

Celebrating 100 years



City of Bothell, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2009

2009



City of Bothell™

CITY OF BOTHELL, WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2009

PREPARED BY THE FINANCE DEPARTMENT

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**City of Bothell, Washington
Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2009**

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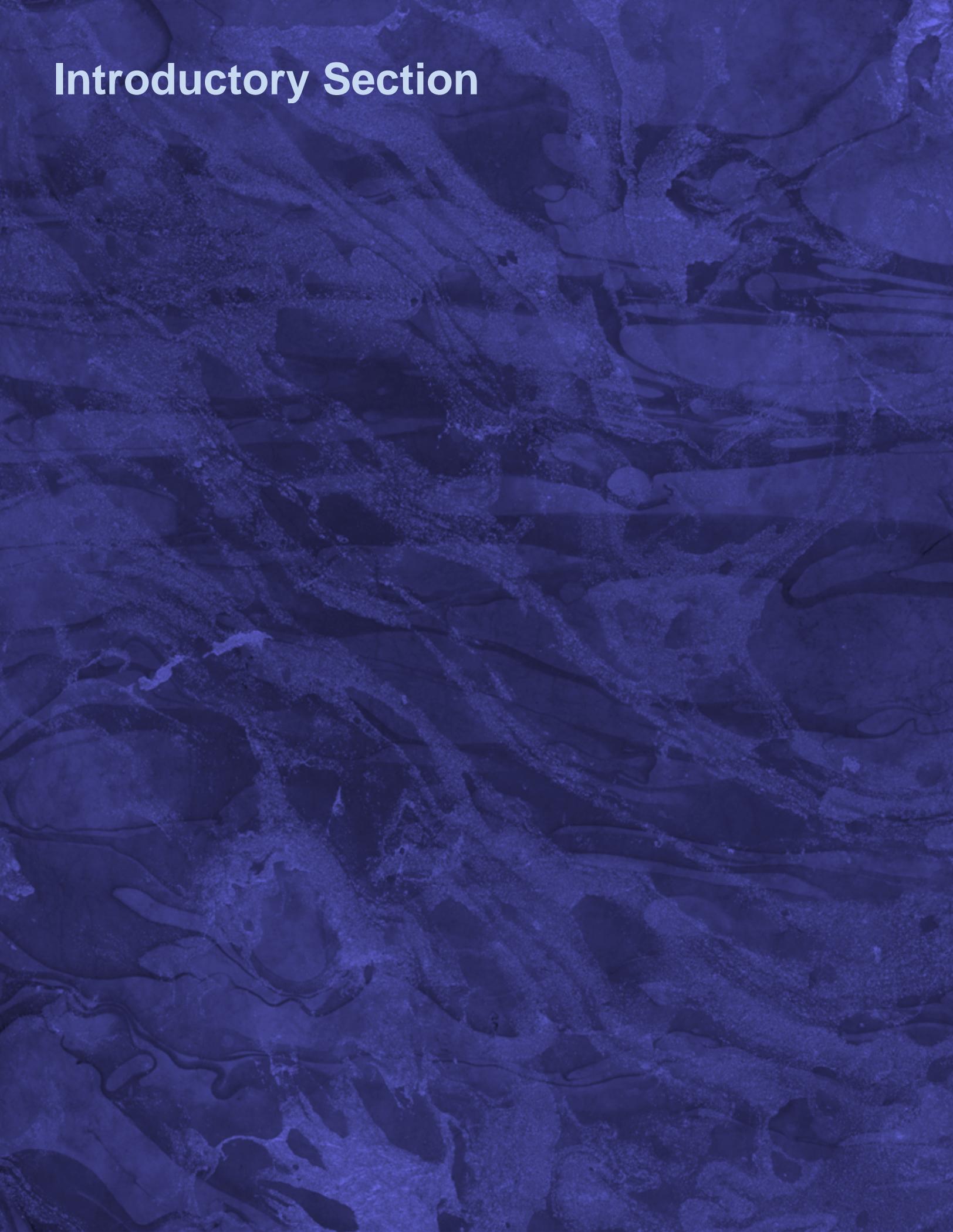
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Introductory Section





City of Bothell™

Date: June 30, 2010

To the Residents of Bothell, Washington

The City of Bothell's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2009 is hereby submitted. This report was prepared by the City's Finance Department in conformance with the State statute RCW 43.09.230, and with the standards promulgated by the Government Finance Officers Association (GFOA) of the United States and Canada, and the GFOA's 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 for readers to assess stewardship and accountability, and demonstrate legal compliance and competent 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.

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

This letter of transmittal is designed to complement 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 2009 CAFR is presented in compliance with Government Accounting Standards Board (GASB) Statement 34, "[Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments](#)".

This financial reporting format is described in the MD&A and notes to the financial statements.

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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 to a multi-faceted, full-service city - with a resident population of 33,240 and an estimated employment population of over 25,000.

Bothell is situated within the Seattle metropolitan area, northeast of Lake Washington. It comprises 12.6 square miles, 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's is a unique and highly desirable community. The City is central to an Interstate and three major State highways. For this reason, Bothell experienced substantial growth in recent years as businesses sought locations with access to vital new markets, with attractive surroundings for both their employees and customers.

Homebuyers and renters also came to Bothell 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 Northshore School District is one of the Nation's top school districts.

The City has proven to be a particularly appealing location for technology firms.

Bothell is recognized nationally as a leading biotechnology center. Among Bothell's resident businesses are internationally renowned biotechnology firms, numerous computer hardware and software development corporations, as well as wireless telecommunication companies.

In addition, Bothell is home to a relatively rare higher-education partnership, between the University of Washington-Bothell and Cascadia Community College.



Their shared campus includes one of our nation's largest wetland restoration projects.

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

Bothell was incorporated in 1909. The City is an Optional Municipal Code City operating under a Council-City Manager form of government. The City's seven Council members are elected at-large to 4-year terms.

The Council contracts with a professional City Manager to direct day-to-day operations. The City Manager appoints seven department heads, a Deputy City Manager, and an Assistant City Manager.

At the end of 2009, the City of Bothell had 303 authorized positions. Bothell's full and part-time employees provide a full range of municipal services for our 33,240 residents, including general government administration, public safety (police and fire services), community development, public works, and parks and recreation.

The City operates Enterprise Funds for its Water, Sewer, and Storm Drain Utilities. The City and adjacent water districts provide water and sewer services. Garbage service is provided through an independent contractor, and

library services are provided through the King County Library System.

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 they are incurred and revenues are recognized when they are earned, or susceptible to accrual. 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 is confident that the City's accounting controls adequately safeguard assets and provide reasonable assurance for the proper recording of financial transactions.

In addition to GAAP compliance, cities and counties of the State of Washington must utilize the Budgeting, Accounting and Reporting System (BARS)

prescribed by the Office of the State Auditor. State law also requires timely submission of the City's annual financial reports, as well as an independent audit performed annually by the State Auditor's Office.

As a recipient of more than \$500,000 in federal financial assistance in 2009, the City of Bothell is further 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 the year ended December 31, 2009 was conducted between March and June of 2010, and is now complete. The City's financial statements were found 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 (See section II).

The City's biennial operating and capital budget planning process commences in the first half of even years. The City's Finance Department prepares the calendar for the budget process, while the City Manager and the Finance Director establish budget preparation guidelines for department directors. Each department prepares its budget based on the Council's Budget Focus Areas and Desired Budget Outcomes, as well as the City Manager's directives.

The City Manager then recommends a balanced budget to the City Council while simultaneously making the proposed budget available to the public. Per Washington State law, public hearings are held to provide adequate

opportunity for public input, and (if the Council deems it is necessary) the budget is revised prior to adoption.

The City's property tax levy is approved annually along with its fee schedule. Budgets are adopted biennially and accounted for at the fund level. As a budgetary control measure, a complete revenue and expenditure analysis is prepared quarterly and presented to the City Council.

After formal adoption of the City's biennial budget, the Council can make modifications to the original budget. A public hearing is required before a budget modification can be adopted. The 2009-2010 budget was amended once at the end of 2009.

The City's cash management practice encourages investment of all cash (not needed for immediate expenditure) in government agency securities or other legally approved securities, as well as the State Treasurer's Investment Pool.

Investment revenues are credited to the funds that earn them.

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

Bothell utilizes a self-insurance fund for its risk management program and is a member of an insurance investment pool, which is administered by the Washington Cities Insurance Authority (WCIA).

The insurance investment pool is discussed further in the notes to the financial statements.

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

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

Both systems are administered by the Washington State Department of

Retirement Systems (DRS) under cost-sharing multiple-employer public employee defined benefits and defined contribution retirement plans. Plan descriptions and funding policies are presented and explained in the notes to the financial statements.

Assessment of Economic Condition and Summary of Financial Operations

Revenues Summary

General government revenues (general, special revenue, capital projects, debt service, as well as other governmental fund revenues) excluding operating transfers totaled \$39,314,871 in 2009. Except for the Park Cumulative Reserve Fund, all other major revenue categories decreased in 2009 compared with 2008.

The primary drivers behind the \$12,636,012, or near 24% decrease in revenue was Real Estate Excise Tax (REET) and regular sale tax – both of which resulted from the housing market bust and subsequent national recession. Intergovernmental revenue and service fees also dropped significantly.

Taxes

The City's general government tax revenues dropped 5% or \$1,435,502 in 2009. This decrease was attributable to a decline in sales tax.

Regular property tax collections remained relatively unchanged. The City did not increase its property tax levy in 2009. The rise in property tax receipts was solely due to new construction that was added to the City's property tax rolls.

In 2009, retail sales and use tax revenues (regular retail, construction, criminal justice, and hotel/motel) fell \$1,126,651 or 11%.

Retail sales and use tax revenues also declined in 2008 (13%) and 2007 (2%) compared to previous years increases (2006 – 13%, 2005 – 19%, and 2004 – 4%).

Real Estate Excise Tax (REET) revenues dropped 39% in 2009 compared to 75% in 2008. This revenue stream is volatile because it performs directly in-line with the local real estate market. REET revenues surged 56% in 2007 following a 50% increase in 2006. Due to the high degree of fluctuation in REET receipts, the City budgets this revenue stream very conservatively.

REET revenues are legally restricted to capital spending.

In 2009, excluding Waste Management street preservation fees (in lieu of tax), utility tax increased \$227,778 or 3% when compared to 2008 receipts.

In general, other non-major City tax streams showed some decline, which was anticipated as a result of the recent recession.

Licenses & Permits

In 2009, license and permit fees decreased 23% or (\$290,823). Similar declines occurred in 2008 (21%) and 2007 (12%).

The lion's share of the 2006 spike (68%) \$732,870 resulted from low interest and unemployment rates that drove up much higher than normal single and multi-family home starts throughout the 2005-2006 biennium. This upward trend began to stabilize in 2007, but dropped off again in 2008 due to the stagnant housing market and recession.

Intergovernmental

Intergovernmental revenues declined 60% (\$8,494,820) in 2009. This revenue stream decreased 8% (\$1,264,710) in 2008, 113% (\$8,243,779) in 2007, and 27% (\$650,000) in 2006.

Large fluctuations in intergovernmental receipts are for the most part attributable to the availability (or not) of federal and state grant funding.

Charges for Services

In 2009, revenue receipts associated with charges for City services declined 33% or \$1,821,710. In 2008, charges for services revenues decreased 8% or \$438,699. Development (including impact fees) is the main driver behind major decreases and upsurges in this revenue stream.

Along with its biennial budget, the City Council adopts a fee schedule, which provides for annual inflation and emphasizes 100% cost recovery for nearly all City services.

Fines & Forfeitures

In 2009, fine and forfeiture revenue increased by 10% or \$39,918, but in 2008, this revenue stream fell 11% or \$46,405.

Fines & Forfeitures revenues often fluctuate from year-to-year in response to changes in legislation, police focus areas, and criminal activity.

Miscellaneous

Miscellaneous revenues remain, for the most part, unchanged in 2009.



Expenditure Summary

General governmental expenditures (general, special revenue, capital projects, debt service, and other governmental funds) excluding operating transfers totaled \$67,821,695 in 2009. The 12% increase in spending equated to \$7,264,737. \$6,660,175 or 92% of the spending surge was associated with capital investment.

2009 general government expenditures decreased 0.35% or \$28,027.

Security of persons and property costs increased \$1,089,290 or 6%. The largest component of this increase was public safety personnel spending.

Transportation (street maintenance and operating) expenditures decreased \$26,996 or 2%. The decrease was due to reductions in maintenance and professional services spending.

In 2009, the City's physical and economic environment spending decreased 4% or \$289,048.

This drop in spending resulted from decreased operating costs that were associated with the City's community planning and engineering functions.

In 2009, the City's debt service expenditures decreased by nearly 2% or \$14,191. Bothell has very little debt, and has not incurred any additional debt liability since 1999. For this reason, the City's annual debt service payments continue to lessen each year.

In May of 2008, the City refinanced its only general obligation bond. Refinancing the bond saved tax payers over \$500,000 in interest payments over the remaining 8 years of the bond. The bond matures in 2017.

Changes in fund balances as a result of 2009 operations for individual major governmental funds and the combined "other" non-major governmental funds are as follows:

Fund	2009	2008	Increase (Decrease)
General Fund	\$6,994,173	\$12,955,076	(\$5,960,903)
Arterial Street	1,167,016	1,502,484	(335,468)
Capital Improvements	2,077,727	24,686,299	(22,608,572)
Park Cum Reserve	615,420	54,108	561,312
Other Governmental Funds	344,320	1,455,327	(1,111,007)

Results of Operations - Proprietary Funds

The City operates three utilities - Water, Sewer, and Storm Drain. Water is purchased on a wholesale basis from the City of Seattle. The City does not operate a sewage disposal system, but instead contracts with King County for this service. The Citywide storm and surface water drain 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 northern portion of the City, which is located in Snohomish County.

In 2009, the City operated three internal service funds - Equipment

Rental (Fleet), Self Insurance, and Asset Replacement.

Comparative data for the City’s proprietary funds is presented below:

Fund	Operating Revenues		Net Assets	
	2009	2008	2009	2008
Water	\$3,740,761	\$3,381,059	\$12,866,914	\$12,500,027
Sewer	4,917,787	4,451,265	11,297,891	11,158,043
Storm Drain	2,683,276	1,976,077	10,440,011	10,166,636
Equipment Rental*			490,792	765,080
Self Insurance*			87,536	249,899
Asset Replacement*			8,208,107	8,182,910

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

In 2009, Water, Sewer, and Storm Drain operating revenues increased 16% or \$1,533,423. The increase in utility revenues is attributable to usage and pass-through rate increases on wholesale water, and contracted sewage disposal.

Debt Administration

Bothell has an Aa2 credit rating.

The City of Bothell has very little debt. The City has one “voted” general obligation (GO) bond outstanding (\$4,910,000).

Other general government long-term debt includes \$1,013,388 in a Public Works Trust Fund loan. The City’s debt, including GO bonds at December 31, 2009 amounted to \$5,923,388. The City’s debt capacity is outlined in Note 13, located in section IIB of this document under the Basic Financial Statements section, page 42.

Economic Condition

City management consistently monitors economic indicators, and works conscientiously to ensure that the City’s long-term fiscal stability is sustained. The City maintains a comprehensive six-year fiscal strategic planning document called “The Roadmap –

Setting the Course document,” along with a seven-year Capital Facilities Plan, which prioritizes the Community’s capital investment needs, as well as identifies and designates the resources available to meet those needs.

Bothell’s management recognizes the importance of strategic, long-term fiscal planning. For this reason, the City maintains a conservative pay-as-you-go approach to spending, and upholds sound fiscal policies – including utilizing one-time revenues for one-time (generally capital) expenditures.

Bothell experienced a significant jump in single and multi-family home permit applications throughout 2005 and 2006. This development produced property tax, utility tax, and sales tax revenues for the City.

By the end of 2007, the Puget Sound economy had slowed considerably, and entered a significant recession that was brought on by the demise of the housing market and ensuing failure of the Nation’s banking system.

Bothell’s economic base is enhanced by its proximity to Boeing, Microsoft, as well as its physical location within an area known as the “technology

corridor", which extends from Bellevue in King County 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 housed in campus-style business parks along the ten-mile corridor. Due to annexations over the past 10 years, four of the original six business parks in the corridor now lie within Bothell's city limits.

The Schnitzer North Creek and Quadrant business parks are well established. Together they cover 315 acres and provide facility space for over 180 businesses. Types of businesses currently operating in the parks include computer hardware and software developers, environmental engineering researchers, and manufacturers. There are also hotel facilities, insurance corporate headquarters, Home Depot and Staples outlets, and the regional newspaper printing and distribution plant for the Seattle Times.

The Canyon Park Business Center is located in Snohomish County. This park houses Food and Drug Administration offices, as well as bio-pharmaceutical manufacturing facilities.

Other companies located in the Canyon Park area are Philips Ultrasound (aerospace electronics), Seattle Genetics, and T-Mobile.

The eight-acre Quadrant Monte Villa Center began to develop in 1995. The first park occupant was Quinton Instruments, a large pharmaceuticals manufacturer operating in a 30,000 square foot facility.

Current park occupants include AT&T Mobile, Puget Sound Energy, Northshore School District Administration, as well as a variety of

insurance, scientific, and service industry businesses.

At the beginning of 2009, twenty percent of the State's life science industry resides in Bothell's technology corridor – including five of the 50 fastest growing biomed companies. As the current recession subsides, growth within this corridor is expected to continue to add diversity and strength to Bothell's economy.

In 2006, City management engaged the Council, boards and commissions, citizens, business owners, and staff in an inclusive brainstorming exercise to develop a comprehensive revitalization plan for the City's historic downtown. The plan that emerged was a vibrant mixed-use development that provides a variety of housing options, retail and services, essential public facilities, as well as significantly improved traffic and pedestrian mobility.

An independent third-party economic study was performed based on implementation of the conceptual downtown redevelopment plan.

