<u>2,179</u>	<u>6,660</u>	<u>1,640</u>
Excess of revenue over (under) expenditures	0	0	(1,494)	468	(1,027)	(1,027)
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	0	0	500		500	500
Total other financing sources	<u>0</u>	<u>0</u>	<u>500</u>	<u>0</u>	<u>500</u>	<u>500</u>
Net change in fund balances	0	0	(994)	468	(527)	(527)
FUND BALANCES JANUARY 1,2003	4,277	4,277	1,052	0	1,052	(3,225)
FUND BALANCES DECEMBER 31, 2004	<u>4,277</u>	<u>4,277</u>	<u>58</u>	<u>468</u>	<u>525</u>	<u>(3,752)</u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**1990 G. O. Bond Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
REVENUES						
Taxes	0	0	792	0	792	792
Interest			123	0	123	123
Total revenues	<u>0</u>	<u>0</u>	<u>915</u>	<u>0</u>	<u>915</u>	<u>915</u>
Excess of revenue over (under) expenditures	0	0	915	0	915	915
Net change in fund balances	0	0	915	0	915	915
FUND BALANCES JANUARY 1, 2003	13,056	13,056	24,142	0	24,142	11,086
Prior year Adjustment						
FUND BALANCES DECEMBER 31, 2004	<u>13,056</u>	<u>13,056</u>	<u>25,057</u>	<u>0</u>	<u>25,057</u>	<u>12,001</u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**1995 G. O. Bond Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
<b>REVENUES</b>						
Interest earnings	0	0	60	128	189	189
<b>Total revenues</b>	<b>0</b>	<b>0</b>	<b>60</b>	<b>128</b>	<b>189</b>	<b>189</b>
<b>EXPENDITURES</b>						
Current:						
Principal retirement	535,000	535,000	260,000	275,000	535,000	0
Interest	271,452	271,452	141,380	128,835	270,215	1,237
Other expenditures	548	548	367	175	542	6
<b>Total Expenditures</b>	<b>807,000</b>	<b>807,000</b>	<b>401,747</b>	<b>404,010</b>	<b>805,757</b>	<b>1,243</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	807,000	807,000	403,500	403,500	807,000	0
<b>Total other financing sources</b>	<b>807,000</b>	<b>807,000</b>	<b>403,500</b>	<b>403,500</b>	<b>807,000</b>	<b>0</b>
Excess of revenue over (under) expenditures	0	0	1,813	(382)	1,431	1,431
Net change in fund balances	0	0	1,813	(382)	1,431	1,431
FUND BALANCES JANUARY 1, 2003	65,605	65,605	53,742		53,742	(11,863)
<b>FUND BALANCES DECEMBER 31, 2004</b>	<b>65,605</b>	<b>65,605</b>	<b>55,555</b>	<b>(382)</b>	<b>55,173</b>	<b>(10,432)</b>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**1997 G. O. Bond Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
<b>REVENUES</b>						
Taxes	1,563,000	1,563,000	799,711	770,757	1,570,468	7,468
Total revenues	<u>1,563,000</u>	<u>1,563,000</u>	<u>799,711</u>	<u>770,757</u>	<u>1,570,468</u>	<u>7,468</u>
<b>EXPENDITURES</b>						
Current:						
Principal retirement	775,000	775,000	380,000	395,000	775,000	0
Interest	787,000	787,000	334,767	384,145	718,912	68,088
Other expenditures	1,000	1,000	607	843	1,450	(450)
Total Expenditures	<u>1,563,000</u>	<u>1,563,000</u>	<u>715,374</u>	<u>779,988</u>	<u>1,495,362</u>	<u>67,638</u>
Excess of revenue over (under) expenditures	0	0	84,337	(9,231)	75,106	75,106
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in					0	
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	0	0	84,337	(9,231)	75,106	75,106
FUND BALANCES JANUARY 1, 2003	23,175	23,175	176		176	(22,999)
FUND BALANCES DECEMBER 31, 2004	<u><u>23,175</u></u>	<u><u>23,175</u></u>	<u><u>84,513</u></u>	<u><u>(9,231)</u></u>	<u><u>75,283</u></u>	<u><u>52,108</u></u>

**City of Bothell**  
**Combining Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**LID Guaranty Fund**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts 2003/2004		2003	2004	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2003/2004 Actuals	Final Budget Positive(Negative)
REVENUES						
Investment interest	0	0	161	2,394	2,555	2,555
Total revenues	<u>0</u>	<u>0</u>	<u>161</u>	<u>2,394</u>	<u>2,555</u>	<u>2,555</u>
Net change in fund balances	0	0	161	2,394	2,555	2,555
FUND BALANCES JANUARY 1, 2003	0	0	188,209		188,209	188,209
FUND BALANCES DECEMBER 31, 2004	<u>0</u>	<u>0</u>	<u>188,371</u>	<u>2,394</u>	<u>190,764</u>	<u>190,764</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, 2004**

	Budgeted Amounts 2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>REVENUES</b>						
Interest earnings	27,234	27,234	10,148	7,114	17,262	(9,972)
Total revenues	<u>27,234</u>	<u>27,234</u>	<u>10,148</u>	<u>7,114</u>	<u>17,262</u>	<u>(9,972)</u>
<b>EXPENDITURES</b>						
Other expenditures	0	224,300	224,207		224,207	93
Total expenditures	<u>0</u>	<u>224,300</u>	<u>224,207</u>	<u>0</u>	<u>224,207</u>	<u>93</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	0	(1,030,000)	(260,000)	(533,409)	(793,409)	236,591
Total other financing sources	<u>0</u>	<u>(1,030,000)</u>	<u>(260,000)</u>	<u>(533,409)</u>	<u>(793,409)</u>	<u>236,591</u>
Excess of revenue over(under) expenditures	27,234	(1,227,066)	(474,059)	(526,296)	(1,000,355)	226,711
Net change in fund balances	27,234	(1,227,066)	(474,059)	(526,296)	(1,000,355)	226,711
FUND BALANCES - JANUARY 1, 2003	1,215,823	1,215,823	1,065,382		1,065,382	(150,441)
Prior year adjustment			(65,027)		(65,027)	(65,027)
FUND BALANCES - DECEMBER 31, 2004	<u>1,243,057</u>	<u>(11,243)</u>	<u>526,296</u>	<u>(526,296)</u>	<u>0</u>	<u>11,243</u>

**City of Bothell**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**December 31, 2004**

	Governmental Activities			Total
	Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	85,531	35,900	785,522	906,953
Investments	608,759		3,995,731	4,604,491
Accounts Receivable			20,775	20,775
Inventories				0
Prepaid insurance				0
Total current assets:	694,290	35,900	4,802,028	5,532,218
Non-current assets:				
Restricted:				
Capital assets, net of depreciation:				
Equipment - shop	1,963			1,963
Equipment - vehicles	27,480			27,480
Total non-current assets	29,443	0	0	29,443
<b>Total assets</b>	<b>723,733</b>	<b>35,900</b>	<b>4,802,028</b>	<b>5,561,661</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	16,637	9,200	69,883	95,720
Payroll Payable	8,233	3,158		11,390
Compensated absences	11,938	3,544		15,482
<b>Total liabilities</b>	<b>36,808</b>	<b>15,901</b>	<b>69,883</b>	<b>122,592</b>
<b>NET ASSETS</b>				
Investment in capital assets, net of retained debt	29,443	0	0	29,443
Unrestricted	657,482	19,999	4,732,145	5,409,626
<b>Total net assets</b>	<b>686,925</b>	<b>19,999</b>	<b>4,732,145</b>	<b>5,439,069</b>

**City of Bothell**  
**Combining Statement of Revenues, Expenses,**  
**and Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2004**

	Governmental Activities			Total
	Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	
Operating revenues:				
Charges for services	0	581,506	0	581,506
Total operating revenues	<u>0</u>	<u>581,506</u>	<u>0</u>	<u>581,506</u>
Operating expenses:				
Maintenance and operation	407,080			407,080
Capital outlay			926,448	926,448
Administration and general	109,868	865,262		975,130
Depreciation & amortization	30,885			30,885
Total operating expense	<u>547,833</u>	<u>865,262</u>	<u>926,448</u>	<u>2,339,543</u>
Operating income (loss)	<u>(547,833)</u>	<u>(283,756)</u>	<u>(926,448)</u>	<u>(1,758,037)</u>
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets	2,925			2,925
Interest earnings	8,205	11	31,937	40,153
Total non-operating revenues (expenses)	<u>11,130</u>	<u>11</u>	<u>31,937</u>	<u>43,078</u>
Income (loss) before contributions and transfers	<u>(536,703)</u>	<u>(283,746)</u>	<u>(894,511)</u>	<u>(1,714,959)</u>
Contributed capital				
Transfers in	1,357,776	205,038	1,136,372	2,699,186
Transfers out	<u>(880,987)</u>		<u>(29,600)</u>	<u>(910,587)</u>
Change in net assets	(59,915)	(78,708)	212,261	73,639
Net assets - beginning	746,840	98,706	4,519,884	5,365,430
Prior year adjustment				0
Net assets - ending	<u>686,925</u>	<u>19,999</u>	<u>4,732,145</u>	<u>5,439,069</u>

**City of Bothell**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2004**

	Governmental Activities			Total
	Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	
Cash flows from operating activities				
Cash received from customers		581,506		581,506
Cash paid to employees for services	(207,159)	(73,692)		(280,852)
Cash paid to suppliers for goods and services	(248,568)	(782,208)	(877,340)	(1,908,116)
Net cash provided (used) by operating activities	(455,727)	(274,395)	(877,340)	(1,607,462)
Cash flows from non-operating activities				
Transfers out	(880,987)		(29,600)	(910,587)
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	1,106,772	1,788,599
Cash flows from capital and related financing activities				
Proceeds from sales of capital assets	2,925			2,925
Net cash provided (used) by capital and related financing activities	2,925			2,925
Cash flows from investing activities				
Proceeds from sales and maturities of investments	46,761	71,656	524,034	642,451
Interest and Dividends	8,205	11	31,937	40,153
Net cash provided by investing activities	54,966	71,667	555,971	682,603
Net increase (decrease) in cash and cash equivalents	78,952	2,310	785,403	866,665
Balances - beginning of the year	6,579	33,590	119	40,288
Balances - end of the year	85,531	35,900	785,522	906,953
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(547,833)	(283,756)	(926,448)	(1,758,037)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	30,885			30,885
Change in assets and liabilities:				
Decrease (increase) in inventory	50,472			50,472
Decrease (increase) in accounts receivable			(20,775)	(20,775)
Decrease (increase) in prepaid expense				0
Increase (decrease) in accounts payable	10,935	9,200	69,883	90,018
Increase (decrease) in compensated absences payable	1,129	(218)		911
Increase (decrease) in payroll payable	(1,315)	380		(935)
Net cash provided by operating activities	(455,727)	(274,395)	(877,340)	(1,607,462)
Noncash Investing, capital and financing activities				
Increase (decrease) in fair value of investments			(41,000)	(41,000)

A black and white photograph of a row of trees in a park. The trees are in the foreground and middle ground, with their trunks and branches clearly visible. The ground is covered with fallen leaves, suggesting an autumn setting. The background shows more trees and a path, creating a sense of depth. The overall tone is serene and natural.

# *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, 2004**

	Budgeted Amounts		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	2003/2004					
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	6,318,500	6,318,500	3,202,248	3,259,509	6,461,757	143,257
Total operating revenues	<u>6,318,500</u>	<u>6,318,500</u>	<u>3,202,248</u>	<u>3,259,509</u>	<u>6,461,757</u>	<u>143,257</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	1,250,900	1,250,150	604,823	608,532	1,213,355	36,795
Purchase water	2,500,500	2,500,500	1,295,052	1,384,545	2,679,597	(179,097)
Maintenance and operation	176,625	200,025	73,132	124,388	197,520	2,505
Customer accounts	103,792	103,792	52,361	49,002	101,363	2,429
Taxes	601,000	601,000	293,094	366,493	659,587	(58,587)
Capital outlay	907,000	1,267,000			0	1,267,000
Depreciation and amortization	1,020,654	1,020,654	313,726	464,091	777,817	242,837
Total operating expenses	<u>6,560,471</u>	<u>6,943,121</u>	<u>2,632,188</u>	<u>2,997,051</u>	<u>5,629,239</u>	<u>1,313,882</u>
OPERATING INCOME (LOSS)	<u>(241,971)</u>	<u>(624,621)</u>	<u>570,060</u>	<u>262,458</u>	<u>832,518</u>	<u>1,457,139</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings	31,730	31,730	15,173	12,961	28,134	(3,596)
Interest expense	(80,297)	(80,297)	(21,113)	(34,655)	(55,768)	24,529
Other revenue (expense)	0	0	311		311	311
Total non-operating revenue (expense)	<u>(48,567)</u>	<u>(48,567)</u>	<u>(5,629)</u>	<u>(21,694)</u>	<u>(27,323)</u>	<u>21,244</u>
Income (loss) before contributions and transfers	<u>(290,538)</u>	<u>(673,188)</u>	<u>564,431</u>	<u>240,764</u>	<u>805,195</u>	<u>1,478,383</u>
Transfers out	(498,919)	(344,669)	(171,960)	(172,710)	(344,669)	0
Net assets - beginning, January 1, 2003	1,938,991	1,938,991	8,989,506		8,989,506	7,050,515
Net assets - ending, December 31, 2004	<u>1,149,534</u>	<u>921,134</u>	<u>9,381,977</u>	<u>68,054</u>	<u>9,450,031</u>	<u>8,528,897</u>

This schedule is presented as supplemental information  
Supplemental Information 1

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Sewer Fund**  
**For the Year Ended December 31, 2004**

	2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Budgeted Amounts Original	Final				
<b>OPERATING REVENUES</b>						
Charges for Services	7,001,000	7,001,000	3,514,127	3,564,534	7,078,661	77,661
Total operating revenues	<u>7,001,000</u>	<u>7,001,000</u>	<u>3,514,127</u>	<u>3,564,534</u>	<u>7,078,661</u>	<u>77,661</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	1,152,507	1,151,757	525,831	521,104	1,046,935	104,822
Metro service	4,686,000	4,686,000	2,027,727	1,987,924	4,015,651	670,349
Maintenance and operation	84,455	86,855	26,059	47,213	73,272	13,583
Customer accounts	101,680	101,680	52,344	52,425	104,770	(3,090)
Taxes	315,400	315,400	216,663	257,668	474,331	(158,931)
Capital outlay	750,000	740,000	0	0	0	740,000
Depreciation and amortization	485,000	485,000	210,725	304,041	514,765	(29,765)
Total operating expenses	<u>7,575,042</u>	<u>7,566,692</u>	<u>3,059,349</u>	<u>3,170,374</u>	<u>6,229,723</u>	<u>1,336,969</u>
OPERATING INCOME (LOSS)	<u>(574,042)</u>	<u>(565,692)</u>	<u>454,778</u>	<u>394,160</u>	<u>848,938</u>	<u>1,414,630</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Investment earnings	28,035	28,035	14,959	18,394	33,354	5,319
Interest expense	(17,900)	(17,900)	7,093	(9,382)	(2,289)	15,611
Other revenue (expense)			5,420		5,420	5,420
Total non-operating revenue (expense)	<u>10,135</u>	<u>10,135</u>	<u>27,472</u>	<u>9,012</u>	<u>36,484</u>	<u>26,349</u>
Income (loss) before contributions and transfers	<u>(563,907)</u>	<u>(555,557)</u>	<u>482,250</u>	<u>403,172</u>	<u>885,422</u>	<u>1,440,979</u>
Operating transfers out	(407,975)	(440,725)	(144,988)	(145,738)	(290,725)	150,000
Net assets - beginning, January 1, 2003	1,077,170	1,077,170	7,949,341		7,949,341	6,872,171
Net assets - ending, December 31, 2004	<u>105,288</u>	<u>80,888</u>	<u>8,286,604</u>	<u>257,435</u>	<u>8,544,038</u>	<u>8,463,150</u>

This schedule is presented as supplemental information  
Supplemental Information 2

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Storm Drain Fund**  
**For the Year Ended December 31, 2004**