The study found that Bothell has a higher than average household income compared to King and Snohomish Counties, but the City's taxable retail sales per capita figure is significantly below average – indicating a substantial amount of retail "leakage" is taking place, and that Bothell residents must drive elsewhere to purchase the goods and services they desire.

Finally, the study clearly demonstrated that redevelopment of the City's downtown would provide a tremendous opportunity for reducing retail leakage, while considerably enhancing the City's long-term fiscal picture.

In 2009, the City continued to make significant land acquisitions necessary to bring Bothell's historic downtown revitalization to fruition.

The City's 2009-2015 Capital Facilities Plan (CFP) identifies and allocates funding and staffing resources to realize the essence of the City's downtown vision by 2015.

Over the next 25 years, ECONorthwest, a third-party economist firm estimates that more than \$668 million in private investment will occur in Bothell's downtown.

Awards

City management was delighted to receive the following Government Finance Officers Association (GFOA) awards during the 2009-2010 biennium:

- **GFOA Certificate of Achievement for Excellence in Financial Reporting** for the City's 2008 Comprehensive Annual Financial Report (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 the City's 2009 - 2010 biennial budget document.

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

I'd like to express my appreciation to the Finance staff for their efforts in preparing this report. Appreciation is also extended to the City's Council, management, and staff for their steadfast encouragement and support.

Respectfully submitted,



Tami Schackman
Finance Director

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, 2008

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.



President

Executive Director

City of Bothell Organizational Chart



City of Bothell Elected Officials



Joshua Freed



**Deputy Mayor
Sandy Guinn**



Del Spivey



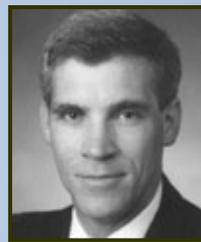
**MAYOR
Mark Lamb**



Tris Samberg



Bill Evans



Patrick Ewing

EXECUTIVE STAFF

(Officials as of December 31, 2009)

City Manager
Deputy City Manager
Assistant City Manager
Finance Director
Human Resources Director
City Attorney
Community Development Director
Fire Chief
Police Chief
Public Works Director

Robert S. Stowe
Steve Anderson
Terrie Battuello
Tami Schackman
Jamie Marsden
Joe Beck
Bill Wiselogle
Bob VanHorne
Forrest Conover
Doug Jacobson



City of Bothell™

Financial Section





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 21, 2010

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, 2009, which collectively comprise the City's basic financial statements 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 the City of Bothell, King County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 16, during the year ended December 31, 2009, the City has implemented the Governmental Accounting Standards Board Statement No. 49 - *Accounting and Financial Reporting for Pollution Remediation Obligations*.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 21, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide



an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages A1 through A14, budgetary comparison on pages C1 through C3, and information on postemployment benefits other than pensions on page C4 in the Financial Section 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 inquiries 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 D2 through D16 and supplemental information on pages E1 through E12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This 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.

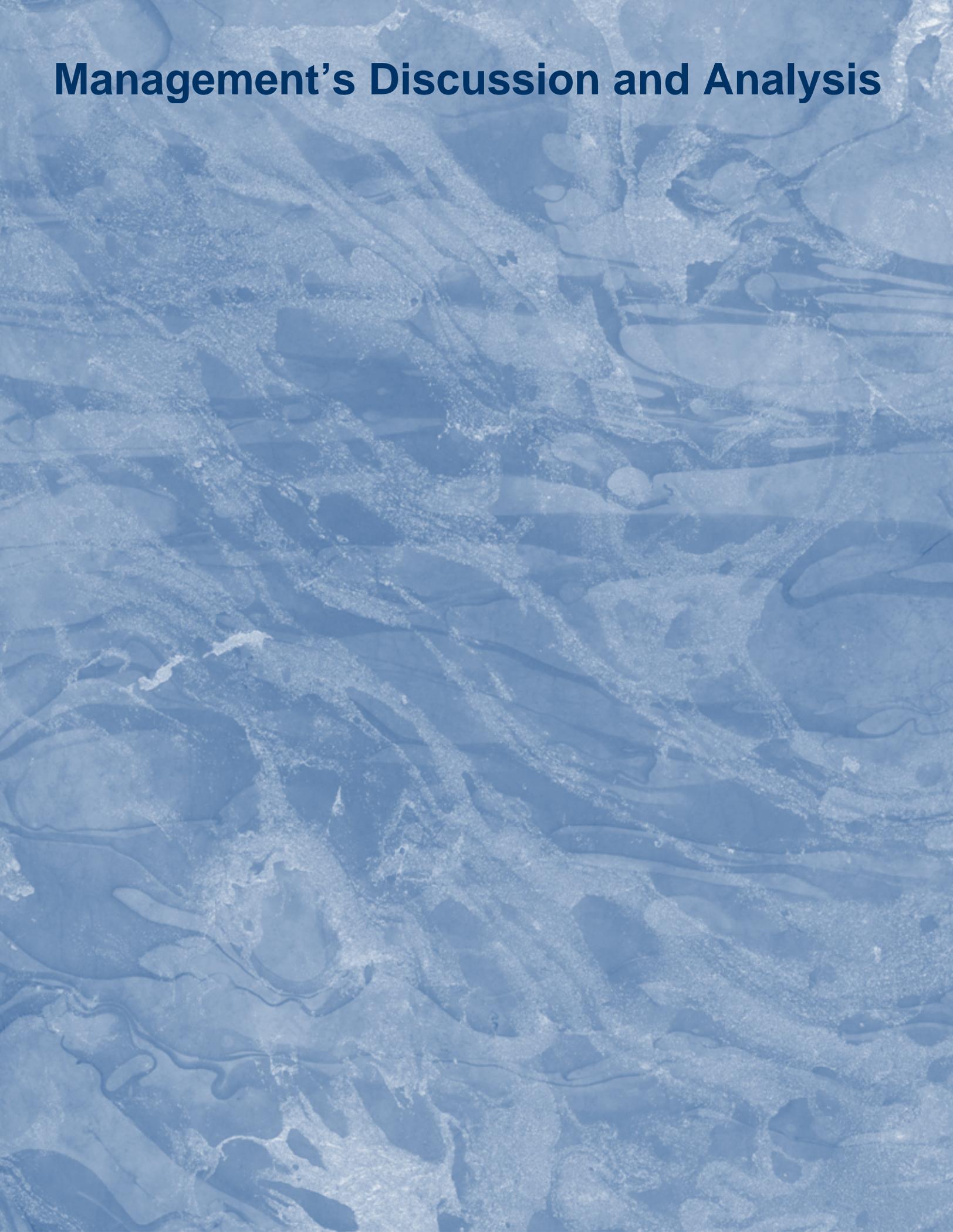
The information identified in the table of contents as the Introductory Section and the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on 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 background of the page is an aerial photograph of a dry, cracked landscape, possibly a salt flat or a desert. The ground is covered in a complex network of dark, irregular cracks that create a maze-like pattern. The overall color palette is a range of blues, from light, almost white-blue to deep, dark navy blue, which is applied as a semi-transparent overlay over the photograph.

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, 2009.*

** Users are encouraged to read the information within this section in conjunction with the data furnished in the Finance Director's transmittal letter (section I, pages i - x) and the City's financial statements (section IIB, pages 1 - 45).*

2009 Financial Highlights

- Fund balance for the General Fund as of 12/31/09 was \$6,994,173, or 21% of total expenditures (excluding operating transfers). At 12/31/09, fund balance for all governmental funds was \$11,198,656.
- Net change in fund balance for governmental funds in 2009 decreased by \$29,454,636.
- City debt decreased by \$671,461.
- Net assets for governmental activities decreased \$41,022,574.
- General Fund expenditures in 2009 were \$33,675,397, compared to \$33,389,468 in 2008 (excludes operating transfers).
- Expenditures exceeded Revenues in the General Fund by \$1,028,686 (excludes operating transfers).

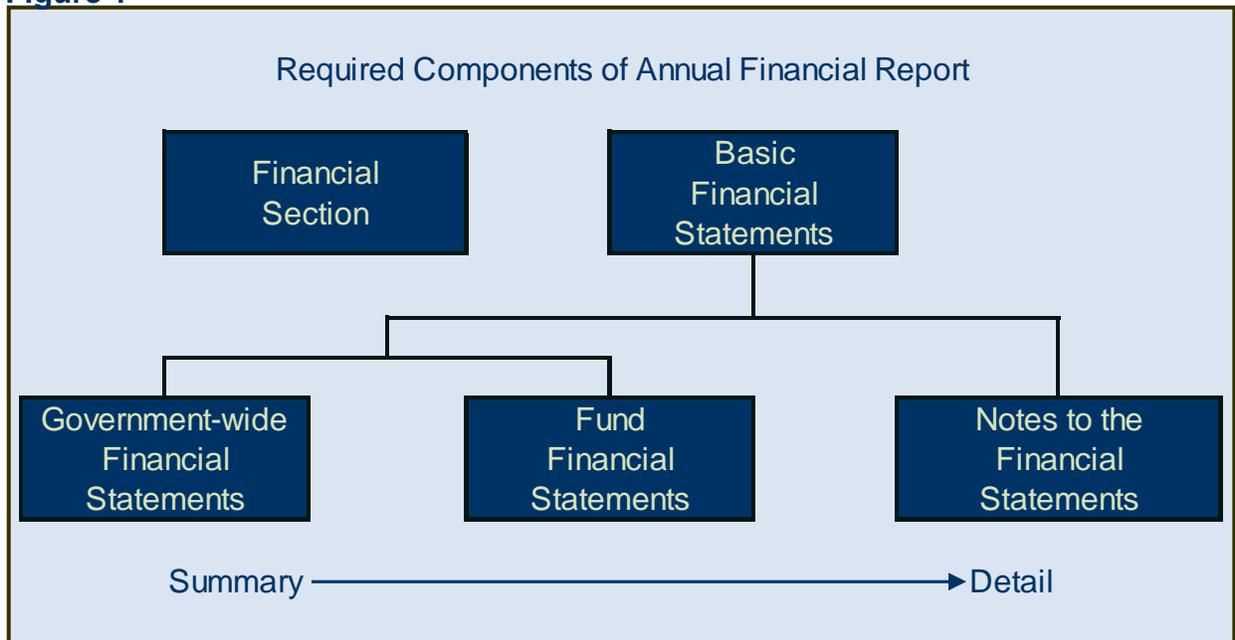
Overview of the Financial Statements

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.

Figure 1



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

The subsequent 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 of the data contained in those statements. Following the notes, supplemental information provides details about the City's individual funds and contains budgetary information required by the general statutes.

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 the 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.

Governmental activities include most of the City's basic services such as general administration, public safety, parks and recreation, and development services. Sales, business, and property taxes finance most of these activities. Business-type activities on the other hand are services the City provides for a fee. Customers pay based on their actual usage. Business-type activities include water, sewer, and storm drain.

Government-wide financial statements are located in section IIB, on pages 1-3.

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 City's funds 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 called 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 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 14 governmental funds. Information is presented separately in the governmental fund balance sheet, and in the governmental fund statements pertaining to revenues, expenditures, and changes in fund balances for the General, Arterial, Capital Improvements, and Park Cumulative Reserve, which are considered the City's major governmental funds. Data for the other 10 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.

Budgetary comparison data is provided for the General Fund to demonstrate compliance with the City's adopted biennial budget. "Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual" schedules begin in section IIC, on page 1 of the Required Supplemental Information section.

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 fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statement are presented in section IIB, on pages 13-45 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also includes a "Required Supplementary Information" (RSI) section that provides a Schedule of Revenues, Expenditures, and Changes in Fund Balance for the City's General, Arterial Street, and Park Cumulative Reserve Funds; a section for "Combining Financial Statements" that was referred to earlier in connection with non-major governmental funds and internal service funds, a section for other "Supplemental Information" including the City's Schedule of State and Local Financial Assistance, and a "Statistical Section" that contains 10 years of economic condition reporting that is presented in an easy to read statistical and graph format.

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 accounts, without any type of consolidated statement to 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 (long-term debt and the general fixed assets), added in.

The changes in the financial statement reporting model were mandated by Governmental Accounting Standards Board Statement 34. Since 2002, “net assets” has come to be a strong indicator of Bothell’s financial condition.

As of December 31, 2009, the City’s assets exceeded liabilities by \$879,237,248. Investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City’s net assets (97%), less any debt used to acquire those assets that is still outstanding. The City uses 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.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$51,695,974	\$24,345,778	\$11,743,000	\$9,893,837	\$63,438,973	\$34,239,615
Capital assets	846,617,703	834,905,724	24,020,327	26,697,673	870,638,030	861,603,397
Total assets	898,313,677	859,251,502	35,763,327	36,591,510	934,077,003	895,843,012
Long-term debt	6,898,834	6,794,397	1,240,962	1,127,672	8,139,796	7,922,069
Other liabilities	5,759,835	7,824,672	697,658	859,023	6,457,494	8,683,695
Total liabilities	12,658,669	14,619,069	1,938,620	1,986,695	14,597,289	16,605,764
Net assets:						
Invested in capital, net of debt	841,148,841	829,995,723	22,894,341	25,684,286	864,043,182	855,680,009
Restricted			45,960		45,960	
Unrestricted	44,506,167	14,636,710	10,884,406	8,920,530	55,390,573	23,557,239
Total net assets	\$885,655,008	\$844,632,433	\$33,824,706	\$34,604,815	\$919,479,714	\$879,237,248

The City’s \$14,636,710 in unrestricted governmental net assets is available for appropriation in order to meet the needs of its citizens and to satisfy its creditors.

At the end of the 2009 fiscal year, the City is once again able to report positive balances in all three categories of net assets - 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 \$40,242,466 during 2009.

Governmental Activities. Governmental activities decreased the City's net assets by (\$41,022,574). The key factors influencing the decrease to net assets are described below:

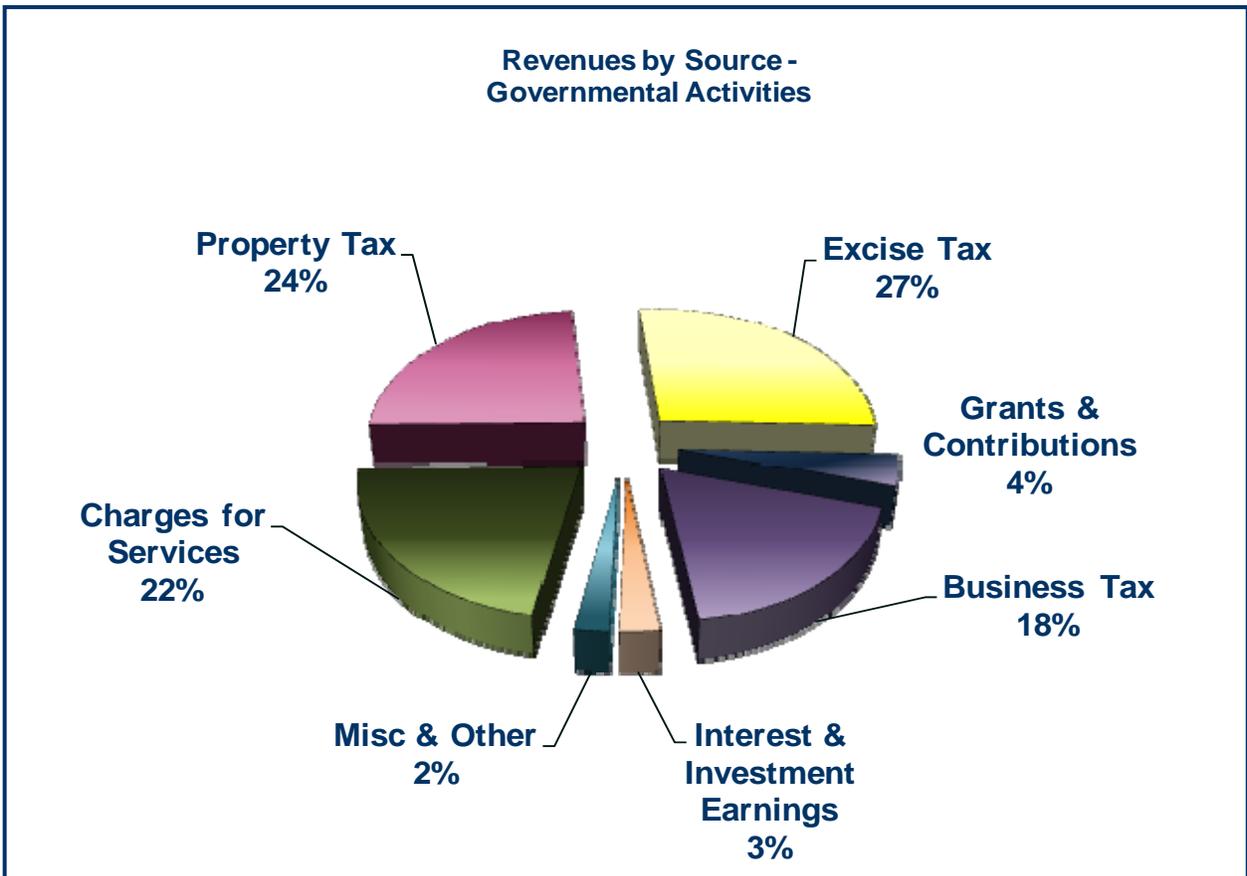
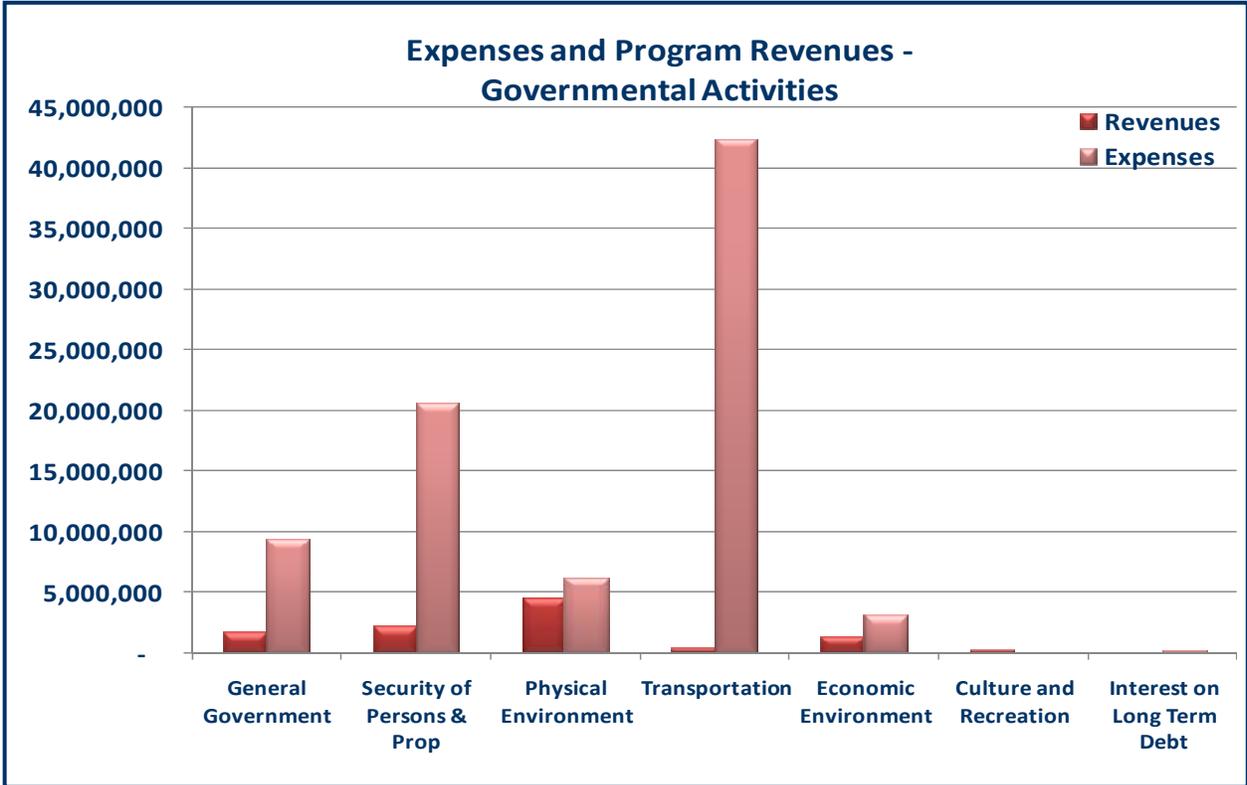
- (\$43,517,487) decrease related to the depreciation of infrastructure assets.
- (\$29,454,636) decrease in fund balance is due to major capital infrastructure projects and their associated land acquisitions.
- \$31,859,238 increase resulting from capital asset expenditures, which will be depreciated over their useful life.
- \$377,200 increase in donated assets, which will be depreciated over their useful life.
- (\$411,455) decrease in internal service funds. Internal service funds track and distribute (bill) the actual costs incurred in providing specified services to other City funds. The net (expense) of the City's internal service funds are reported with governmental activities.
- \$253,566 increase in long-term liabilities for other post-employment benefits.
- \$558,862 increase attributable to bond principal payments that reduced long-term liabilities on the Statement of Net Assets.
- \$180,730 increase resulting from an addition in compensated absences liability.