	2003/2004 Budgeted Amounts		2003 Actual Amounts	2004 Actual Amounts	Total 2003/2004	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive(Negative)
<b>OPERATING REVENUES</b>						
Charges for Services	3,685,000	3,697,000	1,461,784	1,733,226	3,195,009	(501,991)
Total operating revenues	3,685,000	3,697,000	1,461,784	1,733,226	3,195,009	(501,991)
<b>OPERATING EXPENSES</b>						
Administrative and general	1,549,363	1,531,113	646,742	698,589	1,345,332	185,781
Maintenance and operation	211,600	221,600	37,884	36,756	74,639	146,961
Taxes	79,000	169,000	43,761	25,344	69,105	99,895
Capital outlay	1,138,834	1,162,834			0	1,162,834
Depreciation and amortization	610,000	610,000	236,830	418,104	654,934	(44,934)
Total operating expenses	3,588,797	3,694,547	965,216	1,178,793	2,144,010	1,550,537
OPERATING INCOME (LOSS)	96,203	2,453	496,567	554,432	1,051,000	1,048,547
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Investment earnings	37,754	37,754	17,324	22,353	39,677	1,923
Debt service			(10,920)	(2,906)	(13,827)	(13,827)
Total non-operating revenue (expense)	37,754	37,754	6,403	19,446	25,850	(11,904)
Income (loss) before contributions and transfers	133,957	40,207	502,971	573,879	1,076,849	1,036,642
Operating transfers out	(885,912)	(404,662)	(201,956)	(202,706)	(404,662)	0
Net assets - beginning, January 1, 2003	1,717,729	1,717,729	8,275,113		8,275,113	6,557,384
Net assets - ending, December 31, 2004	965,774	1,353,274	8,576,127	371,173	8,947,300	7,594,026

This schedule is presented as supplemental information  
Supplemental Information 3

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Equipment Rental Fund**  
**For the Year Ended December 31, 2004**

	2003/2004 Budgeted Amounts		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	6,000	6,000	0	0	0	(6,000)
Total operating revenues	6,000	6,000	0	0	0	(6,000)
<b>OPERATING EXPENSES</b>						
Administrative and general	218,179	226,179	99,910	109,868	209,778	16,401
Maintenance and operation	682,428	672,666	302,788	407,080	709,868	(37,202)
Capital Outlay	1,608	1,370				1,370
Depreciation		80,000	38,920	30,885	69,805	10,195
Total operating expenses	902,215	980,215	441,617	547,833	989,450	(9,235)
OPERATING INCOME (LOSS)	(896,215)	(974,215)	(441,617)	(547,833)	(989,450)	(15,235)
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Gain (loss) on sale of scrap	400	400	0		0	(400)
Investment earnings	0	0	554	8,205	8,759	8,759
Gain (loss) on disposition of capital assets	40,000	40,000	6,615	2,925	9,540	(30,460)
Total non-operating revenue (expense)	40,400	40,400	7,169	11,130	18,299	(22,101)
Income (loss) before contributions and transfers	(855,815)	(933,815)	(434,448)	(536,703)	(971,151)	(37,336)
Transfers out	(1,761,974)	(1,761,974)	(880,987)	(880,987)	(1,761,974)	0
Transfers in	2,715,551	2,715,551	1,357,776	1,357,776	2,715,551	0
Net assets - beginning, January 1, 2003	405,762	405,762	704,499		704,499	298,737
Net assets - ending, December 31, 2004	503,524	425,524	746,840	(59,915)	686,925	261,401

This schedule is presented as supplemental information  
Supplemental Information 4

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Self Insurance Fund**  
**For the Year Ended December 31, 2004**

	2003/2004 Budgeted Amounts		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	1,167,700	1,167,700	603,046	581,506	1,184,552	16,852
Total operating revenues	1,167,700	1,167,700	603,046	581,506	1,184,552	16,852
<b>OPERATING EXPENSES</b>						
Administrative and general	1,800,951	1,800,951	694,921	865,262	1,560,183	240,768
Total operating expenses	1,800,951	1,800,951	694,921	865,262	1,560,183	240,768
OPERATING INCOME (LOSS)	(633,251)	(633,251)	(91,874)	(283,756)	(375,630)	257,621
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings	0	0	2	11	13	13
Total non-operating revenue (expense)	0	0	2	11	13	13
Income (loss) before contributions and transfers	(633,251)	(633,251)	(91,872)	(283,745)	(375,618)	257,633
Transfers in	410,076	560,076	205,038	205,038	410,076	(150,000)
Net assets - beginning, January 1, 2003	223,175	223,175	84,818		84,818	(138,357)
Prior year Adjustment			(99,277)		(99,277)	(99,277)
Net assets - ending, December 31, 2004	0	150,000	98,706	(78,707)	19,999	(130,001)

This schedule is presented as supplemental information  
Supplemental Information 5

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Asset Replacement Fund**  
**For the Year Ended December 31, 2004**

	2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Budgeted Amounts Original	Final				
<b>OPERATING EXPENSES</b>						
Capital outlay	1,528,420	2,019,320	599,087	926,448	1,525,535	493,785
Total operating expenses	<u>1,528,420</u>	<u>2,019,320</u>	<u>599,087</u>	<u>926,448</u>	<u>1,525,535</u>	<u>493,785</u>
OPERATING INCOME (LOSS)	<u>(1,528,420)</u>	<u>(2,019,320)</u>	<u>(599,087)</u>	<u>(926,448)</u>	<u>(1,525,535)</u>	<u>493,785</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
interest earnings	69,993	69,993	39,418	31,937	71,355	1,362
Interest expense						
Total non-operating revenue (expense)	<u>69,993</u>	<u>69,993</u>	<u>39,418</u>	<u>31,937</u>	<u>71,355</u>	<u>1,362</u>
Income (loss) before contributions and transfers	(1,458,427)	(1,949,327)	(559,669)	(894,511)	(1,454,180)	495,147
Transfers in	2,272,744	2,272,744	1,136,372	1,136,372	2,272,744	0
Transfers out				(29,600)	(29,600)	(29,600)
Net assets - beginning, January 1, 2003	3,841,014	3,841,014	3,943,181		3,943,181	102,167
Net assets - ending, December 31, 2004	<u>4,655,331</u>	<u>4,164,431</u>	<u>4,519,884</u>	<u>212,261</u>	<u>4,732,145</u>	<u>567,714</u>

This schedule is presented as supplemental information  
Supplemental Information 6

**City of Bothell**  
**Schedule 16**  
**Schedule of Federal Financial Assistance**  
**For the Year Ended December 31, 2004**

Grantor/Pass Through Grantor Program Title	Federal CFDA Number	Other Identification Number	Current Year Expenditures
Department of Housing & Urban Development/King County Housing & Community Development Program			
Planning & Administration	14.218	D33612A	\$ 1,911
Bothell Senior Transportation Support	14.218	D33612B	30,809
<b>Dept of Housing &amp; Urban Development Total:</b>			<b>\$ 32,720</b>
Department of Justice			
Bulletproof Vest Partnership Program	16.607	04025296	\$ 9,706
<b>Dept of Justice Total:</b>			<b>\$ 9,706</b>
Department of Transportation/Washington State DOT			
North Creek Trail	20.205	STPUL-CM-0110(05)	\$ 76,562
SR524 - Maltby Road Walkway Project	20.205	STPUL-0524(008)	123,270
SR522 - I/S Widening & Realignment @ Wayne Curve	20.205	STPF-0522(032)	73,958
<b>Dept of Transportation Total:</b>			<b>\$ 273,790</b>
Federal Emergency Management Agency			
Assistance to Firefighters - SCBA	83.554	EMW-2003-FG-13027	\$ 677,335
<b>Federal Emergency Management Agency Total:</b>			<b>\$ 677,335</b>
Office of Homeland Security/King County Office of Emergency Management			
Homeland Security Equipment	97.004	FFY03S-SHSP-032	\$ 23,807
<b>Office of Homeland Security Total:</b>			<b>\$ 23,807</b>
<b>Total Federal Assistance for 2004:</b>			<b>\$ 1,017,358</b>

**Note 1 - Basis of Accounting**

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting.