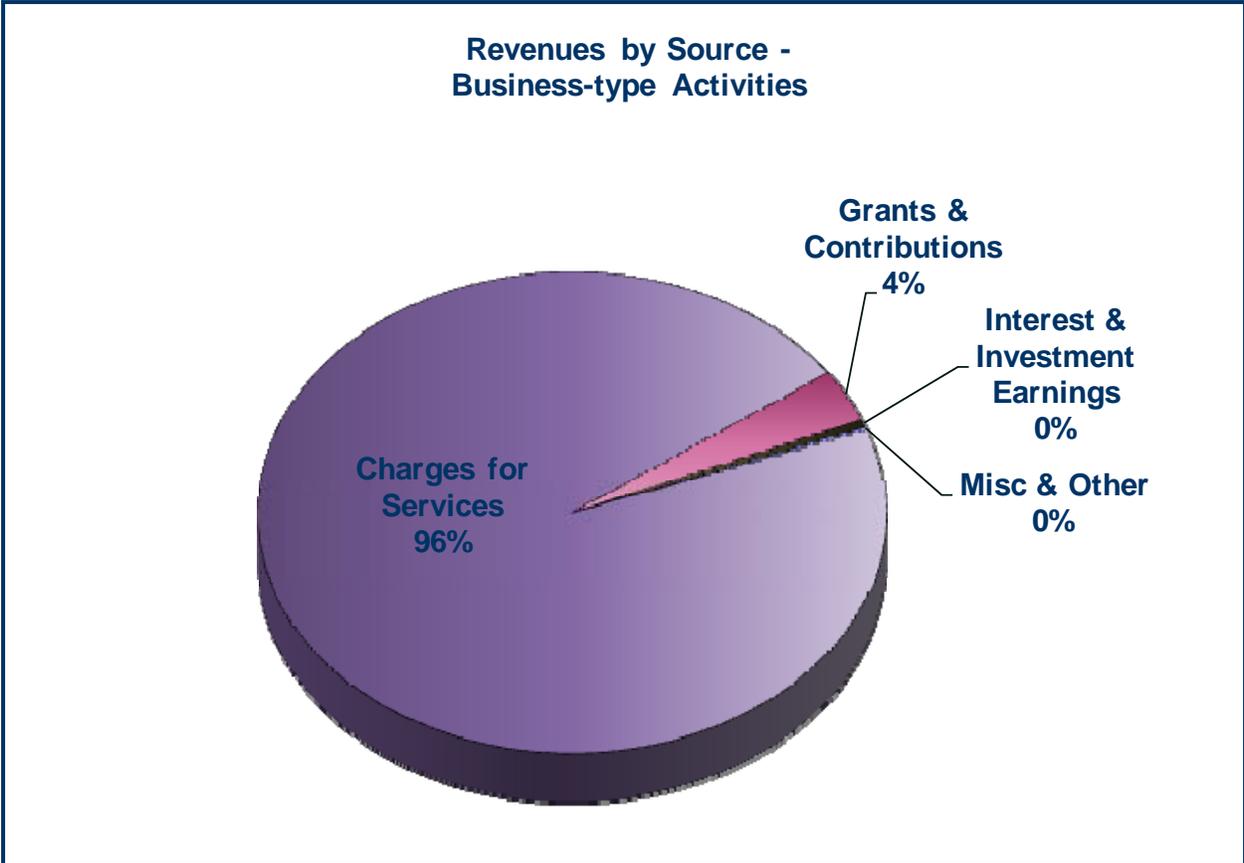
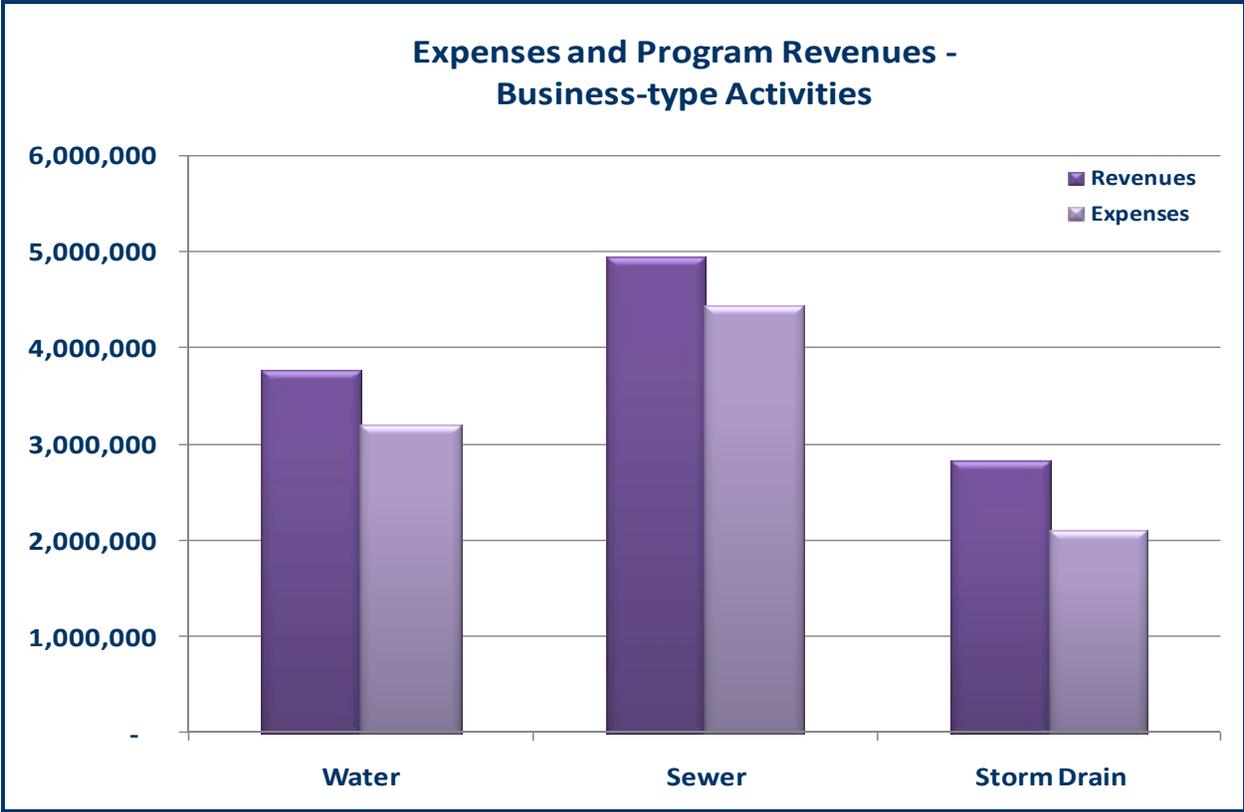
Business-type Activities. Business-type activities increased the City's net assets by \$780,109. The key components of this increase were bond principal payments that reduced long-term liabilities, capital contributions from developers, and expenditures for construction in progress.

In 2009, the overall financial position of the City did not materially change. The City's investment in capital assets decreased as the result of normal depreciation schedules, and unrestricted net assets for Governmental Activities were exchanged for capital assets.

City of Bothell
Changes in Net Assets
As of December 31, 2009

	2008			2009		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenues						
Program revenues						
Charges for services	\$8,818,834	\$9,579,875	\$18,398,709	\$7,787,841	\$11,122,900	\$18,910,741
Operating grants and contributions	525,398		525,398	357,367		357,367
Capital grants and contributions	12,229,943	787,526	13,017,469	3,064,379	411,475	3,475,854
General revenues						
Property tax	9,979,056		9,979,056	9,480,272		9,480,272
Excise tax	11,731,999		11,731,999	9,842,288		9,842,288
Business tax	7,085,015		7,085,015	7,312,792		7,312,792
Interest and investment earnings	1,627,957	180,799	1,808,756	1,055,739	62,247	1,117,986
Miscellaneous	1,020,245		1,020,245	915,788	21,650	937,438
Total revenues	53,018,446	10,548,200	63,566,646	39,816,468	11,618,272	51,434,740
Program expenses including indirect expenses						
General government	9,462,780		9,462,780	9,413,427		9,413,427
Security of persons and property	19,342,241		19,342,241	20,646,387		20,646,387
Physical environment	4,626,024		4,626,024	6,262,903		6,262,903
Transportation	38,946,938		38,946,938	42,394,908		42,394,908
Economic environment	3,413,764		3,413,764	3,026,618		3,026,618
Interest and fiscal charges	229,262		229,262	213,348		213,348
Water		3,150,986	3,150,986		3,188,527	3,188,527
Sewer		4,099,024	4,099,024		4,436,576	4,436,576
Storm Drain		1,645,670	1,645,670		2,094,509	2,094,509
Total expenses	76,021,007	8,895,679	84,916,688	81,957,592	9,719,612	91,677,204
Excess (deficiency)	(23,002,561)	1,652,521	(21,350,042)	(42,141,124)	1,898,660	(40,242,465)
Transfers	959,111	(959,111)		1,118,550	(1,118,550)	
Change in net assets	(\$22,043,451)	\$693,410	(\$21,350,042)	(\$41,022,574)	\$780,109	(\$40,242,465)
Net assets beginning	\$908,734,966	\$33,975,073	\$942,710,039	\$885,655,008	\$33,824,706	\$919,479,714
Prior year adjustment	(1,036,507)	(843,776)	(1,880,283)			
Net assets ending	\$885,655,008	\$33,824,706	\$919,479,714	\$844,632,433	\$34,604,815	\$879,237,248





Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of accessible 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 appropriation 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, the unreserved fund balance of the General Fund was \$6,994,173. (See Basic Financial Statements Page 4.)

At December 31, 2009, the City's governmental funds reported a combined fund balance of \$11,198,657. Fund balance for Governmental funds decreased by \$29,454,638 or 72%. As a result of 2009 operations, the City's major governmental funds (General, Arterial Street, and Capital Improvements) experienced a decline in their fund balance. The fund balance in the Capital Improvement Fund alone spent down \$22,608,572. Fund balance for the City's combined Other Governmental Funds also decreased.

Fund balance for the City's General Fund decreased \$5,960,903 (46%) in 2009 compared to a \$2,059,906 (14%) decrease in 2008. The key drivers influencing the deviation in fund balance between 2008 and 2009 were a one-time \$4 million transfer to the City's Capital Improvement Fund, and a reduction in regular sales tax receipts and investment earnings.

In 2009, excluding operating transfers, fund balance in the General Fund actually decreased over \$1 million.

General Fund Budgetary Highlights: During the 2009 fiscal year, the Council modified the City's adopted budget on only one occasion.

Generally, budget amendments fall into one of four categories:

- 1) amendments made to adjust original estimates once more precise data is available;
- 2) amendments made to recognize new funding sources;
- 3) allocation of operating transfers in accordance with fiscal policy; and
- 4) increases in appropriations necessary to maintain services.

The 2009 budget amendment was adopted by ordinance on December 15, 2009. The net impact on the General Fund was a \$4,594,500 decrease in fund balance.

The General Fund budget was amended as follows:

General Fund - \$4,594,500 net decrease in fund balance

- \$1,759,350 net decrease in spending - \$4,000,000 transfer to the Capital Improvements Fund of monies previously designated for capital in the City's adopted Capital Facilities Plan (CFP), \$2,000,000 reduction in personnel costs based on no cost of living raises and lower than expected benefit costs, \$15,000 operating transfer to the Nuisance Abatement Fund to subsidize litigation costs, \$717,250 in 2009 budget cuts, and \$461,600 increase in expenditures.
- \$2,835,150 decrease in revenues.

Revenue Change Summary and Major Drivers That Triggered the Changes:

Property tax -\$83,700	Minimal growth in state assessed inter-county utilities.
Sales tax -\$1,356,600	Significant sales tax shortfalls due to the economy.
Utility tax -\$750,000	Reduced usage for gas, phone, and cable.
Other tax -\$17,400	Recession resulted in less development and subsequent EMS levy proceeds.
Licenses & Permits -\$145,000	Recession resulted in less building permit applications.
Intergovernmental +\$102,350	Increase in grant awards.
Fees & Charges -\$710,800	Recession resulted in less development review fees.
Fines & Forfeitures +\$33,600	Higher than anticipated infractions.
Miscellaneous +\$27,900	Donations.
Interest earnings +\$64,500	Higher than anticipated investment earnings.

Significant differences between the General Fund's final amended budget and actual inflows and outflows are as follows:

General Fund outflows (including operating transfers) outpaced inflows by \$5,960,903 during 2009.

2009 General Fund inflows (including operating transfers) ended the year \$3.29 million, or approximately 9% below projection. The following areas saw the highest negative variances between actual receipts and budget projections:

- Sales and use tax revenues (\$2,076,261)
- Business and utility tax revenue (\$689,990)

These inflow variances are directly associated with the recent national recession and low consumer confidence that followed the 2007 housing market bust and subsequent failure of the national banking system.

Total General Fund outflows for 2009 (including operating transfers) were \$337,768 or 1% below projections.

- **Salary & Benefit Expenditures** ended 2009 \$563,964 (2%) behind their projection. Position vacancies were a contributing factor for the reduction.
- **Maintenance & Operating Expenditures** finished 2009 \$535,315 (8.3%) below expectations. General Fund spending was curtailed in 2009 due to lowered revenue projections.
- **Capital Expenditures** were \$228,683 (72.7%) lower than anticipated for 2009. General Fund capital expenditures fluctuate from year-to-year depending on the current year facility and equipment needs. Most General Fund capital spending was planned for 2010 rather than 2009.
- **Operating Transfers Out** ended 2009 nearly \$1.71 million over the biennium projection due to one-time transfers to the Capital Improvement Fund and Nuisance Abatement Fund.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide statement, but in more detail. Unrestricted net assets are as follows: Water \$3,820,089; Sewer \$3,795,751; and Storm Drain \$1,304,690.

The total growth in net assets for each proprietary fund is as follows: Water increased \$366,887; Sewer increased \$139,848; and Storm Drain increased \$273,375. 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, 2009, totaled \$861,603,397 (net of accumulated depreciation). These assets include bridges, right-of-ways, buildings, streets and sidewalks, land, machinery and equipment, and vehicles.