**Note 2 - Program Costs**

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

This schedule is presented as supplemental information  
Supplemental Information 7

**City of Bothell**  
**Schedule 16**  
**Schedule of State and Local Financial Assistance**  
**For the Year Ended December 31, 2004**

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
Department of Community, Trade, & Economic Development (CTED)			
GMA Update	334.04.00	S04-62600-105	\$ 10,000
<b>Dept of Community, Trade, &amp; Economic Development Total:</b>			<b>\$ 10,000</b>
Department of Ecology			
Coordinated Prevention Grant	334.03.10	G0400153	\$ 8,982
North Creek TMDL Action Plan	334.03.05	G0300107	101,438
<b>Dept of Ecology Total:</b>			<b>\$ 110,419</b>
Department of Social & Health Services (DSHS)			
Juvenile Accountability Incentive Block Grant	334.04.60	0364-36574 & 0464-62816	\$ 4,820
<b>Dept of Social &amp; Health Svcs (DSHS) Total:</b>			<b>\$ 4,820</b>
Department of Transportation (WSDOT)			
Commute Trip Reduction	334.03.20	GCA-3652	\$ 64,526
<b>Dept of Transportation (WSDOT) Total:</b>			<b>\$ 64,526</b>
Interagency Committee for Outdoor Recreation			
Cedar Grove Park Development - Phase 1	337.09.01	02-1304D	\$ 247,144
<b>Interagency Committee for Outdoor Recreation Total:</b>			<b>\$ 247,144</b>
King County			
Conservation Futures Grant	337.09.01	n/a	\$ 150,000
Hazardous Waste Outreach	337.07.00	D33804D	1,595
Waste Reduction & Recycling	337.07.00	D33511D	26,135
<b>King County Total:</b>			<b>\$ 177,730</b>
Sound Transit			
SR522 Phase 1 Improvements	337.07.00	SR 522 HOV Enh #384	\$ 3,611
<b>Sound Transit Total:</b>			<b>\$ 3,611</b>
Washington State Patrol			
Firefighter Training Reimbursement	334.01.30	C041187GSC	\$ 14,759
<b>Washington State Patrol Total:</b>			<b>\$ 14,759</b>
Washington State Traffic Safety Commission			
DUI Emphasis Patrol - Radar Unit	334.03.50	N/A	\$ 612
<b>Washington State Traffic Safety Commission Total:</b>			<b>\$ 612</b>
<b>Total State &amp; Local Financial Assistance for 2004:</b>			<b>\$ 633,621</b>

**Note 1 - Basis of Accounting**

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting.

**Note 2 - Program Costs**

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

This schedule is presented as supplemental information  
**Supplemental Information 8**

**City of Bothell**  
**General Obligation Bonds, 1995**  
**December 31, 2004**

Year Ended December 31, 2004	Interest Rate Range	Interest Jun 1	Interest Dec 1	Principal Dec 1	Total Debt Service
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>\$211,644</u>	<u>\$211,644</u>	<u>\$2,055,000</u>	<u>\$2,478,288</u>

This schedule is presented as supplemental information  
Supplemental Information 9

**City of Bothell**  
**General Obligation Bonds, 1997**  
**December 31, 2004**

Year Ended December 31, 2004	Interest Rate Range	Interest Jun 1	Interest Dec 1	Principal Dec 1	Total Debt Service
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>\$1,434,380</u>	<u>\$1,434,380</u>	<u>\$7,250,000</u>	<u>\$10,118,760</u>

**City of Bothell**  
**Local Improvement District 95-2, 1997**  
**195th Overpass I-405**  
**December 31, 2004**

Year Ended December 31, 2004	Interest <u>Rate range</u>	Interest <u>Dec 1</u>	Principal <u>Dec 1</u>	Total Debt <u>Service</u>
2005	4.5 TO 4.7%	29,775	200,000	229,775
2006	4.6 TO 4.7%	20,720	195,000	215,720
2007	4.700%	11,750	250,000	261,750
	Total	<u>\$62,245</u>	<u>\$645,000</u>	<u>\$707,245</u>

**City of Bothell**  
**Public Works Trust Fund Loan**  
**PW-5-89-962-0046**  
**December 31, 2004**

Year Ended December 31, 2004	Interest Rate	Interest July 1	Principal July 1	Total Debt Service
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>\$5,078</u>	<u>\$169,312</u>	<u>\$174,390</u>

**City of Bothell**  
**Public Works Trust Fund Loan**  
**PW-98-791-007**  
**December 31, 2004**

<u>Year Ended</u> <u>December 31, 2004</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>
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>\$118,229</u>	<u>\$1,576,382</u>	<u>\$1,694,610</u>

**City of Bothell**  
**Water Utility Revenue Bonds, 1997**  
**December 31, 2004**

Year Ended December 31, 2004	Interest Mar 1	Interest Sep 1	Principal Sep 1	Total Debt Service
2005	6,153	6,153	115,000	127,305
2006	3,105	3,105	115,000	121,210
Total	\$9,258	\$9,258	\$230,000	\$248,515

This schedule is presented as supplemental information  
Supplemental Information 14

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Capital Improvements Fund**  
**For the Year Ended December 31, 2004**

	2003/2004 Budgeted Amounts		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes	2,000,000	2,000,000	1,462,608	2,224,178	3,686,786	1,686,786
Investment interest	65,666	65,666	30,999	50,842	81,841	16,175
<b>Total revenues</b>	<b>2,065,666</b>	<b>2,065,666</b>	<b>1,493,607</b>	<b>2,275,020</b>	<b>3,768,627</b>	<b>1,702,961</b>
<b>EXPENDITURES</b>						
Current:						
Debt service - principal	55,476	55,476				55,476
Debt service - interest	68,284	68,284				68,284
Capital outlay	700,000	1,205,900	41,352	371,977	413,330	792,570
<b>Total expenditures</b>	<b>823,760</b>	<b>1,329,660</b>	<b>41,352</b>	<b>371,977</b>	<b>413,330</b>	<b>916,330</b>
Excess of revenue over(under) expenditures	1,241,906	736,006	1,452,255	1,903,042	3,355,297	2,619,291
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(3,815,169)	(3,815,169)	(411,669)	(403,500)	(815,169)	3,000,000
<b>Total other financing sources</b>	<b>(3,815,169)</b>	<b>(3,815,169)</b>	<b>(411,669)</b>	<b>(403,500)</b>	<b>(815,169)</b>	<b>3,000,000</b>
Net change in fund balances	(2,573,263)	(3,079,163)	1,040,586	1,499,542	2,540,128	5,619,291
FUND BALANCES - JANUARY 1, 2003	2,870,569	2,870,569	3,285,911		3,285,911	415,342
FUND BALANCES - DECEMBER 31, 2004	<u>297,306</u>	<u>(208,594)</u>	<u>4,326,497</u>	<u>1,499,542</u>	<u>5,826,040</u>	<u>6,034,634</u>

This schedule is presented as supplemental information  
Supplemental Information 15

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**LID Control**  
**For the Year Ended December 31, 2004**

	2003/2004		2003 Actual Amounts Budgetary Basis	2004 Actual Amounts Budgetary Basis	Total 2003/2004 Actuals	Variance with Final Budget Positive(Negative)
	Budgeted Amounts					
	Original	Final				
<b>REVENUES</b>						
Interest earnings	0	0	64,055	50,966	115,020	115,020
Other revenue	0	0	222,835	211,334	434,169	434,169
Total revenues	0	0	286,890	262,299	549,189	549,189
<b>EXPENDITURES</b>						
Debt service - Interest	0	0	12,157	36,700	48,857	(48,857)
Debt service - Principal			780,000	155,000	935,000	(935,000)
Other Expenditures	0	0	391	435	826	(826)
Total expenditures	0	0	792,548	192,135	984,683	(984,683)
Excess of revenue over(under) expenditures	0	0	(505,658)	70,164	(435,494)	(435,494)
Net change in fund balances	0	0	(505,658)	70,164	(435,494)	(435,494)
FUND BALANCES - JANUARY 1, 2003	0	0	638,231		638,231	638,231
FUND BALANCES - DECEMBER 31, 2004	0	0	132,573	70,164	202,737	202,737

This schedule is presented as supplemental information  
Supplemental Information 16

A black and white photograph of a row of trees in a park. The trees are in the foreground and middle ground, with their trunks and branches visible. The ground is covered in fallen leaves. The background shows more trees and a path. The text "Statistical Section" is overlaid in the top left corner.