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land and land improvements	\$11,280,580	\$43,775,634	\$285,302	\$285,302	\$11,565,882	\$44,060,936
Infrastructure right-of-ways	66,050,120	68,287,919		15,006	66,050,120	68,302,924
Buildings	15,820,634	16,193,854	493,835	509,994	16,314,468	16,703,848
Improvements	22,980,685	24,617,951	21,040,674	23,585,297	44,021,359	48,203,247
Infrastructure	695,455,728	657,937,560			695,455,728	657,937,560
Vehicles	2,933,541	2,439,406	89,540	69,466	3,023,081	2,508,872
Machinery & equipment	900,625	638,861	455,087	405,554	1,355,712	1,044,415
Construction in progress	31,195,791	21,014,539	1,655,890	1,827,055	32,851,681	22,841,594
Total	\$846,617,704	\$834,905,723	\$24,020,327	\$26,697,674	\$870,638,031	\$861,603,397

Additional information on the City's capital assets can be found in section IIB, Note 5, on pages 26-27 of the Basic Financial Statements.

Long-Term Debt. As of December 31, 2009, the City had total debt outstanding of \$5,923,388.

	Governmental Activities		Business-type Activities		Total	
	2008	2009	2008	2009	2008	2009
General obligation debt	\$5,435,000	\$4,910,000			\$5,435,000	\$4,910,000
Other debt	33,864		1,125,985	1,013,388	1,159,849	1,013,388
Total	\$5,468,864	\$4,910,000	\$1,125,985	\$1,013,388	\$6,594,849	\$5,923,388

Washington State Statutes limit the amount of general obligation debt issued by a unit of government to 7.5% of the total assessed value of taxable property located within that government's boundaries. The legal debt capacity for the City of Bothell is \$519,075,324 as of January 1, 2010.

The City has \$4,910,000 in outstanding voter approved bonds outstanding at December 31, 2009. Additional information regarding the City's long-term debt is located in section IIB, Note 13, on pages 40-42.

Economic Factors and Next Year's Budget/Rates

- The United States has continued to experience the aftermath of a recession that began December 2007. The recession resulted from a housing market bust and the subsequent failure of the Nation's banking system.
- Washington lagged the rest of the nation into the recession, but recovery in our State coincided with the national recovery timeline – 2nd quarter of 2009 with anticipated weak growth well into 2010. Washington's recovery is projected to be moderately stronger than the national expectation.
- Puget Sound home values increased an average of almost 12% between 2004 and 2007. In 2008, home values dropped by 5.6% and by the end of 2009 fell to 7.9%. Real estate experts are predicting housing prices nationally will hit bottom in the third quarter of 2010. The Puget Sound regional economy typically trails national economic trends. Some markets that went into the housing downturn earlier than the Puget Sound area are already showing signs of stabilizing.
- At the end of 2009, Washington's unemployment rate was 0.8% lower than the 10.0% national average and the 2009 Seattle-Bellevue-Everett unemployment rate was 8.9%. As of March 2010, Washington's unemployment rate was at 9.5%.

- City fees are increased annually on January 1st in-line with the previous year's June-to-June Consumer Price Index (CPI), which is published by the Bureau of Labor Statistics. City fees increased 2.5% in 2008 and 6.2% in 2009. City fees did not increase in 2010.

Biennial Budget Highlights for the Period Ending December 31, 2009

Governmental Activities: At the end of the 2005-2006 biennium, the region's strong aerospace industry, and subsequent escalation in construction of single and multi-family residences, along with an unprecedented spike in sales tax revenue, provided the City with fiscal resources adequate enough to forego any tax increase from 2007-2010.

During this time, City management knew the robust economy was producing unsustainable development revenue, and therefore utilized these 2005-2006 one-time development spike monies to prepare for a "rainy day" by increasing the City's General Fund operating reserve to 20%. Despite the recent recession that began in late 2007, these fiscal policies were maintained throughout the 2007-2008 biennium and carried forward into the 2009-2010 biennium. As of December 31, 2009, the 18% of the operating reserve remains intact and available to ensure current City services are sustained throughout the recession recovery period.

Business-Type Activities: In 2009, City Council increased City-run utility rates as follows: Water 0%, Sewer 5%, and Storm Drain 42%.

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 to:

The City of Bothell
Finance Director
18305 101st Avenue NE
Bothell, WA 98011

Basic Financial Statements

The background of the slide is an aerial photograph of a dry, cracked landscape, possibly a salt flat or a desert. The ground is covered in a complex network of dark, irregular cracks that create a maze-like pattern. The overall color palette is a monochromatic blue, with varying shades from light to dark, giving it a textured and somewhat abstract appearance.

City of Bothell
Statement of Net Assets
December 31, 2009

	2009		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$4,960,574	\$4,718,591	\$9,679,165
Investments	14,105,884	3,389,098	17,494,982
Receivables (net)	4,958,476	1,786,148	6,744,624
Taxes receivable	320,844		320,844
Capital assets:			
Non-depreciable	133,078,092	2,127,362	135,205,454
Depreciable, net	701,827,632	24,570,311	726,397,943
Total assets	859,251,502	36,591,510	895,843,012
LIABILITIES			
Accounts payable	5,471,471	859,023	6,330,494
Unearned revenue	2,353,201		2,353,201
Long-term liabilities (see Note 13)			
Due within one year	1,838,288	226,883	2,065,171
Due in more than one year	4,956,109	900,789	5,856,898
Total liabilities	14,619,069	1,986,695	16,605,764
NET ASSETS			
Invested in capital assets, net of related debt	829,995,723	25,684,285	855,680,009
Restricted for:			
Debt service			
Unrestricted (deficit)	14,636,710	8,920,530	23,557,239
Total net assets	\$844,632,433	\$34,604,815	\$879,237,248

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, 2009

Functions/program	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Government activities:				
General government	\$9,413,427	\$1,858,979		
Security of persons and property	20,646,387	1,901,973	239,616	
Physical environment	6,262,903	2,330,963	117,751	2,803,979
Transportation	42,394,908	79,707		260,400
Economic environment	3,026,618	1,390,869		
Culture and recreation		225,350		
Interest and fiscal charges	213,348			
Total governmental activities	<u>81,957,592</u>	<u>7,787,841</u>	<u>357,367</u>	<u>3,064,379</u>
Business-type activities:				
Water	3,188,527	3,731,390		34,371
Sewer	4,436,576	4,913,071		36,716
Storm drain	2,094,509	2,478,439		340,387
Total business-type activities	<u>9,719,612</u>	<u>11,122,900</u>	<u>-</u>	<u>411,475</u>
Total primary government	<u>\$91,677,203</u>	<u>\$18,910,741</u>	<u>\$357,367</u>	<u>\$3,475,854</u>

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

Net assets - ending

City of Bothell
Statement of Activities
For the Year Ended December 31, 2009

Net (Expense) Revenues and Changes in Net Assets		
Assets Governmental Activities	Primary Government Business-type Activities	Total
(\$7,554,447)		(\$7,554,447)
(18,504,798)		(18,504,798)
(1,010,209)		(1,010,209)
(42,054,801)		(42,054,801)
(1,635,750)		(1,635,750)
225,350		225,350
(213,348)		(213,348)
(70,748,004)		
	577,234	577,234
	513,212	513,212
	724,317	724,317
	1,814,763	
(\$70,748,004)	\$1,814,763	(\$68,933,241)
\$9,480,272		\$9,480,272
9,842,288		9,842,288
7,312,792		7,312,792
1,055,739	62,247	1,117,986
915,788	21,650	937,438
1,118,550	(1,118,550)	
29,725,430	(1,034,653)	28,690,777
(41,022,574)	780,109	(40,242,465)
885,655,008	33,824,706	919,479,714
\$844,632,433	\$34,604,815	\$879,237,248

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

City of Bothell
Balance Sheet
Governmental Funds
December 31, 2009

	<u>General</u>	<u>Special Revenue Fund Arterial Street</u>	<u>Special Revenue Fund Park Cum Reserve</u>	<u>Capital Projects Fund Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current cash & cash equivalents	\$763,612	\$1,537,337	\$1,569,576	\$375,802	\$177,205	\$4,423,532
Investments	4,543,738	500,488	186,799	3,965,182	85,212	9,281,419
Receivables (net of allowances)						
Taxes	296,046				24,798	320,844
Accounts receivable	816,114				58,806	874,920
Due from other governmental units	2,667,774	20,000		1,130,148	189,663	4,007,585
Due from employees	64,833					64,833
TOTAL ASSETS	<u>\$9,152,117</u>	<u>\$2,057,825</u>	<u>\$1,756,375</u>	<u>\$5,471,132</u>	<u>\$535,684</u>	<u>\$18,973,133</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	393,058	1,651		3,393,405	105,228	3,893,342
Unearned revenue	298,290	889,158	1,140,955		24,798	2,353,201
Deposits payable	94,516					94,516
Compensated absences					32,689	32,689
Payroll payable	1,372,080				28,649	1,400,729
Total liabilities	<u>2,157,944</u>	<u>890,809</u>	<u>1,140,955</u>	<u>3,393,405</u>	<u>191,364</u>	<u>7,774,477</u>
Fund balances						
Unreserved, report in:						
General funds	6,994,173					6,994,173
Special revenue funds		1,167,016	615,420		342,309	2,124,745
Debt service funds					2,012	2,012
Capital projects				2,077,727		2,077,727
Total fund balances	<u>6,994,173</u>	<u>1,167,016</u>	<u>615,420</u>	<u>2,077,727</u>	<u>344,320</u>	<u>11,198,656</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$9,152,117</u>	<u>\$2,057,825</u>	<u>\$1,756,375</u>	<u>\$5,471,132</u>	<u>\$535,684</u>	<u>\$18,973,133</u>

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, 2009

Total fund balances for the governmental funds \$11,198,656

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	133,078,092	
Depreciable assets (net)	701,827,632	834,905,723

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: 5,289,761

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

Compensated absences	(1,260,599)	
Other post-employment benefits payable	(591,109)	
Bonds and notes payable	(4,910,000)	(6,761,708)

Total net assets of governmental activities **\$844,632,433**

City of Bothell
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2009

	General	Special Revenue Fund Arterial Street	Special Revenue Fund Park Cum Reserve	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$24,925,132		\$39,075	\$1,057,683	\$613,463	\$26,635,353
Licenses and permits	932,221				57,435	989,656
Intergovernmental revenues	2,235,131	(33,745)		2,720,895	843,752	5,766,032
Charges for services	2,953,573	79,707	136,853	162,760	284,115	3,617,008
Fines and forfeitures	436,520					436,520
Interest earnings	799,140	488	5,860	224,836	3,304	1,033,628
Proceeds from the sale of capital assets	501					501
Contributions	13,601			17,105		30,706
Other revenue	350,892			446,101	8,473	805,466
Total revenue	32,646,711	46,450	181,788	4,629,380	1,810,543	39,314,871
EXPENDITURES						
Current						
General government	8,074,767					8,074,767
Security of persons and property	18,984,021					18,984,021
Transportation					1,574,859	1,574,859
Physical environment	3,675,595					3,675,595
Economic environment	2,853,133					2,853,133
Other expenditures					27,872	27,872
Debt service						
Debt service - principal		33,862			525,000	558,862
Debt service - interest	2,000	339			211,009	213,348
Capital outlay						
Capital outlay	85,882	59,876		31,713,481		31,859,238
Total expenditures	33,675,397	94,077	-	31,713,481	2,338,741	67,821,695
Excess of revenue over (under) expenditures	(1,028,686)	(47,627)	181,788	(27,084,101)	(528,198)	(28,506,824)
OTHER FINANCING SOURCES (USES)						
Transfer in	537,808	91,435	567,213	4,566,964	117,341	5,880,761
Transfer out	(5,470,025)	(379,275)	(187,689)	(91,435)	(700,149)	(6,828,573)
Total other financing sources	(4,932,217)	(287,840)	379,524	4,475,529	(582,808)	(947,812)
Net change in fund balances	(5,960,903)	(335,467)	561,312	(22,608,572)	(1,111,006)	(29,454,636)
FUND BALANCES - JANUARY 1, 2009	12,955,076	1,502,484	54,108	24,686,299	1,455,327	40,653,294
FUND BALANCES - DECEMBER 31, 2009	\$6,994,173	\$1,167,017	\$615,420	\$2,077,727	\$344,320	\$11,198,657

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, 2009

Net change in fund balances - total governmental funds (\$29,454,636)

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.

Donated capital assets	377,200
Expenditures for capital assets	31,859,238
Capital construction in progress written off	(2,976,311)
Depreciation	(40,541,176)

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

Principal payments	558,862
--------------------	---------

Some expenses reported in the statement of activities do not require the use of resources and therefore are not reported as expenditures in governmental funds:

Change in compensated absences payable	(180,730)
Change in other post-employment benefits payable	(253,566)

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 are reported with governmental activities.

(411,455)

Change in net assets of governmental activities

(\$41,022,574)

City of Bothell
Statement of Net Assets
Proprietary Funds
December 31, 2009

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
ASSETS					
Current assets:					
Cash and cash equivalents	\$1,136,789	\$2,547,110	\$1,034,692	\$4,718,591	\$537,042
Investments	2,592,752	315,460	480,885	3,389,098	4,824,466
Accounts receivable	522,058	903,139	66,860	1,492,057	
Due from other governments	437	209,284	75,390	285,111	11,138
Special assessments receivable		8,980		8,980	
Total current assets	<u>4,252,036</u>	<u>3,983,973</u>	<u>1,657,828</u>	<u>9,893,837</u>	<u>5,372,646</u>
Non-current assets:					
Land	122,175	163,126		285,301	
Right of way			15,006	15,006	
Buildings	65,945	444,049		509,994	
Improvements other than buildings	9,522,555	6,184,863	7,886,350	23,593,769	918,943
Equipment		221,850	174,191	396,041	206,348
Vehicles		260	70,247	70,507	2,397,233
Construction in progress	349,537	487,991	989,526	1,827,055	
Total non-current assets	<u>10,060,213</u>	<u>7,502,140</u>	<u>9,135,321</u>	<u>26,697,673</u>	<u>3,522,523</u>
Total assets	<u>14,312,249</u>	<u>11,486,113</u>	<u>10,793,148</u>	<u>36,591,510</u>	<u>8,895,169</u>
LIABILITIES					
Current liabilities:					
Accounts payable	363,601	124,142	242,628	730,371	63,931
Payroll payable	33,876	32,721	62,056	128,653	18,953
Compensated absences	34,471	31,360	48,454	114,284	25,850
Current portion of loans payable	112,599			112,599	
Total current liabilities	<u>544,546</u>	<u>188,222</u>	<u>353,137</u>	<u>1,085,906</u>	<u>108,735</u>
Non-current liabilities					
Loans payable	900,789			900,789	
Total non-current liabilities	<u>900,789</u>	<u>-</u>	<u>-</u>	<u>900,789</u>	<u>-</u>
Total liabilities	<u>1,445,335</u>	<u>188,222</u>	<u>353,137</u>	<u>1,986,695</u>	<u>108,735</u>
NET ASSETS					
Investment in capital assets, net of related debt	9,046,825	7,502,140	9,135,321	25,684,286	3,522,523
Unrestricted	3,820,089	3,795,751	1,304,690	8,920,530	5,263,911
Total net assets	<u>\$12,866,914</u>	<u>\$11,297,891</u>	<u>\$10,440,011</u>	<u>\$34,604,815</u>	<u>\$8,786,434</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, 2009

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
OPERATING REVENUES					
Charges for services	\$3,731,390	\$4,913,071	\$2,478,439	\$11,122,900	\$22,961
Intergovernmental revenues	9,371	4,716	183,187	197,275	210
Other			21,650	21,650	
Total operating revenue	<u>3,740,761</u>	<u>4,917,787</u>	<u>2,683,276</u>	<u>11,341,824</u>	<u>23,171</u>
OPERATING EXPENSES					
Administrative and general	396,760	265,823	973,216	1,635,800	1,079,695
Purchased water	1,330,641			1,330,641	
Metro service		3,014,741		3,014,741	
Maintenance and operations	634,687	532,388	775,158	1,942,232	561,569
Customer accounts	102,777	100,717		203,494	
Taxes	335,977	268,389	26,077	630,443	
Depreciation and amortization	370,796	254,518	320,058	945,372	914,394
Total operating expenses	<u>3,171,637</u>	<u>4,436,576</u>	<u>2,094,509</u>	<u>9,702,722</u>	<u>2,555,658</u>
OPERATING INCOME (LOSS)	<u>569,124</u>	<u>481,212</u>	<u>588,767</u>	<u>1,639,103</u>	<u>(2,532,487)</u>
NON-OPERATING REVENUES (EXPENSES)					
Investment income	24,259	20,208	17,780	62,247	20,114
Gain (loss) on disposition of capital assets					34,556
Interest expense	(16,890)			(16,890)	
Total non-operating revenue (expense)	<u>7,369</u>	<u>20,208</u>	<u>17,780</u>	<u>45,357</u>	<u>54,671</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
	576,494	501,419	606,547	1,684,459	(2,477,817)
Transfers in					2,975,608
Transfers out	(234,607)	(393,571)	(490,372)	(1,118,550)	(909,246)
Capital contributions from developers	25,000	32,000	157,200	214,200	
CHANGES IN NET ASSETS	366,887	139,848	273,375	780,109	(411,455)
NET ASSETS - BEGINNING	12,500,027	11,158,043	10,166,636	33,824,706	9,197,889
NET ASSETS - ENDING	<u>\$12,866,914</u>	<u>\$11,297,891</u>	<u>\$10,440,011</u>	<u>\$34,604,815</u>	<u>\$8,786,434</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, 2009

	Business-type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from customers	\$3,740,761	\$4,917,787	\$2,683,276	\$11,341,824	
Cash paid to employees	(597,115)	(568,074)	(877,369)	(2,042,558)	(281,060)
Cash paid to suppliers for goods and services	(1,825,168)	(3,548,135)	(623,359)	(5,996,661)	(1,370,798)
Cash paid for taxes	(335,977)	(268,389)	(26,077)	(630,443)	
Net cash provided by operating activities	<u>982,501</u>	<u>533,190</u>	<u>1,156,472</u>	<u>2,672,163</u>	<u>(1,651,858)</u>
CASH FLOW FROM NON-CAPITAL ACTIVITIES					
Transfers in					2,975,608
Transfers out	(234,607)	(393,571)	(490,372)	(1,118,550)	(909,246)
Net cash provided from non-capital activities	<u>(234,607)</u>	<u>(393,571)</u>	<u>(490,372)</u>	<u>(1,118,550)</u>	<u>2,066,362</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,141,559)	(549,465)	(1,931,695)	(3,622,719)	(483,464)
Interest paid on capital debt	(16,890)			(16,890)	
Proceeds from the sale of capital assets					34,556
Capital contributions	25,000	32,000	157,200	214,200	
Net cash (used) by capital and related activities	<u>(1,133,449)</u>	<u>(517,465)</u>	<u>(1,774,495)</u>	<u>(3,425,409)</u>	<u>(448,907)</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	407,453	1,980,547	1,782,220	4,170,221	(830,114)
Interest and dividends	24,259	20,208	17,780	62,247	20,114
Net cash provided by investing activities	<u>431,713</u>	<u>2,000,755</u>	<u>1,800,000</u>	<u>4,232,467</u>	<u>(810,000)</u>
Net increase (decrease) in cash and cash equivalents	<u>46,157</u>	<u>1,622,909</u>	<u>691,605</u>	<u>2,360,671</u>	<u>(844,404)</u>
Balances - beginning of the year	1,090,632	924,200	343,087	2,357,919	1,381,446
Balances - end of year	<u>\$1,136,789</u>	<u>\$2,547,110</u>	<u>\$1,034,692</u>	<u>\$4,718,591</u>	<u>\$537,042</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$569,124	\$481,212	\$588,767	\$1,639,103	(\$2,532,487)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	370,796	254,518	320,058	945,372	914,394
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	47,704	(68,325)	(66,860)	(87,481)	1,334
Decrease (increase) in due from other governments	(437)	(209,284)	332,148	122,427	(11,138)
Decrease (increase) in special assessments deferred		4,668		4,668	
Increase (decrease) in non-capital accounts payable	120,508	84,574	(11,034)	194,048	(42,167)
Increase (decrease) in interest payable	5,630			5,630	
Increase (decrease) in compensated absences payable	(3,801)	(21)	3,130	(692)	15,109
Increase (decrease) in payroll payable	(14,425)	(14,152)	(9,736)	(38,313)	3,097
Increase (decrease) in contracts payable	(112,599)			(112,599)	
Net cash provided by operating activities	<u>\$982,501</u>	<u>\$533,190</u>	<u>\$1,156,472</u>	<u>\$2,672,163</u>	<u>(\$1,651,858)</u>
Noncash investing, capital and financing activities					
Increase (decrease) in fair value of investments	-	-	-	-	-

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, 2009

	Pension Trust	Agency
	Firemen's Pension Reserve	Trust
ASSETS		
Cash and cash equivalents	\$40,260	\$803,914
Total receivables	40,260	803,914
Investments, at fair value		
State investment pool	216,168	615,920
Total investments	216,168	615,920
Total assets	\$256,428	\$1,419,834
LIABILITIES		
Refunds payable and others		1,387,010
Accounts payable		32,824
Total liabilities	-	\$1,419,834
NET ASSETS		
Held in trust for pension benefits and other purposes	\$256,428	-

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, 2009

	Pension Trust
	Firemen's Pension Reserve
ADDITIONS	
Contributions:	
Employer	\$44,559
Total contributions	44,559
Investment earnings:	
Interest	1,997
Total investment earnings	1,997
Total additions	46,556
DEDUCTIONS	
Benefits	25,247
Total deductions	25,247
Change in net assets	21,309
Net assets - beginning of year	235,119
Net assets - end of year	\$256,428

**Notes to Financial Statements
December 31, 2009**

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City of Bothell

Notes to Financial Statements January 1, 2009 through December 31, 2009

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 relating 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 pronouncements from the American Institute of Certified Public Accountants (AICPA) that have been made applicable by GASB Statements and Interpretations.

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

In June 1999, GASB unanimously approved Statement 34, titled "Basic

Financial Statements and Management Discussion and Analysis for State and Local Governments." Significant changes resulting from Statement 34 include the following:

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

These and other changes (GASB 36 – 38) are reflected in the accompanying financial statements (including notes to the financial statements). The City has implemented the general provisions of 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 are comprised of 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 on 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. The General Fund is the City's general operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.
- 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 used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

Proprietary fund measurement focuses on determining 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 from producing and delivering goods in connection with a proprietary fund's principle ongoing operation. The principal operating revenues of the City's Water, Sewer, and Storm Drain Funds are derived from charges to customers for sales and services.

The Water, Sewer, and Storm Drain Funds also recognize fees (operating revenue) intended to recover the cost of connecting new customers to the City's utility systems.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The applicable, generally accepted accounting principles are similar to those used by 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) where a fee is charged to external users for goods or services and where 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/or charges; or (c) establishes fees and/or 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 to other funds of the City on a cost-reimbursement basis.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in an agency capacity for others, and therefore are not available to support City programs.

The reporting focus is on net assets, 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; and (b) 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 these 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; and
- c. Program-specific capital grants and contributions.

Taxes and other items not 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 service funds are presented as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's

governmental activities, financial statements for internal service funds are consolidated into the governmental column when presented at the governmental level. These services are reflected in the appropriate functional activity. Internal service funds account for services provided to other departments on a cost reimbursement basis. Internal fund activity is eliminated from the government-wide financial statements.

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's 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, parks 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 Excise Taxes are the main sources of revenue.

d. 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.

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, maintenance and operations, 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 rental fees. Water 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. Sewer system construction was financed originally by a local improvement district, contributed capital, and revenue bonds.

c. Storm and Surface Water Drain

This fund is used to account for the provision of storm and surface water drain 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, facility construction, 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 gives priority to methods which provide protection or enhancement of the natural surface water drainage system over means primarily involving 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 the 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 for televising Council meetings for the citizens of Bothell. Funding comes from a franchise agreement.

c. Local Improvement District (LID) Funds Control

LID Funds Control accounts for special assessment bonds. These 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.

d. Drug Forfeiture Fund

This fund accounts for monies received from drug policing activities.

e. Nuisance Abatement Fund

This 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, and investment earnings.

g. General Obligation Bond Funds

The General Obligation (GO) Bond Funds are created to provide for the retirement of 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 these debts come from property taxes.

Debt issued that is not guaranteed by property tax revenue depends on other sources of general City revenue in order to retire debt.

h. Construction and Acquisition

The Construction and Acquisition Fund is used to account for significant building projects or equipment acquisitions that are typically funded by a bond sale.

i. Local Improvement District (LID) Guaranty Fund

The LID Guaranty Fund accounts for surplus from the LID 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 performs maintenance and repairs.

b. Self Insurance Fund

The Self Insurance Fund accounts for the costs of administering the City's self-

insurance liability, property insurance risks, and employee benefits.

c. Asset Replacement Fund

The 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 Washington Law Enforcement Officers and Fire Fighters Retirement System (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 retired firefighters.

b. Agency Fund

This Agency Trust Fund is used to account for deposits held by the City for other governmental units or individuals. This includes deposits held in lieu of performance and maintenance bonds. Release of deposits are made when all obligations and requirements have been met.

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. This 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 using 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 using 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 60 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 for unperformed goods or service contracts. Encumbrance accounting, (under which purchase orders,

contracts, and other commitments for expenditure of resources are recorded to reserve the proper appropriation), is utilized in the governmental funds.

Encumbrances outstanding at year-end lapse, except for the 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 consist 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 billings that have not yet 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

Most governmental fund revenues are accrued. Property taxes are billed and collected within the same period the taxes are levied.

Subsidies and grants made to proprietary funds, for 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 recognizes liabilities and expenses (and the recipient recognizes receivables and revenue) when eligibility and 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 recognizes receivables, but not as 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. Post Employment Benefits Other than Pensions – (Refer to Note 8).

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

13. 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 no expenditures have exceeded legal appropriations in any City funds. GAAP serves as the budgetary basis of accounting.

A. PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

The City's budget procedures are mandated by the Revised Code of Washington, Chapter 35A.33. Steps in the budget process are as follows:

- (1) Prior to October 1, the City Manager submits a proposed operating budget to the Council 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 to obtain taxpayer comments.
- (3) During the month of December, the budget is legally enacted through passage of an ordinance.

- (4) Revisions that alter any fund's appropriation must be approved by the City Council.

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 City Council (following a hearing) must approve supplemental or additional appropriations. The City's budget was amended once during the fiscal year.

The accompanying supplementary information presents both the original and amended budgetary information as approved. All appropriations, except for capital projects and restricted revenues, lapsed 20 days following the end of the biennium. Unexpended resources must be re-appropriated in a subsequent period.

**Final Budget
Inflows and Outflows**

Budget Information as follows:

Fund	Original Inflows	Original Outflows	Final Inflows	Final Outflows
General Fund	\$75,776,146	\$75,775,958	\$72,940,996	\$77,535,308
Street Fund	3,195,336	4,063,290	3,044,386	3,996,690
Arterial Street Fund	27,062,000	28,210,600	3,762,800	2,644,500
Cable TV Fund	20,000	20,000	2,000	11,000
Park Cumulative Reserve Fund	400,000	500,000	967,213	881,900
Drug Seizure Fund	20,000	70,000	20,000	20,000
Nuisance Abatement Fund			15,000	15,000
2008 GO Bond Redemption Fund	1,325,000	1,455,000	1,325,000	1,455,000
Capital Improvements Fund	47,535,000	46,756,840	51,928,900	74,745,900
Water Fund	7,313,123	10,885,790	7,316,309	11,816,490
Sewer Fund	10,313,559	14,702,646	10,246,046	13,984,646
Storm Drain Fund	6,452,316	10,121,012	7,884,892	9,828,212
Equipment Rental Fund	2,689,928	3,342,832	2,689,928	3,342,832
Self Insurance Fund	1,851,436	2,059,737	1,851,436	2,059,737
Asset Replacement Fund	2,206,576	6,000,322	2,206,576	6,000,322
Cemetery Endowment Fund	4,500	4,000	4,500	4,000
Firemen's Pension Reserve Fund	91,700	60,000	91,700	60,000
Total	\$186,256,620	\$204,028,027	\$166,297,682	\$208,401,537

NOTE 3 Deposits and Investments

A. DEPOSITS

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (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

All municipal corporations in Washington State are empowered to invest in securities authorized by the Revised Code of Washington Chapter 39.58.080 and 36.29.020.

As required by state law, all investments of the City's funds (except as noted below) are obligations of the United States (US). Government, US 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.

A 2a7-like-pool is an external investment pool that is not registered with the Securities and Exchange Commission (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 Treasurer's Office, is comparable to a Rule 2a7-pool recognized by the SEC.

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 the entity-wide Statement of Net Assets at fair value, or at amortized cost for 2a7-like-pools.

As of December 31, 2009, the city had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1-2	More Than 2
State Investment Pool	\$4,281,753	\$4,281,753		
Bonds of State or Local Government	14,045,319	4,096,365	5,784,032	4,164,922
Total	\$18,327,071	\$8,378,117	\$5,784,032	\$4,164,922
	Percent of Total	46%	32%	23%

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates of debt instruments that adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its

exposure to fair value losses arising from increasing interest rates. It does have a policy whereby the City cannot invest in securities maturing more than five (5) years from date of purchase.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

As of December 31, 2009, the City's investments in the State Investment Pool were rated AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The City's investments in commercial paper were rated F-1 by Fitch Ratings, A1 by Standard & Poor's, and P-1 by Moody's Investor Service.

The City's investments in US Agencies were rated Aaa by Moody's Investors Service, and AAA by Standard & Poor's and Fitch ratings. The City's investments in local governments were rated M1G1 by Moody's Investors Service and SP-1 by Standard & Poor's.

Concentration of Credit Risk: Concentration of risk is the risk of loss attributed to the magnitude of an investment in a single issuer.

The City diversifies its investments by security type and issuer. With the exception of US Treasury securities and authorized state pools, no more than 50% of the City's total investment portfolio will be invested in any one security issuer.

Portfolio Diversification

Instrument Type	Percentage	Amount
State Investment Pool	23%	\$4,281,753
Bonds of State or Local Government	77%	14,045,319
Total Investments	100%	\$18,327,071

C. DEPOSIT AND INVESTMENT RECONCILIATION

Amounts reported in the fund statements are as follows:

Government Funds	Amount
Cash	\$4,960,574
Investments	14,105,884
Proprietary Funds	Amount
Cash & cash equivalents	\$4,718,591
Investments	3,389,098
Fiduciary Funds	Amount
Cash & cash equivalents	\$844,174
Investments	832,088
Total	\$28,850,409

Cash, deposits, and investments are as follows:

Cash on hand	\$32,214
Checking accounts	10,491,123
State or local government	14,045,319
State investment pool	4,281,753
Total	\$28,850,409

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% 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, since 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 per \$1,000 of assessed valuation for general governmental services, minus a library rate of \$0.50. This amount may be reduced for any of the following three reasons:

- a. Washington State law (RCW 84.55.010) limits the growth of regular property taxes to 1% per year, after adjustments for new construction. If the assessed valuation increases by more than 1% due to revaluation, the levy rate will be decreased.
- b. The Washington State Constitution limits total regular property taxes to 1% 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 1% 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 2009, the City's General Tax Levy was \$1.18 per \$1,000, and the Special Tax Levy was \$0.09 per \$1,000. The total assessed valuation was \$6,921,004,324.

NOTE 5
Capital Assets and Depreciation

A. GENERAL POLICIES

Major expenditures for capital assets (and major repairs that increase the asset's useful lives) 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 and vehicles	5 - 20 years
Infrastructure	20 - 50 years

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

Government Activities	Amount
General government	\$452,031
Security of persons & property	776,957
Transportation	37,770,287
Physical environment	2,415,879
Culture & recreation	40,416
Total Governmental Activities Depreciation Expense	\$41,455,570

Business-Type Activities	Amount
Water	\$370,796
Sewer	254,518
Storm Drain	320,058
Total Business-Type Activities Depreciation Expense	\$945,372

Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$11,280,580	\$32,495,054		\$43,775,634
Infrastructure right-of-way	66,050,120	2,237,799		68,287,919
Construction in progress	31,195,791		10,181,252	21,014,539
Total capital not being depreciated	\$108,526,491	\$34,732,853	\$10,181,252	\$133,078,092
Other capital assets:				
Buildings	\$18,452,929	\$770,000		\$19,222,929
Improvements	27,599,328	3,787,392		31,386,720
Infrastructure	1,537,787,937	278,129		1,538,066,066
Vehicles	6,363,864	207,070	276,545	6,294,389
Equipment	3,560,562	149,399	29,747	3,680,214
Total other capital assets at historical cost	\$1,593,764,620	\$5,191,989	\$306,291	\$1,598,650,318
Less accumulated depreciation for:				
Buildings	\$2,632,295	\$396,780		\$3,029,075
Improvements	4,618,643	2,150,127		6,768,770
Infrastructure	842,332,209	37,796,297		880,128,506
Vehicles	3,430,323	701,205	276,545	3,854,983
Machinery & equipment	2,659,937	411,162	29,747	3,041,352
Total accumulated depreciation	\$855,673,408	\$41,455,570	\$306,291	\$896,822,687
Governmental activities capital assets, net	\$846,617,703	(\$1,530,728)	\$10,181,252	\$834,905,723
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$1,655,890	\$1,714,166	\$1,543,001	\$1,827,055
Infrastructure right-of-way		15,006		15,006
Land and improvements	285,302			285,302
Total capital not being depreciated	\$1,941,192	\$1,729,172	\$1,543,001	\$2,127,363
Other capital assets:				
Buildings	\$879,860	\$33,470		\$913,330
Intangible plant	411,179			411,179
Improvements	34,868,818	3,427,035	33,470	38,262,382
Vehicles	715,585			715,585
Machinery & equipment	519,911	9,513		529,424
Total other capital assets at historical cost	\$37,395,352	\$3,470,018	\$33,470	\$40,831,900
Less accumulated depreciation for:				
Buildings	\$386,025	\$17,311		\$403,336
Intangible plant	411,179			411,179
Improvements	13,828,144	848,942		14,677,085
Vehicles	626,045	27,338	7,265	646,118
Machinery & equipment	64,824	51,781	(7,265)	123,870
Total accumulated depreciation	\$15,316,217	\$945,372	-	\$16,261,589
Business-type activities capital assets, net	\$24,020,327	\$4,253,817	\$1,576,471	\$26,697,674

NOTE 6 Pensions

Nearly all full-time (and qualifying part-time) City employees participate in one of the statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer, public employee defined benefit and defined contribution retirement plans.

DRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplemental information for each plan.

The DRS CAFR may be obtained from the Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380 or via their website at www.drs.wa.gov.

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, AND 3

Plan Descriptions

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 (who are 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 either Plan 2 or Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits are vested after completion of five years of eligible service in both Plan 1 and Plan 2. Vesting levels vary for Plan 3. Retirement benefit provisions are established in State statutes, 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 age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the average final compensation (AFC) per year of service, and is capped at 60%.

The AFC is the monthly average of an employee's 24-consecutive highest-paid service credit months. If qualified, a cost-of-living allowance is granted at age 66. It is based on the number of service credit years, and is capped at 3% annually.

Plan 2 members may retire at age 65 with five years of service, or at age 55 with 20 years of service. The annual pension is 2% of the AFC per year of service. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on service credit years. A cost-of-living allowance is granted, and is capped at 3% annually.

Plan 3 contains both a defined benefit component and a defined contribution component. Plan 3 members may retire

at age 65 with 10 years of service, or after five years of service if 12 service credit months are earned after reaching age 44. The defined benefit component is an allowance of 1% of the AFC per year of service. Plan 3 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit. A cost-of-living allowance is granted, and is capped at 3% 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 can take payment.

Funding Policy

Each biennium the State's Pension Funding Council adopts Plan 1 employer contribution rates, as well as Plan 2 employer and employee contribution rates.

Employee contribution rates for Plan 1 are established by statute at 6%, 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 (DRS), based on a recommendation by the Office of the State Actuary.