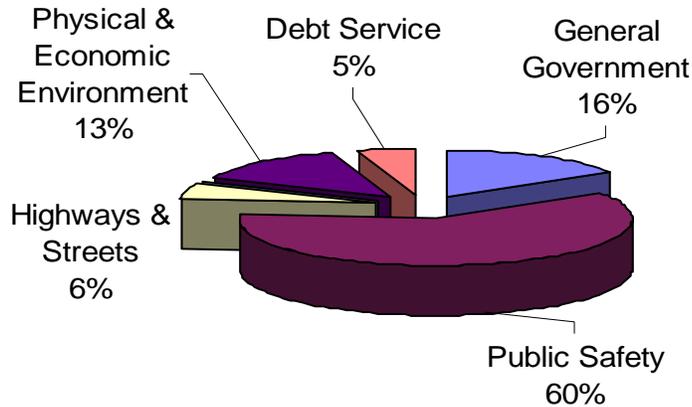
***Statistical Section***

## 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
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
2004	3,826,126	14,944,792	1,379,542	0	3,134,043	1,185,159	24,469,662

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

### 2004 Expenditures by Function

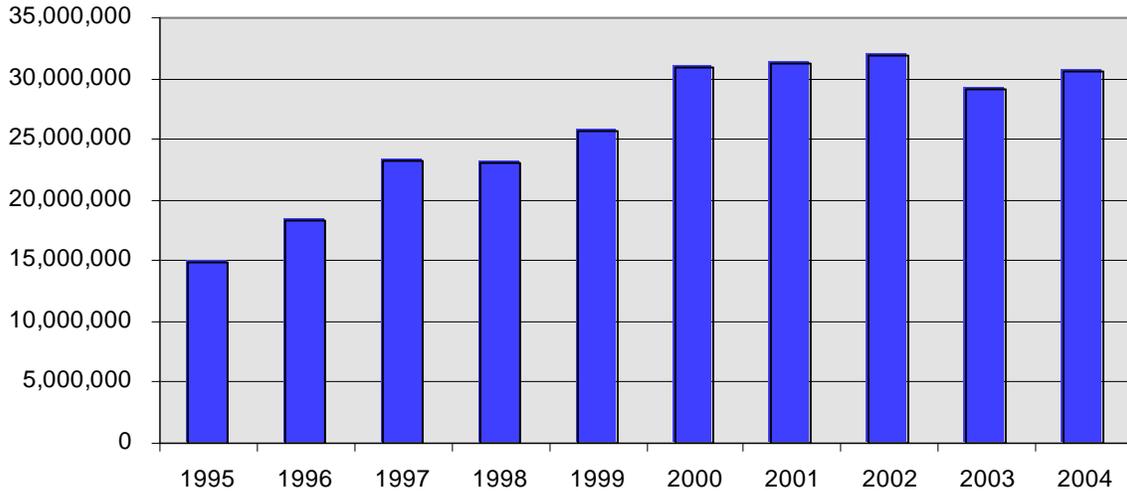


## General Revenues by Source General, Special Revenue, and Debt Service Funds\* Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses & Permits	Intergovernmental	Charges for Services	Fines & Forfeitures	Misc.	Total
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
2004	22,433,388	782,300	3,703,905	2,640,955	447,781	551,845	30,560,174

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

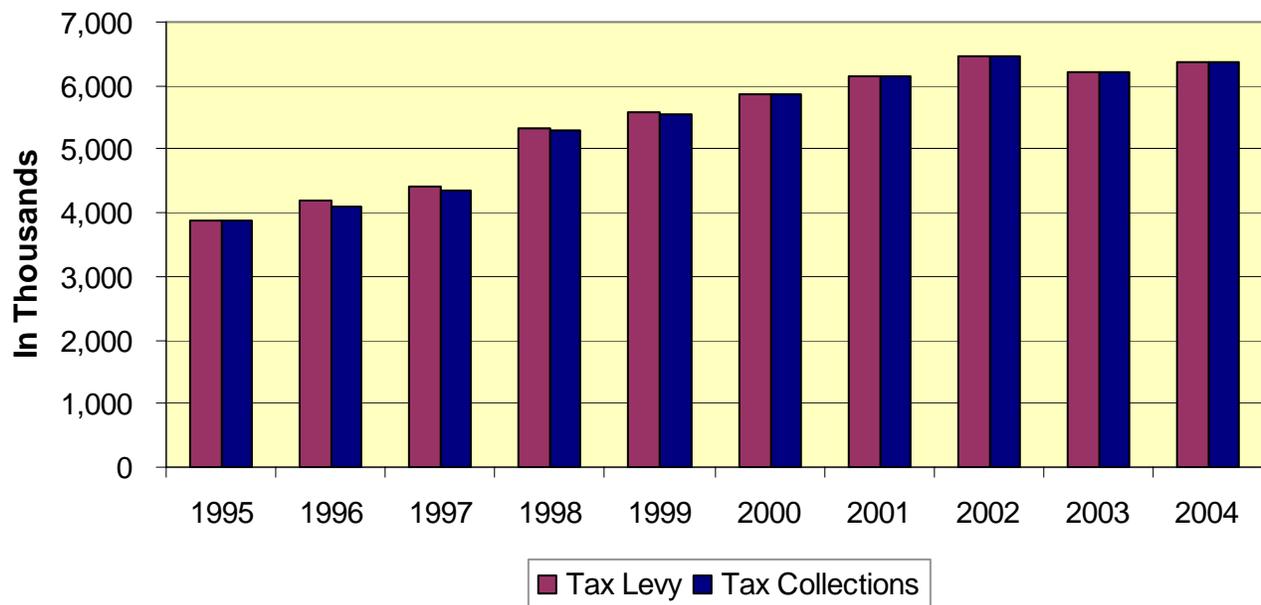
## Total General Revenue Trends



## 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
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%
2004	6,372	6,258	99.8%	107	6,365	99.9%	166	2.6%

## 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
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
2004	1.71	2.76	1.43	4.69	0.25	0.34	0.54	0.24	0.05	12.01

**Snohomish County**

Year	City of Bothell	WA State	Snohomish County	School Dist	Library Dist	Stevens Hospital	Park/Rec Dist	Total Snohomish County
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
2004	1.71	3.16	1.26	4.69	0.54	0.27	0.05	11.68

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

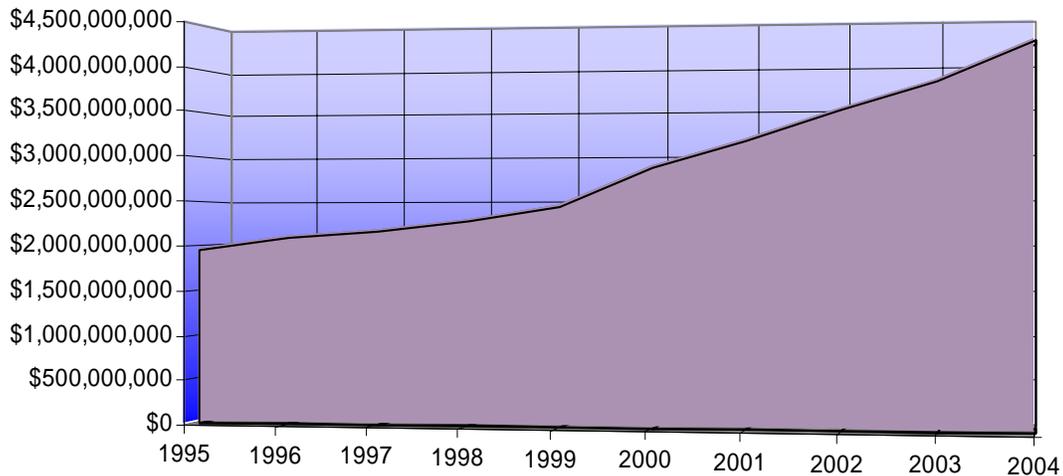
## Assessed and Estimated Actual Value of Taxable Property\* Last Ten Years