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 RCW Chapters 41.40 and 41.45.

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

Plan Descriptions

LEOFF is a cost-sharing, multiple-employer retirement plan. Membership in the system includes all full-time, fully compensated local law enforcement officers and fire fighters. LEOFF is comprised primarily of non-state 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 Plans 1 and 2 are vested after completion of five years of eligible service. Benefit provisions are established in state statute and may only be amended by the State Legislature.

Plan 1 members are eligible to retire with five years of service at age 50. The benefit is a percentage of the final average salary (FAS) and varies according to the term of service. (See chart below.) A cost-of-living allowance is granted, and is capped at 3% annually:

Term of Service	Percent of Final Avg Salary
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 53 with five years of service. Retirement benefits prior to age 53 are actuarially reduced. The benefit is 2% of final average salary (FAS) per year of service. The FAS is based on the 60 highest-paid consecutive months. There is no cap on years of service credit. A cost-of-living allowance is granted, and is capped at 3% annually.

C. PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM

PSERS is a cost sharing, multiple employer, defined benefit pension plan. This is a new plan for public employees whose jobs contain a high degree of physical risk to their own personal safety, but who are not eligible for LEOFF.

To be eligible for PSERS, employees must work on a full-time basis and:

- 1) Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- 2) have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- 3) function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- 4) have primary responsibility to supervise eligible members who meet the above criteria.

Members may retire at age 65 with at least five years of service credit, or at age 60 with 10 years of PSERS service credit, or take early retirement at age 53 with at least 20 years of service credit.

A benefit reduction of 3% per year from age 60 would apply.

Age at Retirement	3% Reduction Factor
53	79%
54	82%
55	85%
56	88%
57	91%
58	94%
59	97%
60	100%

The benefit reduction is set at 3% for each year you are under age 60.

Funding Policy

Plan 1 employer and employee contribution 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 cost of the plan.

Employer and employee rates for Plan 2 are set by the director of the Department of Retirement Systems (DRS), based on recommendations by the Office of the State Actuary. 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 RCW Chapters 41.26 and 41.45.

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.

It was created by the State Legislature in 1945 under RCW Chapter 41.16. It provides pension, disability, and survivor benefits.

Membership in the system requires service with an electing municipality's fire department, other than those covered by LEOFF. The system is funded through employee contributions of \$30 per year; employer contributions of \$30 per year, and 25% of the Fire Insurance Premium Tax. Members do not earn interest on contributions, but may elect to withdraw funds upon termination. Bothell received \$44,226 insurance premium tax in 2008. The City made no payments to volunteer firefighters in 2009. On-behalf payments were recognized as revenues and expenses during the period.

Fire Fighter's Pension Fund

The Fire Fighter's Pension is a closed system operated by the City.

Membership is limited to firefighters 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 the State Auditor's Office have concluded that a new actuarial study was not necessary, due to the limited number of employees still participating in the fund (three) and the fund's relative immateriality. It is the City's opinion that it will be able to meet any future funding requirements.

PERS, PSERS, and LEOFF Information By System

	PERS	PSERS	LEOFF
City participating payroll:			
Plan 1 City contribution rate @ 12/31/09	5.31%	NA	0.16%
Plan 2 City contribution rate @ 12/31/09	5.31%	7.85%	5.24%
Plan 3 City contribution rate @ 12/31/09	5.31%	NA	NA
City plan contribution:			
2009	\$794,373	\$9,796	\$576,511
2008	764,576	9,575	534,113
2007	559,432	8,601	495,437
2006	269,540	4,121	402,784
2005	157,080		325,008
2004	106,145		259,621
Plan 1 employee contribution rate @ 12/31/09	6.00%	NA	0.00%
Plan 2 employee contribution rate @ 12/31/09	3.90%	6.55%	8.46%
Plan 3 employee contribution rate @ 12/31/09	See below	NA	NA

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

NA = Not Available

PERS Plan 3 employee contribution varies with option and age as follows:

Option	Rate	Age
A	5.0%	all ages
B	5.0%	up to age 35
	6.0%	age 35 to 44
	7.5%	age 45+
C	6.0%	up to age 35
	7.5%	age 35 to 44
	8.5%	age 45+
D	7.0%	all ages
E	10.0%	all ages
F	15.0%	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. It 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. Liquidation of the liability for compensated absences in prior years has been used by the General Fund and enterprise funds.

B. DEFERRED COMPENSATION

The City offers its employees two deferred compensation plans, created in accordance with the Internal Revenue Code Section 457.

The International City Manager's Association (ICMA) plan is available to all eligible employees. The Nationwide Retirement Solutions plan is available to all eligible International Association of Firefighters (IAFF).

These plans permit them to defer a portion of their salary until future years.

The deferred compensation is not available to employees until termination, retirement, death, or in the event of an unforeseeable emergency.

C. POST-RETIREMENT BENEFITS

Post-retirement benefits are provided in accordance with the LEOFF Act (RCW 41.26). The City purchased long-term care insurance which covers all of its current and former LEOFF-1 employees. This coverage pays the majority of costs associated with at-home or facility long-term care, for 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 age 55. Payment of benefits is made for medical expenses eligible under Internal Revenue Code (IRC) Section 213.

Compensated Absences

Government Activities	1/1/2009	Increases	Decreases	12/31/2009
Governmental funds	\$1,092,448	\$2,541,346	\$2,340,507	\$1,293,288
Total Compensated Absences	\$1,092,448	\$2,541,346	\$2,340,507	\$1,293,288

Estimate of amount due within one year \$2 million.

Business-Type Activities	1/1/2009	Increases	Decreases	12/31/2009
Enterprise funds	\$114,976	\$138,468	\$139,160	\$114,284
Total Compensated Absences	\$114,976	\$138,468	\$139,160	\$114,284

Estimate of amount due within one year \$140 thousand.

NOTE 8
Post Employment Benefits Other than Pensions

Plan Description

The City provides post-retirement health care benefits for members of the Law Enforcement Officers and Firefighters (LEOFF) retirement system hired before October 1, 1977 under a defined benefit healthcare plan administered by the City, as required by the Revised Code of Washington (RCW Chapter 41.26). At the end of 2009 there were 22 LEOFF I retirees receiving these benefits.

Most medical coverage for eligible retirees is provided by one of the City's employee medical insurance programs. Under the authorization of the LEOFF Disability Board, direct payment is made for other retiree medical expenses not covered by standard medical plan benefit provisions. Financial reporting for the LEOFF retiree healthcare plan is included in the City's Comprehensive Annual Financial Report.

Funding Policy

Funding for LEOFF retiree healthcare posts is provided entirely by the City as required by RCW.

The City's funding policy is based upon pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of thirty years as of January 1, 2009.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$591,109 is included as a noncurrent liability on the Statement of Net Assets.

Determination of Annual Required Contribution	Fiscal Year Ending 12/31/2009
Normal Cost at year end	-
Amortization of UAAL*	557,520
Annual Required Contribution	557,520

*Unfunded Actuarial Accrued Liability (UAAL)

Determination of Net OPEB Obligation	Fiscal Year Ending 12/31/2009
Annual Required Contribution	\$557,520
Interest on prior year Net OPEB Obligation	15,189
Adjustment to ARC	(31,430)
Annual OPEB Cost	541,279
Contributions made	(287,712)
Increase in Net OPEB Obligation	253,666
Net OPEB Obligation-beginning of year	\$337,543
Net OPEB Obligation-end of year	591,109

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
12/31/2009	\$541,279	53%	\$591,109

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$5,987,508 and the actuarial value of the assets was \$0 resulting in a UAAL of \$5,987,508.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the alternative measurement method

permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial accrued liability. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF I rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA).

Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF I medical study performed in 2007. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 9

Contingencies

Litigation

The City presented (in its financial statements) all material liabilities, including an estimate for any unresolved situations where (based on available information) management believes it is probable that the City will incur the expense.

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 of their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

Bond Indentures

The City is in compliance with all significant bond indentures 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 expensed at year-end. The City had no arbitrage excess earnings liability in 2009.

NOTE 10 Risk Management

The City has been a member of the Washington Cities Insurance Authority (WCIA) since August 1997.

Utilizing RCW Chapter 48.62 (self-insurance regulation) and Chapter 39.34 (Interlocal Cooperation Act), nine cities originally formed WCIA in 1981. WCIA was created to provide a pooling mechanism for jointly purchasing insurance, self-insuring, and contracting for risk management services. WCIA has a total of 129 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors and omissions, stopgap, and employee benefits liability.

Limits are \$4 million per occurrence in the self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence and is subject to aggregate sub-limits in the excess layers.

The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles may apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

WCIA's in-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analysis. WCIA contracts with 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. Assessments cover loss, loss adjustment, and administrative expenses. As outlined in the interlocal agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee (utilizing investment brokers) produces additional revenue by investing 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 and 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 day-to-day WCIA operations.

Insurance settlements have not exceeded insurance coverage in any of the past four years.

NOTE 11
Interfund Transactions

Transactions to support the operations of other funds are recorded as “transfers” and are classified as “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.

Description	General Fund	Street Fund	Arterial Street Fund	Park Cumulative Fund	Nuisance Abatement Fund	Capital Improvements Fund	Equipment Rental Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		\$102,341			\$15,000	\$4,000,000	\$822,937	\$529,747		\$5,470,025
Street Fund							85,851	47,085		132,936
Arterial Street Fund						379,275				379,275
Park Cumulative Reserve Fund						187,689				187,689
Capital Improvement			91,435							91,435
*Water Fund	151,123						68,997	14,487		234,607
*Sewer Fund	155,336						102,009	136,226		393,571
*Storm Drain Fund	231,349						251,670	7,353		490,372
Equipment Rental Fund								1,208	908,038	909,246
Guaranty Fund				567,213						567,213
Total Transferred In	\$537,808	\$102,341	\$91,435	\$567,213	\$15,000	\$4,566,964	\$1,331,464	\$736,106	\$908,038	\$8,856,369

2009 Net Transfers		Net transferred in	Net transferred out
Governmental Activities		\$1,118,550	
*Business Activities			\$1,118,550

Transfers are used to:

- 1) Move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due;
- 2) Move restricted debt proceeds to the Debt Service Fund to establish mandatory reserve accounts; and
- 3) Move unrestricted General Fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 12 Net Assets

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investments 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 associated with non-liquid capital assets, less outstanding related debt.

The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Additionally, until all 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 reserves the right to selectively defer use to a future project or replacement equipment acquisition.
- c. Unrestricted assets represent unappropriated, unrestricted liquid assets that City management may designate to expend for specified purposes in future periods. Council action is required to appropriate the actual expenses or expenditures.

NOTE 13

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 a capital outlay expenditure and as an offsetting other financing source.

The present value of payments due in future periods is shown as a liability with general long-term debt, and the cost of the asset is recorded with general fixed assets. 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 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 typically issues general obligation and revenue bonds to finance land acquisitions, and construction of major capital infrastructure projects.

In 1997 the City issued voter-approved general obligation bonds to fund construction of the City's Public Safety Building. The debt service is being repaid with excess levy receipts. These bonds became callable in December 2007. In consideration of the current significant drop in interest rates, along with the City's improved fiscal position with credit rating agencies (Moody's Investors Service), the City refinanced the bonds in 2008 providing citizens with a net savings of approximately \$530,000.

The City is also paying off two Public Works Assistance Loans. These are considered obligations of the general government and are being repaid with general government revenue sources. One of the loans will be paid off in 2009.

The annual debt service requirements to maturity (including interest) are presented on the following page.

Schedule of Long Term Debt

Debt Service requirements to maturity

Year	GO Bonds		Other Debt		Totals
	Principal	Interest	Principal	Interest	
Governmental Activities					
2010	\$545,000	\$179,663			\$724,663
2011	560,000	161,950			721,950
2012	580,000	142,350			722,350
2013	605,000	122,050			727,050
2014	620,000	100,875			720,875
2015	640,000	78,400			718,400
2016	665,000	54,400			719,400
2017	695,000	27,800			722,800
Subtotal	\$4,910,000	\$867,488	-	-	\$5,777,488
Business-Type Activities					
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
Subtotal			\$1,013,388	\$50,669	\$1,064,058
Total	\$4,910,000	\$867,488	\$1,013,388	\$50,669	\$6,841,545

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 is increased by the amortization of debt issue costs and discounts.

Other Long-Term Debt

Other long-term general obligation debt is as follows:

The City owes Snohomish County \$1,013,388 under an agreement made in 1998. The City makes an annual payment to the County, who then makes payment on PWA loan 98-791-007, which was used for water improvements partially located within the City.

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/09	Issued	Redeemed	Balance 12/31/09	Due Within One Year
Governmental Activities									
GO bond (Refunding)	5/20/2008	12/1/2017	3.5-4.0%	\$6,070,000	\$5,435,000		\$525,000	\$4,910,000	\$545,000
PWA loan 5-89-962-0046		12/31/2009	1.00%	585,526	33,862		33,862		
Subtotal				\$6,655,526	\$5,468,862	-	\$558,862	\$4,910,000	\$545,000
Business-Type Activities									
PWA loan 98-791-007	10/15/1998	10/13/2018	1.00%	\$1,890,000	\$1,125,987		\$112,599	\$1,013,388	\$112,599
Subtotal				\$1,890,000	\$1,125,987	-	\$112,599	\$1,013,388	\$112,599
Total				\$8,545,526	\$6,594,849	-	\$671,461	\$5,923,388	\$657,599

Chart does not include compensated absences liability – (see Note 7) or Post Employment Benefits Other than Pensions - (see Note 8)

Debt Limit Capacities

State law dictates that City debt cannot be incurred in excess of the following taxable percentages: 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, 2009, City debt limits were based on assessed property totaling \$6,921,004,324.

Debt Capacity as of January 1, 2010

Regular levy assessed value less annexations				\$6,921,004,324
	Without a Vote	With a Vote of the People		
	1.5%	2.5%	5.0%	7.5%
Legal limit	\$103,815,065	\$173,025,108	\$346,050,216	\$519,075,324
Outstanding net debt		4,910,000	4,910,000	4,910,000
Margin available	\$103,815,065	\$168,115,108	\$341,140,216	\$514,165,324

NOTE 14

Subsequent Event

In 2007, the City competed for and received a \$30 million Washington State Local Infrastructure Financing Tool (LIFT) award for the City's Bothell Crossroads project.

The City was awarded a future rebate of state property and sales tax up to \$1 million per year for a maximum of 25 years. The rebated tax monies are restricted to debt service payments associated with capital infrastructure investments made in the City's Revenue Development Area (RDA) that are financed by General Obligation Bonds. LIFT legislation requires Bothell to bond \$30 million within five years of receiving the LIFT award. The City must issue its LIFT bonds by 2012.

The adopted Capital Facilities Plan (CFP) includes securing a three-year \$20 million Bond Anticipation Note (BAN) prior to issuing the \$30 million LIFT bonds. By securing interim financing, the City significantly reduces upfront financing costs while allowing additional time for revenue producing development to occur in the RDA.

On January 12, 2010, the City Council authorized the issuance of limited tax general obligation bonds of the City for general City purposes to provide funds with which to pay a part of the cost of financing the City's LIFT projects; authorizing the issuance of a bond anticipation note pending the issuance of those bonds; fixing the date, form, maturity, interest rate, terms and covenants of the note; establishing a note redemption fund and approving the sale and providing for the delivery of the note to Wells Fargo Bank.

The BAN serves as an interim financing tool providing a less expensive, shorter-term financing tool that will produce long-term fiscal benefits.

BAN debt service payments are allocated from the City's existing capital monies and, therefore, are not dependent on revenue anticipated from new development.

NOTE 15

Impact Fees

Park Impact Fees

Since 1997, per the City's Municipal Code, Park Impact fees have been accounted for separately in a Special Revenue Fund titled Park Cumulative Reserve. The monies remain in the Special Revenue Fund until they are transferred to the City's Capital Improvements Fund for appropriation towards Park Capital projects. Park Impact fees are recognized as deferred revenue until the project commences.

Any Park Impact fees not spent on park projects within six-years of receipt become refundable.

Traffic Impact Fees

Traffic Impact fees are held in the impact fee fund until the City Council appropriates the monies toward approved Capital Improvement projects.

Traffic Impact fees not expended within six-years of receipt become refundable.

NOTE 16

Pollution Remediation Obligations

In November 2006, the Governmental Accounting Standards Board issued Statement No. 49 (GASB 49), Accounting and Financial Reporting for Pollution Remediation Obligations. The statement is effective for the City's fiscal year ending December 31, 2009.

GASB 49 requires disclosure of "obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities." GASB 49 identifies five distinct "obligating events" that require the City to disclose the potential future outlays associated with remediation of contaminated sites.

Once any of the five events occurs, the City documents the components of expected pollution remediation outlays that are reasonably estimable. The City then determines if some or all of the future outlays are subject to capitalization under GASB 49 and records those expenditures accordingly.

At this time, the City has determined that future investigation and clean up costs associated with seven sites constitute the City's pollution remediation obligations. The seven sites are: Bothell Landing; Bothell Riverside; Bothell Paint & Decorating; Hertz Rentals; 116th Partners Group; Northshore School District; and Bothell City Hall.

Five of these parcels lie in the pathway of the new Crossroads roadway alignment and are to be cleaned up prior to, or during roadway construction. The Northshore School District property needs to be cleaned up prior to an anticipated sale.

Environmental cleanup work is on the critical path for the Bothell Crossroads project to meet contract bid date of the 4th quarter 2010. Under the Crossroads construction contract, one of the first orders of work is active soil remediation which will involve the excavation and disposal of contaminated soils. The City was recently successful in receiving two grants totaling \$720,000.

The City has entered into a consult contract to begin planning activities for work required to begin environmental site assessment work on the City Hall Block and preparation of a Feasibility Study Report and preliminary clean up plans and specifications for the Northshore School District property.

At the end of this exercise, the City will be provided with information regarding the preferred approach for cleanup of soil and groundwater contamination along with the associated cleanup schedule and cost. This assessment activity is necessary to support future redevelopment of this property. The City plans to pursue cleanup grant funding after the transfer of ownership to the City occurs in August 2010.



City of Bothell™

Required Supplemental Information



City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
General Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Total 2009-2010 Actuals	Variance with Final Budget Positive (Negative)
	2009-2010 Original	Final				
REVENUES						
Taxes	\$58,358,600	\$56,150,900	\$24,925,132		\$24,925,132	(\$31,225,768)
Licenses and permits	2,354,200	2,209,200	932,221		932,221	(1,276,979)
Intergovernmental revenues	4,228,400	4,292,750	2,235,131		2,235,131	(2,057,619)
Charges for services	7,220,800	6,510,000	2,953,573		2,953,573	(3,556,427)
Fines and forfeitures	887,200	920,800	436,520		436,520	(484,280)
Interest earnings	1,211,000	1,275,500	799,140		799,140	(476,360)
Proceeds from sale of capital assets		500	501		501	1
Contributions	30,000	92,900	13,601		13,601	(79,299)
Other revenue	382,900	385,400	350,892		350,892	(34,508)
Total revenues	74,673,100	71,837,950	32,646,711	-	32,646,711	(39,191,239)
EXPENDITURES						
Current:						
General government	17,011,242	16,853,445	8,074,767		8,074,767	8,778,678
Security of persons and property	39,796,536	38,471,288	18,984,021		18,984,021	19,487,267
Physical environment	8,990,131	8,286,208	3,675,595		3,675,595	4,610,613
Economic environment	5,865,616	5,766,634	2,853,133		2,853,133	2,913,501
Debt service						
Debt service - interest			2,000		2,000	(2,000)
Capital outlay	574,830	629,130	85,882		85,882	543,248
Total expenditures	72,238,355	70,006,705	33,675,397	-	33,675,397	36,331,308
Excess of revenue over (under) expenditures	2,434,745	1,831,245	(1,028,686)		(1,028,686)	(2,859,931)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,103,046	1,103,046	537,808		537,808	(565,238)
Transfers out	(3,537,603)	(7,528,603)	(5,470,025)		(5,470,025)	2,058,578
Total other financing sources	(2,434,557)	(6,425,557)	(4,932,217)	-	(4,932,217)	1,493,340
Net change in fund balances	188	(4,594,312)	(5,960,903)		(5,960,903)	(1,366,591)
FUND BALANCES - JANUARY 1, 2009	14,514,341	14,514,341	12,955,076		12,955,076	(1,559,265)
FUND BALANCES - DECEMBER 31, 2009	\$14,514,529	\$9,920,029	\$6,994,173	-	\$6,994,173	(\$2,925,856)

GAAP serves as the budgetary basis of accounting

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Arterial Street Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Intergovernmental revenues	\$20,868,000	\$1,000	(\$33,745)		(\$33,745)	(\$34,745)
Charges for services	4,320,000	3,701,800	79,707		79,707	(3,622,093)
Interest earnings		60,000	488		488	(59,512)
Contributions	300,000					
Total revenues	25,488,000	3,762,800	46,450	-	46,450	(3,716,350)
EXPENDITURES						
Current:						
Construction projects	25,891,000	304,000	59,876		59,876	244,124
Debt Service - principal	67,800	33,161	33,862		33,862	(701)
Debt Service - interest	800	339	339		339	
Total expenditures	25,959,600	337,500	94,077	-	94,077	243,423
Excess of revenue over (under) expenditures	(471,600)	3,425,300	(47,627)		(47,627)	(3,472,927)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,574,000		91,435		91,435	91,435
Transfers out	(2,251,000)	(2,307,000)	(379,275)		(379,275)	1,927,725
Total other financing sources	(677,000)	(2,307,000)	(287,840)	-	(287,840)	2,019,160
Net change in fund balances	(1,148,600)	1,118,300	(335,467)		(335,467)	(1,453,767)
FUND BALANCES - JANUARY 1, 2009	3,498,297	3,498,297	1,502,484		1,502,484	(1,995,814)
FUND BALANCES - DECEMBER 31, 2009	\$2,349,697	\$4,616,597	\$1,167,017	-	\$1,167,017	(\$3,449,580)

GAAP serves as the budgetary basis of accounting

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Park Cumulative Reserve Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Charges for service	\$349,000	\$349,000	\$136,853		\$136,853	(\$212,147)
Taxes			39,075		39,075	39,075
Investment interest	51,000	51,000	5,860		5,860	(45,140)
Total revenues	<u>400,000</u>	<u>400,000</u>	<u>181,788</u>	<u>-</u>	<u>181,788</u>	<u>(218,212)</u>
Excess of revenues over (under) expenditures	400,000	400,000	181,788		181,788	(218,212)
OTHER FINANCING SOURCES (USES)						
Transfers in		567,213	567,213		567,213	
Transfers out	(500,000)	(881,900)	(187,689)		(187,689)	694,211
Total other financing sources	<u>(500,000)</u>	<u>(314,687)</u>	<u>379,524</u>	<u>-</u>	<u>379,524</u>	<u>694,211</u>
Net change in fund balances	(100,000)	85,313	561,312		561,312	475,999
FUND BALANCES - JANUARY 1, 2009	1,716,600	1,716,600	54,108		54,108	(1,662,492)
FUND BALANCES - DECEMBER 31, 2009	<u>\$1,616,600</u>	<u>\$1,801,913</u>	<u>\$615,420</u>	<u>-</u>	<u>\$615,420</u>	<u>(\$1,186,493)</u>

GAAP serves as the budgetary basis of accounting

City of Bothell
LEOFF 1 Retiree Medical Benefits
Schedule of Funding Progress
For the Year Ended December 31, 2009

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2008	-	\$6,280,456	\$6,280,456	0%	\$584,797	1073.95%
12/31/2009	-	5,987,508	5,987,508	0%	557,520	1073.96%

Combining Financial Statements

The background of the slide is an aerial photograph of a dry, cracked riverbed in a desert landscape. The terrain is characterized by a complex network of dark, winding channels and large, irregular polygons of cracked earth, creating a textured, maze-like appearance. The overall color palette is a range of blues and greys, with the cracks appearing in darker shades against the lighter, cracked soil.

Non-major Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Street Fund – This fund is used to account for all maintenance and operation functions for the City’s transportation system.

Cable TV Fund – This fund is used to account for the local television cable channel provided for city residents.

Drug Forfeiture Fund – This fund is used to account for monies seized during drug policing activities.

Nuisance Abatement Fund – This fund is used to account for nuisance abatement code provisions such as removal of abandoned property.

Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government’s programs.

Cemetery Endowment Fund – This fund accounts for cemetery plot sales, donations, and investment earnings.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

General Obligation Bond Fund – This fund accounts for the retirement of general purpose bonds issued for city facilities or equipment.

Local Improvement District (LID) Guaranty Fund – This fund is used to account for surplus from the LID control fund for the purpose of guaranteeing the payment of local improvement bonds.

City of Bothell
Combining Balance Sheet
Other Governmental Funds
December 31, 2009

Page 1 of 2

	<u>Special Revenue Funds</u>			
	<u>Street</u>	<u>Cable TV</u>	<u>Drug Forfeitures</u>	<u>Nuisance Abatement</u>
ASSETS				
Current cash & cash equivalents	\$141,116	\$11,334	\$950	\$5,387
Investments			2,829	
Receivables (net of allowances)				
Taxes				
Accounts receivable	58,806			
Due from other governmental units	184,498		5,165	
TOTAL ASSETS	<u>\$384,420</u>	<u>\$11,334</u>	<u>\$8,944</u>	<u>\$5,387</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$88,846		\$517	\$894
Compensated absences	32,689			
Payroll payable	28,649			
Unearned revenue				
Total liabilities	<u>150,184</u>	<u>-</u>	<u>517</u>	<u>894</u>
Fund balances				
Unreserved, report in:				
Special revenue funds	234,236	11,334	8,428	4,494
Debt service funds				
Total fund balances	<u>234,236</u>	<u>11,334</u>	<u>8,428</u>	<u>4,494</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$384,420</u>	<u>\$11,334</u>	<u>\$8,944</u>	<u>\$5,387</u>

City of Bothell
Combining Balance Sheet
Other Governmental Funds
December 31, 2009

Special Service Funds Continued	Debt Service Funds		Total Other Governmental Funds
Cemetery Endowment	1997 GO Bond	LID Guaranty	
\$1,434	\$16,204	\$779	\$177,205
82,383			85,212
	24,798		24,798
			58,806
			189,663
<u>\$83,817</u>	<u>\$41,003</u>	<u>\$779</u>	<u>\$535,684</u>
	\$14,972		\$105,228
			32,689
	24,798		28,649
			24,798
-	39,770	-	191,364
83,817			342,309
	1,232	779	2,012
83,817	1,232	779	344,320
<u>\$83,817</u>	<u>\$41,003</u>	<u>\$779</u>	<u>\$535,684</u>

City of Bothell
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Other Governmental Funds
For the Year Ended December 31, 2009

	Special Revenue Funds				
	Street	Cable TV	Drug Forfeitures	Nuisance Abatement	Cemetery Endowment
REVENUES					
Taxes					
Licenses and permits	57,435				
Intergovernmental revenue	843,752				
Interest earnings	1,691		73		761
Charges for services	278,950		5,165		
Other revenue	8,473				
Total revenues	1,190,301	-	5,238	-	761
EXPENDITURES					
Current:					
Transportation	1,574,859				
Other expenditures			8,948	18,924	
Debt service:					
Principal retirement					
Interest					
Total expenditures	1,574,859	-	8,948	18,924	-
Excess of revenue over (under) expenditures	(384,558)		(3,710)	(18,924)	761
OTHER FINANCING SOURCES (USES)					
Transfers in	102,341			15,000	
Transfers out	(132,936)				
Total other financing sources	(30,595)	-	-	15,000	-
Net change in fund balances	(415,153)		(3,710)	(3,924)	761
FUND BALANCES - JANUARY 1, 2009	649,390	11,334	12,138	8,418	83,056
FUND BALANCES - DECEMBER 31, 2009	\$234,236	\$11,334	\$8,428	\$4,494	\$83,817

City of Bothell
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Other Governmental Funds
For the Year Ended December 31, 2009

Debt service Funds		
1997 GO Bond	LID Guaranty	Total Other Governmental Funds
\$613,463		\$613,463
		57,435
		843,752
	779	3,304
		284,115
		8,473
613,463	779	1,810,543
		1,574,859
		27,872
525,000		525,000
211,009		211,009
736,009	-	2,338,741
(122,546)	779	(528,198)
		117,341
	(567,213)	(700,149)
-	(567,213)	(582,808)
(122,546)	(566,434)	(1,111,006)
123,778	567,213	1,455,327
\$1,232	\$779	\$344,320

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Street Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Licenses and permits	185,000	83,000	57,435		57,435	(25,565)
Charges for services	616,900	616,900	278,950		278,950	(337,950)
Intergovernmental revenue	1,880,706	1,831,756	843,752		843,752	(988,004)
Miscellaneous			8,473		8,473	8,473
Interest earnings			1,691		1,691	1,691
Total revenues	<u>2,682,606</u>	<u>2,531,656</u>	<u>1,190,301</u>	<u>-</u>	<u>1,190,301</u>	<u>(1,341,355)</u>
EXPENDITURES						
Current:						
Personnel services	1,494,635	1,494,635	691,887		691,887	802,748
Operating supplies	252,568	252,568	50,757		50,757	201,811
Taxes	900	900	959		959	(59)
Capital outlay	58,000	58,000				58,000
Other services and charges	1,990,170	1,923,570	831,256		831,256	1,092,314
Total expenditures	<u>3,796,273</u>	<u>3,729,673</u>	<u>1,574,859</u>	<u>-</u>	<u>1,574,859</u>	<u>2,154,814</u>
Excess of revenue over (under) expenditures	(1,113,667)	(1,198,017)	(384,558)		(384,558)	813,459
OTHER FINANCING SOURCES (USES)						
Transfers in	512,730	512,730	102,341		102,341	(410,389)
Transfers out	(267,017)	(267,017)	(132,936)		(132,936)	134,081
Total other financing sources	<u>245,713</u>	<u>245,713</u>	<u>(30,595)</u>	<u>-</u>	<u>(30,595)</u>	<u>(276,308)</u>
Net change in fund balances	(867,954)	(952,304)	(415,153)		(415,153)	537,151
FUND BALANCES - JANUARY 1, 2009	1,198,691	1,198,691	649,390		649,390	(549,301)
FUND BALANCES - DECEMBER 31, 2009	<u>\$330,737</u>	<u>\$246,387</u>	<u>\$234,236</u>	<u>-</u>	<u>\$234,236</u>	<u>(\$12,151)</u>

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Cable TV Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Interest earnings	\$20,000	\$2,000				(\$2,000)
Total revenues	<u>20,000</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>
EXPENDITURES						
Current:						
Capital outlays	20,000	11,000				11,000
Total expenditures	<u>20,000</u>	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Excess of revenue over (under) expenditures		(9,000)				9,000
Net change in fund balances		(9,000)				9,000
FUND BALANCES - JANUARY 1, 2009	11,000	11,000	11,334		11,334	334
FUND BALANCES - DECEMBER 31, 2009	<u>\$11,000</u>	<u>\$2,000</u>	<u>\$11,334</u>	<u>-</u>	<u>\$11,334</u>	<u>\$9,334</u>

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Drug Forfeitures Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Charges for services	\$18,200	\$18,200	\$5,165		\$5,165	(\$13,035)
Interest earnings	1,800	1,800	73		73	(1,727)
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>5,238</u>	<u>-</u>	<u>5,238</u>	<u>(14,762)</u>
EXPENDITURES						
Current:						
Personnel services	10,000					
Operating supplies	20,000	14,500	6,028		6,028	8,472
Other services and charges	40,000	5,500	2,921		2,921	2,579
Total expenditures	<u>70,000</u>	<u>20,000</u>	<u>8,948</u>	<u>-</u>	<u>8,948</u>	<u>11,052</u>
Excess of revenue over (under) expenditures	(50,000)		(3,710)		(3,710)	(3,710)
Net change in fund balances	(50,000)		(3,710)		(3,710)	(3,710)
FUND BALANCES - JANUARY 1, 2009	50,600	50,600	12,138		12,138	(38,462)
FUND BALANCES - DECEMBER 31, 2009	<u>\$600</u>	<u>\$50,600</u>	<u>\$8,428</u>	<u>-</u>	<u>\$8,428</u>	<u>(\$42,172)</u>

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Nuisance Abatement Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
EXPENDITURES						
Other services and charges		\$15,000	\$18,924		\$18,924	(\$3,924)
Total expenditures	-	15,000	18,924	-	18,924	(3,924)
Excess of revenue over (under) expenditures		(15,000)	(18,924)		(18,924)	(3,924)
OTHER FINANCING SOURCES (USES)						
Transfers in		15,000	15,000		15,000	
Total other financing sources	-	15,000	15,000	-	15,000	-
Net change in fund balances			(3,924)		(3,924)	(3,924)
FUND BALANCES - JANUARY 1, 2009	10,000	10,000	8,418		8,418	(1,582)
FUND BALANCES - DECEMBER 31, 2009	\$10,000	\$10,000	\$4,494	-	\$4,494	(\$5,506)

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Cemetery Endowment Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Interest earnings	\$4,500	\$4,500	\$761		\$761	(\$3,739)
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>761</u>	<u>-</u>	<u>761</u>	<u>(3,739)</u>
EXPENDITURES						
Other services and charges	4,000	4,000				4,000
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Excess of revenue over (under) expenditures	500	500	761		761	261
Net change in fund balances	500	500	761		761	261
FUND BALANCES - JANUARY 1, 2009	83,000	83,000	83,056		83,056	56
FUND BALANCES - DECEMBER 31, 2009	<u>\$83,500</u>	<u>\$83,500</u>	<u>\$83,817</u>	<u>-</u>	<u>\$83,817</u>	<u>\$317</u>

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
2008 General Obligation Bond Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Taxes	\$1,325,000	\$1,325,000	\$613,463		\$613,463	(\$711,537)
Total revenues	1,325,000	1,325,000	613,463	-	613,463	(711,537)
EXPENDITURES						
Current:						
Principal retirement	1,070,000	1,070,000	525,000		525,000	545,000
Interest	385,000	385,000	211,009		211,009	173,991
Total expenditures	1,455,000	1,455,000	736,009	-	736,009	718,991
Excess of revenue over (under) expenditures	(130,000)	(130,000)	(122,546)		(122,546)	7,454
Net change in fund balances	(130,000)	(130,000)	(122,546)		(122,546)	7,454
FUND BALANCES - JANUARY 1, 2009	132,300	132,300	123,778		123,778	(8,522)
FUND BALANCES - DECEMBER 31, 2009	\$2,300	\$2,300	\$1,232	-	\$1,232	(\$1,068)

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
LID Guaranty Fund
For the Year Ended December 31, 2009

	Budgeted Amounts 2009-2010		2009	2010	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2009-2010 Actuals	Final Budget Positive (Negative)
REVENUES						
Investment interest			\$779		\$779	\$779
Total revenues	-	-	779	-	779	779
Excess of revenues over (under) expenditures			779		779	779
OTHER FINANCING SOURCES (USES)						
Transfers out		(567,213)	(567,213)		(567,213)	
Total other financing sources	-	(567,213)	(567,213)	-	(567,213)	-
Net change in fund balances		(567,213)	(566,434)		(566,434)	779
FUND BALANCES - JANUARY 1, 2009			567,213		567,213	567,213
FUND BALANCES - DECEMBER 31, 2009	-	(\$567,213)	\$779	-	\$779	\$567,992

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Equipment Rental Fund – This fund is used to account for maintenance and replacement costs of city owned vehicles provided to other departments.

Self Insurance Fund – This fund is used to account for administrative costs of the city's self-insurance liability, property insurance risks, and employee benefits.