Year	Real Property	Personal Property	Total	Percent Increase (Decrease)
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%
2004	3,623,707,550	583,801,150	4,207,508,700	10.16%

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

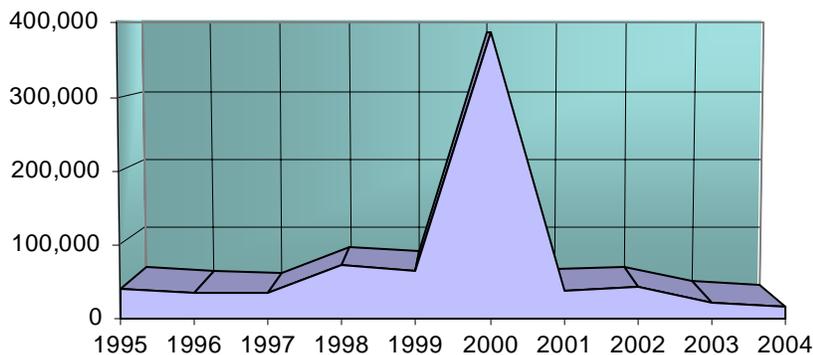
Year	Current Assessments Due	Current Assessments Collected (1)	Ratio of Collections to Amount Due	Total Outstanding Assessments
1995	39,184	30,899	0.79	42,000
1996	36,902	42,616	1.15	36,000
1997	62,308	53,257	0.85	34,000
1998	231,590	49,157	0.21	72,029
1999	738,264	441,775	0.60	64,700
2000	344,592	783,369	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
2004	265,967	263,634	0.99	15,101

\*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

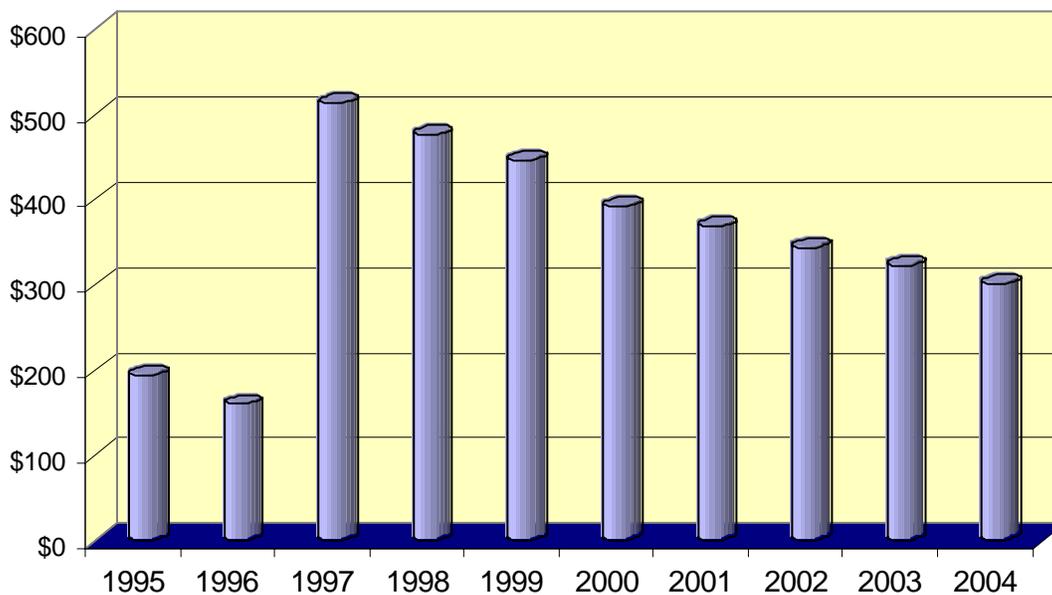


## Ratio of Net General Bonded Debt to Assessed Value And Net Bonded Debt Per Capita Last Ten Years

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
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
2004	30,930	4,195,825	9,305,000	156,038	9,148,962	2.13%	301

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

## Net Bonded Debt Per Capita



**Computation of Legal Debt Margin  
December 31, 2004**

Total assessed value		\$ 4,195,825,835
<hr/>		
Debt limit - 7.5 percent of total assessed value		314,686,938
Amount of debt applicable to debt limit:		
General obligation bonds (voted)	7,250,000	
General obligation bonds (non-voted)	<u>2,055,000</u>	
Total debt outstanding	\$ 9,305,000	
Less assets in debt service funds		
Available for payment of principal		9,148,962
Less total amount of debt applicable to debt limit		<u>9,148,962</u>
Legal debt margin		<u>\$ 305,537,976</u>

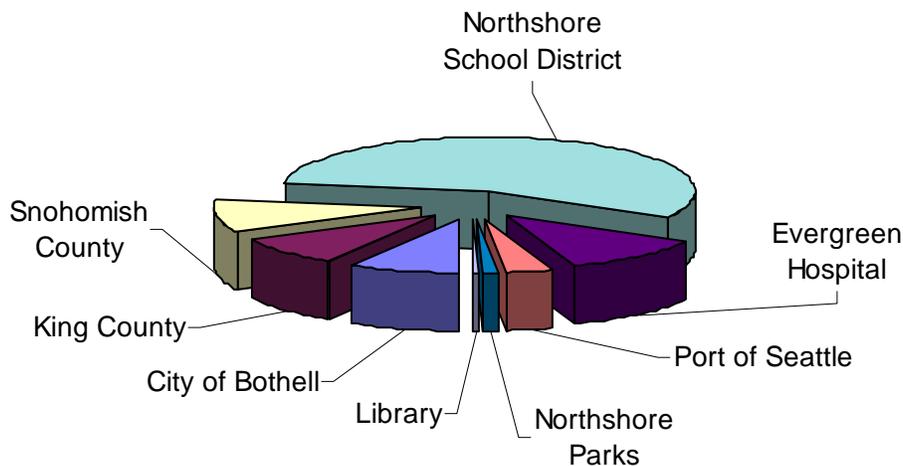
## Computation of Direct and Overlapping Debt December 31, 2004

Jurisdiction	Net Debt Outstanding	Percentage Applicable to Bothell	Amount Applicable to Bothell
City of Bothell	\$ 9,305,000	100.00%	\$ 9,305,000
King County	925,169,965	0.99%	9,159,183
Snohomish County	316,249,184	3.45%	10,910,597
Northshore School District	249,702,974	23.94%	59,778,892
Evergreen Hospital	193,523,393	6.34%	12,269,383
Port of Seattle	397,285,000	0.99%	3,933,122
Northshore Parks	4,591,850	23.97%	1,100,666
Library	26,451,124	2.28%	603,086
<b>Total</b>	<b>\$ 2,122,278,490</b>		<b>\$ 107,059,928</b>

Net Debt Source: King & Snohomish County Finance Department

Percentage Source: King County & Snohomish County Levy Administration

## Division of Outstanding Debt Applicable to Bothell

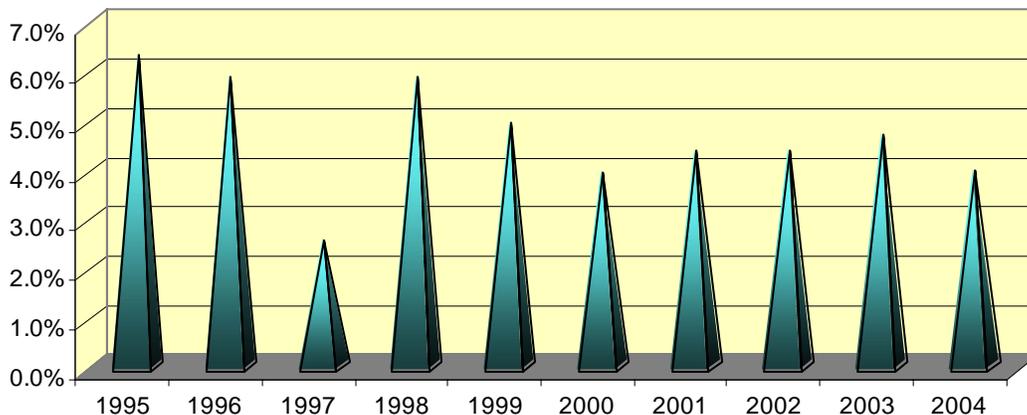


## Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures Last Ten Years

Year	Principal	Interest	Total Debt Service	Total General Expense	Ratio of Debt Service to Gen Expense
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%
2004	670,000	512,980	1,182,980	29,749,561	4.0%

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



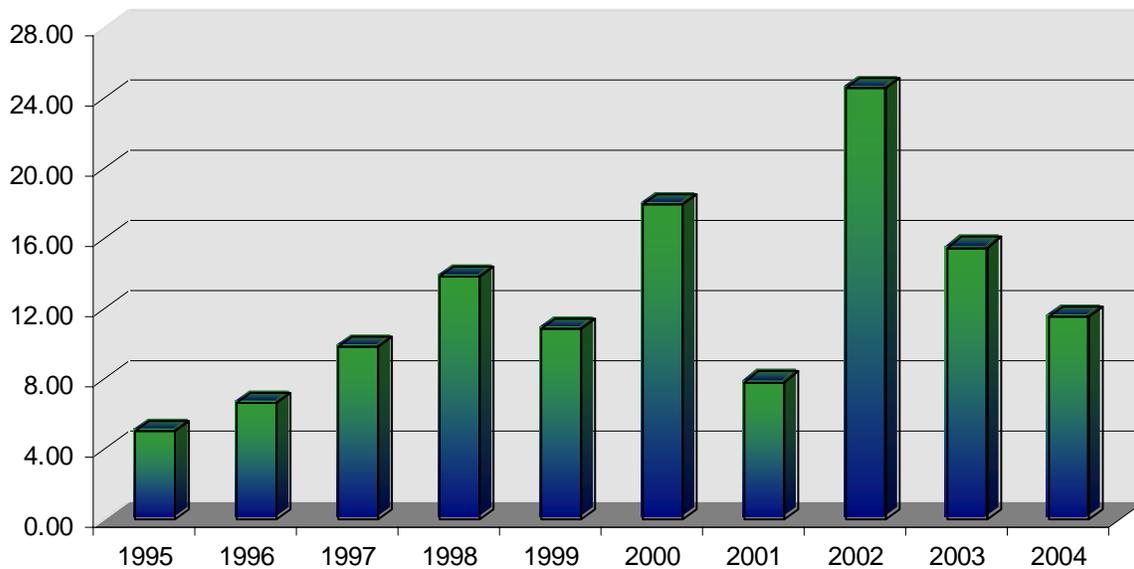
## Revenue Bond Coverage Water and Sewer Bonds Last Ten Years

Year	Gross Revenue (1)	Direct Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
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
2004	6,855,297	5,438,140	1,417,157	105,000	17,765	122,765	11.54

(1) Includes operating and non-operating revenues.

(2) Excludes Depreciation.

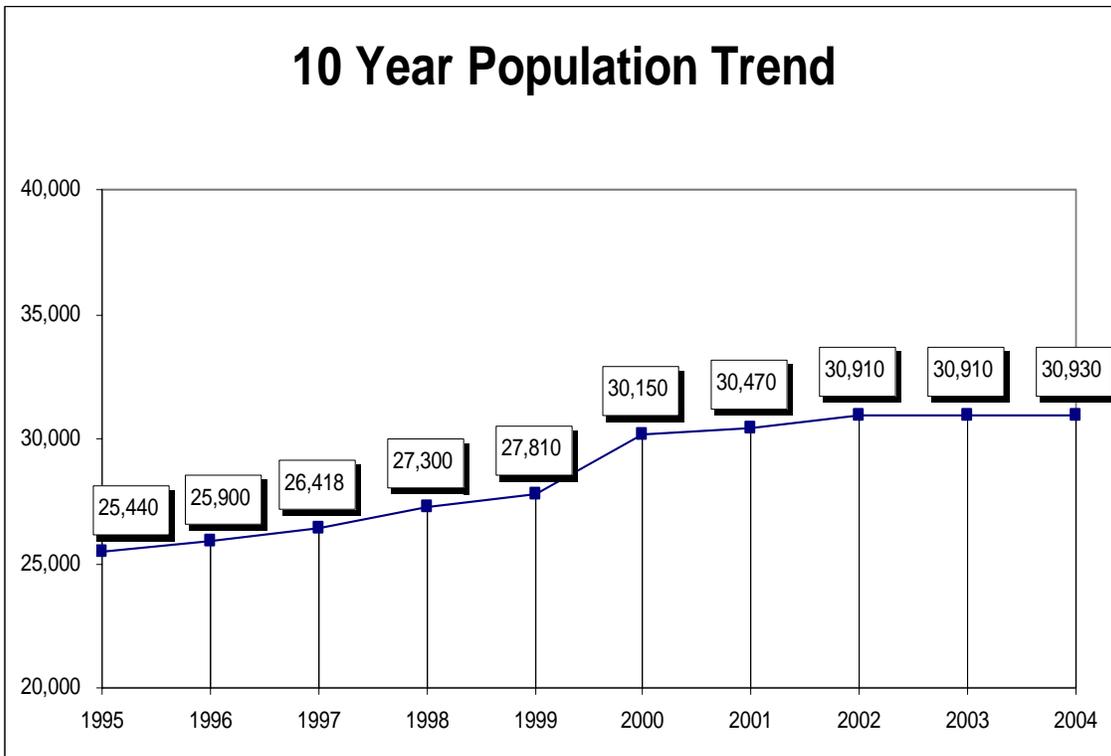
## Coverage Ratio



## Demographic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Income	Median Age	Education Level (years of formal schooling)	Unemployment Rate
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%
2004	30,930	26,483	36.0	13.1	5.7%

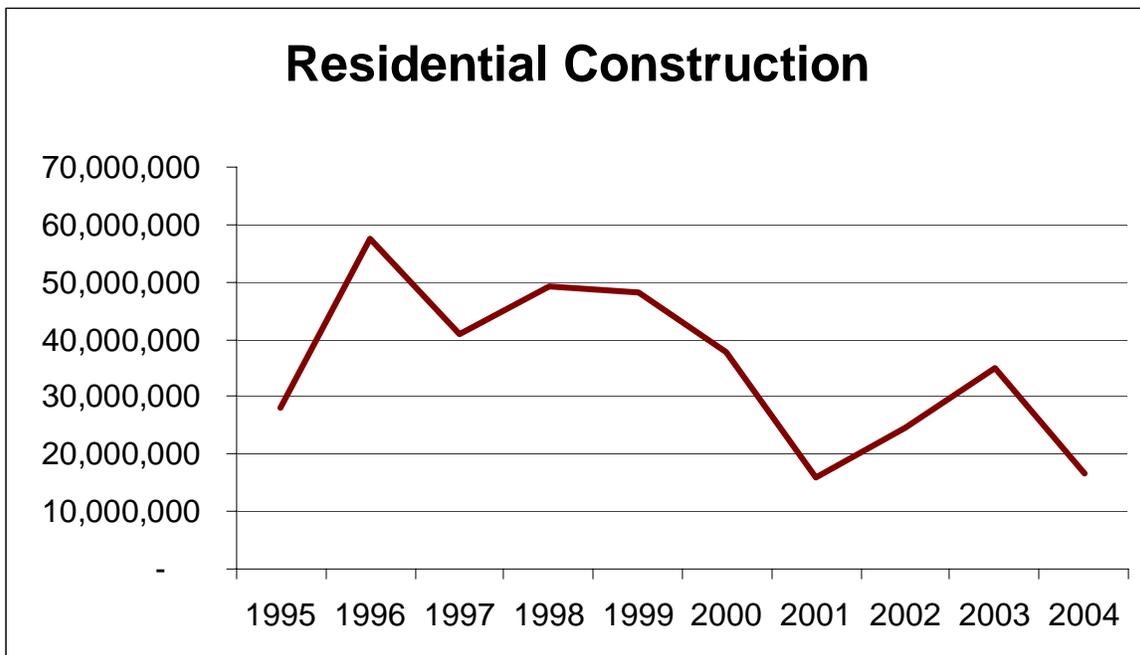
Source: 2000 US Census Bureau & 2004 Labor Force Data



## Property Value and Construction Last Ten Years

Year	Commercial Construction*		Residential Construction*		Property Value	
	Number of Buildings	Value	No. of Units	Value	Commercial	Residential
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
2004	8	8,057,184	50	16,475,031	1,893,378,915	2,314,129,785

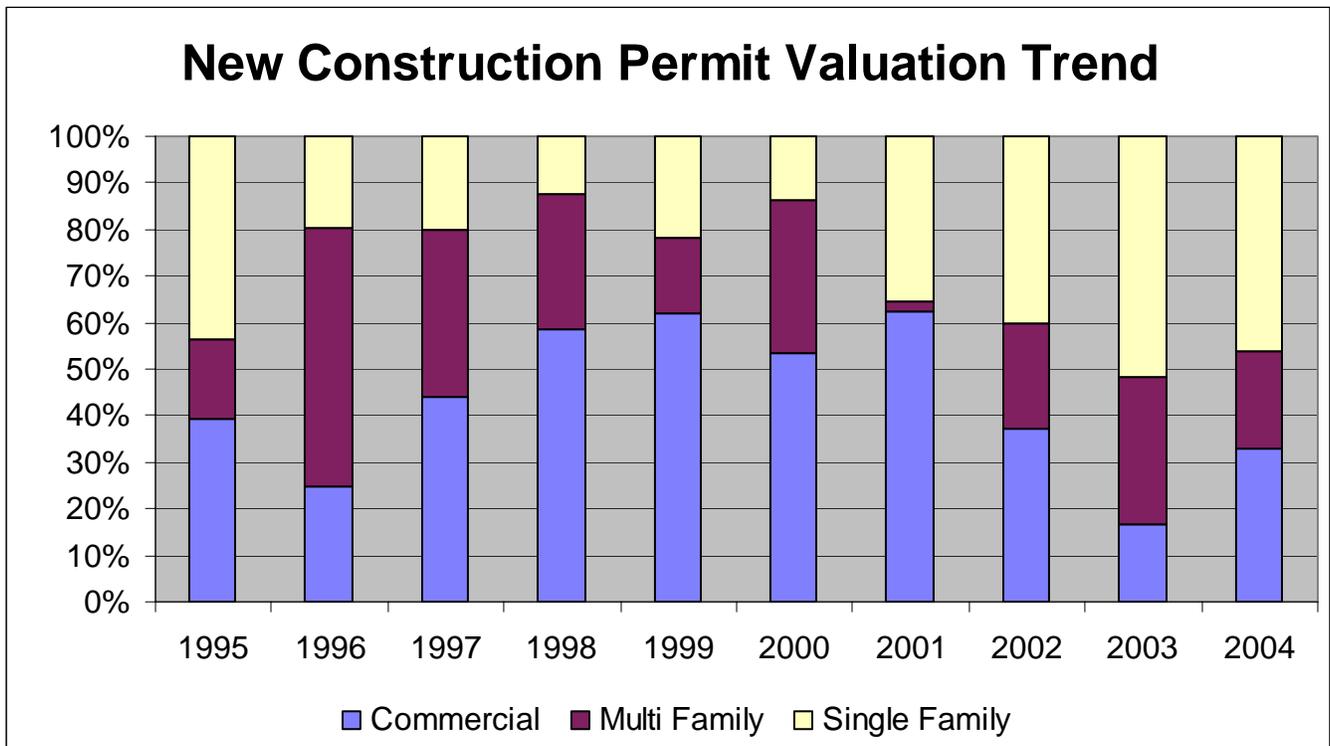
\*Source: Building Permit Applications



## 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
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
2004	8	8,057,184	12	5,164,803	38	11,310,228	300	13,994,075	58	24,532,215

Source: City of Bothell Community Development Building Permits Division



## Principal Property Taxpayers December 31, 2004

### Snohomish County Taxpayers

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Teachers Insurance & Annuity Assn	Insurance	\$ 76,800,600	3.66%
Philips Ultrasound	Medical	71,553,599	3.41%
Carr America Realty	Property Mgmt	68,154,724	3.25%
Immunex Mfg Corp	Medical	41,636,065	1.98%
Verizon Northwest Inc	Utility	35,337,589	1.68%
Essex Canyon Pointe, LP	Property Owner	32,394,700	1.54%
BRE FMCF LLC	Property Mgmt	27,182,200	1.30%
Riggs & Company Trustee	Property Owner	26,574,500	1.27%
Benaroya Capital Co LLC	Property Owner	26,293,000	1.25%
RREEF	Property Owner	23,892,000	1.14%
Total Assessed Valuation - Largest Taxpayers		429,818,977	20.49%
Total Assessed Valuation - All Other		1,668,107,446	79.51%
Total Assessed Value		<u>\$ 2,097,926,423</u>	<u>100.00%</u>

Source: Snohomish County Levy Technician

### King County Taxpayers

Taxpayer	Type of Business	2004 Assessed Valuation	Percentage of Total Assessed Valuation
Schnitzer Northwest	Property Mgmt	\$ 105,831,200	4.30%
Seattle Times	Publishing	81,550,640	3.31%
Archstone Communities Trust	Property Mgmt	40,596,000	1.65%
EPropertyTax, Inc.	Property Mgmt	29,331,800	1.19%
Allstate Insurance	Insurance	27,937,494	1.13%
Puget Sound Energy/Electric	Utilities	21,154,648	0.86%
Essex Property Trust	Property Mgmt	17,848,900	0.72%
Home Depot USA, Inc.	Retail	15,775,119	0.64%
S/I North Creek VII LLC	Property Mgmt	13,799,788	0.56%
Verizon Northwest	Utility	7,414,049	0.30%
Total Assessed Valuation - Largest Taxpayers		361,239,638	14.67%
Total Assessed Valuation - All Other		2,101,822,261	85.33%
Total Assessed Value		<u>\$ 2,463,061,899</u>	<u>100.00%</u>

Source: King County Levy Administration

Notes:

City of Bothell is split between Snohomish and King Counties.

**2004**  
**City of Bothell**  
Miscellaneous Statistics

**Government**

Date of Incorporation	1909
Form	Non-Charter, Optional Municipal Code, Council- Manager
Population	30,930
Area	12.6 square miles
Number of City Employees	264.64
Number of Registered Voters	9,648 King County 9,236 Snohomish County
Business Licenses Issued	2,215

**Property Tax**

Regular Property Tax Rate	\$1.51 per \$1,000 of Assessed Value
Voted Property Tax Rate	\$.17 per \$1,000 of Assessed Value

**Household**

Median Household Income	\$66,569
Median Home Value	\$315,250 King County \$350,000 Snohomish County
Median Rental	\$900

**Transportation**

Miles of Paved Roads	322
Street Lights Owned by the City	1,907

**Fire Protection**

Number of Stations	3
Number of Uniformed Personnel	54
Number of Emergency Alarms	4,775

**Police Protection**

Number of Stations	1
Number of Police Officers	54
Number of Calls for Service	20,575

**2004**  
**City of Bothell**  
**Miscellaneous Statistics**

**Utility Services**

**Water:**

Number of Customer Accounts	3,640
Average Daily Demand	1.49 Million Gallons
Miles of Water Mains	71 miles

**Sewer:**

Number of Customer Accounts	4,309
Miles of Main	57 miles
Miles of Storm Sewers	108

**Parks, Recreation, & Culture**

Number of Parks	26
Acres of Parks	201.64
Museum	1
Senior Center	1
County Library	1 (174,209 Volumes)

**Public Schools**

**Northshore School District:**

Attendance Centers	32
Number of Classrooms	986
Number of Employees	2,300
Number of Students	20,077

**Cascadia Community College:**

Number of Students	2,566 (Fall 2004)
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**University of Washington - Bothell:**

Number of Students	1,601
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**2004 Top Ten Employers**

AT&T Wireless/Cingular	2,475
Philips Medical Systems	1,745
Washington Mutual	1,130
Panasonic Avionics	564
Seattle Times	450
ICOS	420
Puget Sound Energy	389
Allstate	339
Home Depot #4712	290
SonoSite	235