Asset Replacement Fund – This fund accounts for monies set aside over the useful life of a major asset, to be used for future replacement of the asset.

City of Bothell
Combining Statement of Net Assets
Internal Service Funds
December 31, 2009

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
ASSETS				
Current assets:				
Cash and cash equivalents	\$11,799	\$98,140	\$427,104	\$537,042
Investments	537,102		4,287,364	4,824,466
Due from other government	1,556	5,581	4,000	11,138
Total current assets	<u>550,457</u>	<u>103,721</u>	<u>4,718,468</u>	<u>5,372,646</u>
Non-current assets:				
Restricted				
Capital assets, net of depreciation:				
Equipment - shop			206,348	206,348
Equipment - vehicles			2,397,233	2,397,233
Improvements			918,943	918,943
Total non-current assets	<u>-</u>	<u>-</u>	<u>3,522,523</u>	<u>3,522,523</u>
Total assets	<u>550,457</u>	<u>103,721</u>	<u>8,240,991</u>	<u>8,895,169</u>
LIABILITIES				
Current liabilities:				
Accounts payable	23,721	7,326	32,884	63,931
Payroll payable	14,415	4,538		18,953
Compensated absences	21,530	4,321		25,850
Total liabilities	<u>59,665</u>	<u>16,185</u>	<u>32,884</u>	<u>108,735</u>
NET ASSETS				
Investment in capital assets, net of retained debt			3,522,523	3,522,523
Unrestricted	490,791	87,536	4,685,583	5,263,911
Total net assets	<u>\$490,791</u>	<u>\$87,536</u>	<u>\$8,208,107</u>	<u>\$8,786,434</u>

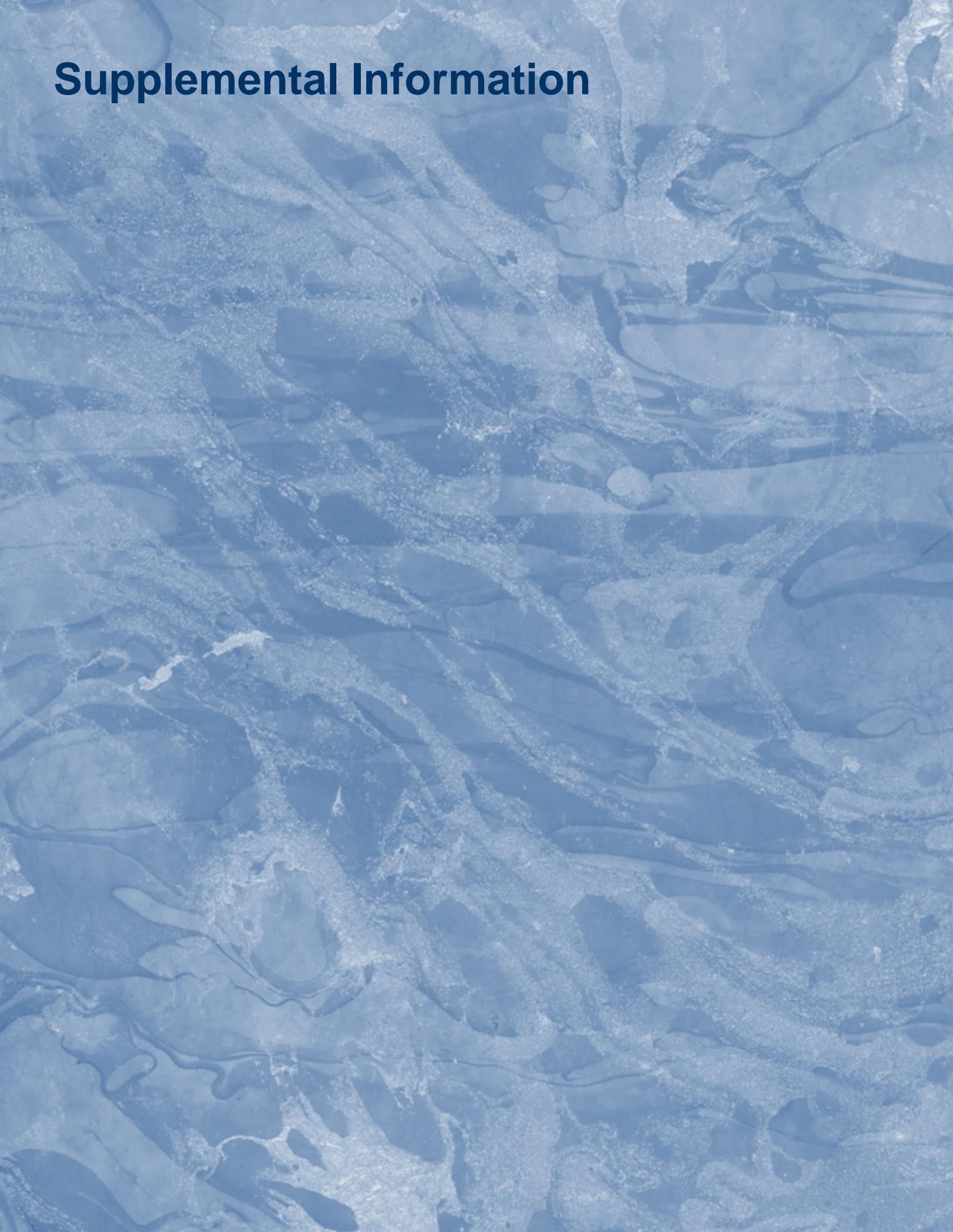
City of Bothell
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2009

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
Operating revenues:				
Charges for services	\$2,890	\$20,071		\$22,961
Intergovernmental revenues	210			210
Total operating revenues	<u>3,099</u>	<u>20,071</u>	<u>-</u>	<u>23,171</u>
Operating expenses:				
Maintenance and operations	556,605		4,964	561,569
Administration	149,238	918,540	11,917	1,079,695
Depreciation & amortization			914,394	914,394
Total operating expenses	<u>705,843</u>	<u>918,540</u>	<u>931,275</u>	<u>2,555,658</u>
Operating income (loss)	<u>(702,744)</u>	<u>(898,469)</u>	<u>(931,275)</u>	<u>(2,532,487)</u>
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets			34,556	34,556
Interest earnings	6,237		13,877	20,114
Total non-operating revenues (expenses)	<u>6,237</u>	<u>-</u>	<u>48,434</u>	<u>54,671</u>
Income (loss) before contributions and transfers	(696,506)	(898,469)	(882,841)	(2,477,817)
Contributed capital				
Transfers in	1,331,464	736,106	908,038	2,975,608
Transfers out	(909,246)			(909,246)
Change in net assets	<u>(274,288)</u>	<u>(162,363)</u>	<u>25,197</u>	<u>(411,455)</u>
Net assets - beginning	765,080	249,899	8,182,910	9,197,889
Net assets - ending	<u>\$490,791</u>	<u>\$87,536</u>	<u>\$8,208,107</u>	<u>\$8,786,434</u>

City of Bothell
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2009

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash paid to employees for services	(\$216,267)	(\$64,794)		(\$281,060)
Cash paid to suppliers for goods and services	(477,035)	(841,545)	(52,218)	(1,370,798)
Net cash provided (used) by operating activities	(693,302)	(906,339)	(52,218)	(1,651,858)
CASH FLOWS FROM NON-OPERATING ACTIVITIES				
Transfers out	(909,246)			(909,246)
Transfers in	1,331,464	736,106	908,038	2,975,608
Net cash provided (used) by non-operating activities	422,218	736,106	908,038	2,066,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets			(483,464)	(483,464)
Proceeds from sales of capital assets			34,556	34,556
Net cash provided (used) by capital and related financing activities	-	-	(448,907)	(448,907)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	183,763		(1,013,877)	(830,114)
Interest and dividends	6,237		13,877	20,114
Net cash provided by investing activities	190,000	-	(1,000,000)	(810,000)
Net increase (decrease) in cash and cash equivalents	(81,084)	(170,233)	(593,087)	(844,404)
Balances - beginning of the year	92,882	268,372	1,020,191	1,381,446
Balances - end of the year	\$11,799	\$98,140	\$427,104	\$537,042
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$702,744)	(\$898,469)	(\$931,275)	(\$2,532,487)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense			914,394	914,394
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	1,334			1,334
Decrease (increase) in due from other governments	(1,556)	(5,581)	(4,000)	(11,138)
Increase (decrease) in accounts payable	(7,146)	(3,684)	(31,337)	(42,167)
Increase (decrease) in compensated absences payable	13,881	1,227		15,109
Increase (decrease) in payroll payable	2,929	168		3,097
Net cash provided by operating activities	(693,302)	(906,339)	(52,218)	(1,651,858)
Noncash investing, capital, and financing activities:				
Increase (decrease) in fair value of investments	-	-	-	-

Supplemental Information



City of Bothell
Schedule of Operations – Budget to Actual
Water Fund
For the Year Ended December 31, 2009

	Budgeted Amounts		2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Total 2009-2010 Actuals	Variance with Final Budget Positive (Negative)
	2009-2010					
	Original	Final				
OPERATING REVENUES						
Intergovernmental revenues		\$7,969	\$9,371		\$9,371	\$1,402
Charges for services	7,202,840	7,177,340	3,731,390		3,731,390	(3,445,950)
Total operating revenues	7,202,840	7,185,309	3,740,761	-	3,740,761	(3,444,548)
OPERATING EXPENSES						
Administrative and general	906,048	905,848	396,760		396,760	509,088
Purchase water	2,735,808	2,735,808	1,330,641		1,330,641	1,405,167
Maintenance and operation	1,464,773	1,464,773	634,687		634,687	830,086
Customer accounts	210,784	210,784	102,777		102,777	108,007
Taxes	660,084	660,084	335,977		335,977	324,107
Capital outlay	3,692,100	4,622,500				4,622,500
Depreciation and amortization	713,000	713,000	370,796		370,796	342,204
Total operating expenses	10,382,597	11,312,797	3,171,637	-	3,171,637	8,141,160
OPERATING INCOME (LOSS)	(3,179,757)	(4,127,488)	569,124	-	569,124	4,696,612
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	110,283	131,000	24,259		24,259	(106,741)
Interest expense	(23,500)	(24,000)	(16,890)		(16,890)	7,110
Total non-operating revenue (expense)	86,783	107,000	7,369	-	7,369	(99,631)
Income (loss) before contributions and transfers	(3,092,974)	(4,020,488)	576,494		576,494	4,596,982
Transfers out	(479,693)	(479,693)	(234,607)		(234,607)	245,086
Contributions			25,000		25,000	25,000
Net assets - beginning, January 1, 2009	4,649,352	4,649,352	12,500,027		12,500,027	7,850,675
Net assets - ending, December 31, 2009	\$1,076,685	\$149,171	\$12,866,914	-	\$12,866,914	\$12,717,743

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, 2009

	2009-2010 Budgeted Amounts		2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Total 2009-2010 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
OPERATING REVENUES						
Intergovernmental revenues			\$4,716		\$4,716	\$4,716
Charges for services	10,203,046	10,113,046	4,913,071		4,913,071	(5,199,975)
Total operating revenues	10,203,046	10,113,046	4,917,787	-	4,917,787	(5,195,259)
OPERATING EXPENSES						
Administrative and general	625,545	625,545	265,823		265,823	359,722
Metro service	6,339,797	6,339,797	3,014,741		3,014,741	3,325,056
Maintenance and operation	1,219,451	1,219,451	532,388		532,388	687,063
Customer accounts	211,799	211,799	100,717		100,717	111,082
Taxes	609,851	609,851	268,389		268,389	341,462
Capital outlay	4,432,000	3,714,000				3,714,000
Depreciation and amortization	468,000	468,000	254,518		254,518	213,482
Total operating expenses	13,906,443	13,188,443	4,436,576	-	4,436,576	8,751,867
OPERATING INCOME (LOSS)	(3,703,397)	(3,075,397)	481,212	-	481,212	3,556,609
NON-OPERATING REVENUE (EXPENSE)						
Investment earnings	110,513	133,000	20,208		20,208	(112,792)
Total non-operating revenue (expense)	110,513	133,000	20,208	-	20,208	(112,792)
Income (loss) before contributions and transfers	(3,592,884)	(2,942,397)	501,419		501,419	3,443,816
Operating transfers out	(796,203)	(796,203)	(393,571)		(393,571)	402,632
Contributions			32,000		32,000	32,000
Net assets - beginning, January 1, 2009	5,031,475	5,031,475	11,158,043		11,158,043	6,126,568
Prior year adjustment						
Net assets - ending, December 31, 2009	\$642,388	\$1,292,875	\$11,297,891	-	\$11,297,891	\$10,005,016

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, 2009

	2009-2010		2009	2010	Total	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	Actual Amounts	2009-2010	
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	
OPERATING REVENUES						
Intergovernmental revenues	\$48,000	\$335,242	\$183,187		\$183,187	(\$152,055)
Charges for services	3,918,100	5,164,000	2,478,439		2,478,439	(2,685,561)
Other		21,650	21,650		21,650	
Total operating revenues	3,966,100	5,520,892	2,683,276	-	2,683,276	(2,837,616)
OPERATING EXPENSES						
Administrative and general	1,459,434	1,459,434	973,216		973,216	486,218
Maintenance and operation	1,820,303	1,870,303	775,158		775,158	1,095,145
Taxes	50,000	50,000	26,077		26,077	23,923
Capital outlay	5,098,000	4,890,000				4,890,000
Depreciation and amortization	555,000	555,000	320,058		320,058	234,942
Total operating expenses	8,982,737	8,824,737	2,094,509	-	2,094,509	6,730,228
OPERATING INCOME (LOSS)	(5,016,637)	(3,303,845)	588,767	-	588,767	3,892,612
NON-OPERATING REVENUE (EXPENSE)						
Loan	2,428,000	2,282,000				
Investment earnings	58,216	82,000	17,780		17,780	(64,220)
Interest expense	(145,800)	(11,000)				11,000
Total non-operating revenue (expense)	2,340,416	71,000	17,780	-	17,780	(53,220)
Income (loss) before contributions and transfers	(2,676,221)	(3,232,845)	606,547		606,547	3,839,392
Operating transfers out	(992,475)	(992,475)	(490,372)		(490,372)	502,103
Contributions			157,200		157,200	157,200
Net assets - beginning, January 1, 2009	4,764,374	4,764,374	10,166,636		10,166,636	5,402,262
Prior year adjustment						
Net assets - ending, December 31, 2009	\$1,095,678	\$539,054	\$10,440,011	-	\$10,440,011	\$9,900,957

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, 2009

	2009-2010 Budgeted Amounts		2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Total 2009-2010 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
OPERATING REVENUES						
Charges for services			\$2,890		\$2,890	\$2,890
Intergovernmental revenue			210		210	210
Total operating revenues	-	-	3,099	-	3,099	3,099
OPERATING EXPENSES						
Administrative and general	218,589	218,589	149,238		149,238	69,351
Maintenance and operation	1,275,722	1,275,722	556,605		556,605	719,117
Depreciation	30,000	30,000				30,000
Total operating expenses	1,524,311	1,524,311	705,843	-	705,843	818,468
OPERATING INCOME (LOSS)	(1,524,311)	(1,524,311)	(702,744)	-	(702,744)	821,567
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	27,000	27,000	6,237		6,237	(20,763)
Total non-operating revenue (expense)	27,000	27,000	6,237	-	6,237	(20,763)
Income (loss) before contributions and transfers	(1,497,311)	(1,497,311)	(696,506)		(696,506)	800,805
Transfers out	(1,818,521)	(1,818,521)	(909,246)		(909,246)	909,275
Transfers in	2,662,928	2,662,928	1,331,464		1,331,464	(1,331,464)
Net assets - beginning, January 1, 2009	1,420,010	1,420,010	765,080		765,080	(654,930)
Net assets - ending, December 31, 2009	\$767,106	\$767,106	\$490,791	-	\$490,791	(\$276,315)

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, 2009

	2009-2010 Budgeted Amounts		2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Total 2009-2010 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
OPERATING REVENUES						
Charges for services	\$24,304	\$24,304	\$20,071		\$20,071	(\$4,233)
Total operating revenues	24,304	24,304	20,071	-	20,071	(4,233)
OPERATING EXPENSES						
Administrative and general	1,364,937	1,364,937	630,710		630,710	734,227
Health insurance services	694,800	694,800	287,830		287,830	406,970
Total operating expenses	2,059,737	2,059,737	918,540	-	918,540	1,141,197
OPERATING INCOME (LOSS)	(2,035,433)	(2,035,433)	(898,469)	-	(898,469)	1,136,964
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	30,400	30,400				(30,400)
Total non-operating revenue (expense)	30,400	30,400	-	-	-	(30,400)
Income (loss) before contributions and transfers	(2,005,033)	(2,005,033)	(898,469)		(898,469)	1,106,564
Transfers in	1,796,732	1,796,732	736,106		736,106	(1,060,626)
Net assets - beginning, January 1, 2009	365,342	365,342	249,899		249,899	(115,443)
Net assets - ending, December 31, 2009	\$157,041	\$157,041	\$87,536	-	\$87,536	(\$69,504)

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, 2009

	2009-2010 Budgeted Amounts		2009 Actual Amounts Budgetary Basis	2010 Actual Amounts Budgetary Basis	Total 2009-2010 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
OPERATING EXPENSES						
Capital outlay	\$2,398,898	\$2,398,898				\$2,398,898
Maintenance and operations			4,964		4,964	(4,964)
Administrative and general	158,424	158,424	11,917		11,917	146,507
Depreciation	1,015,000	1,015,000	914,394		914,394	100,606
Total operating expenses	<u>3,572,322</u>	<u>3,572,322</u>	<u>931,275</u>	<u>-</u>	<u>931,275</u>	<u>2,641,047</u>
OPERATING INCOME (LOSS)	<u>(3,572,322)</u>	<u>(3,572,322)</u>	<u>(931,275)</u>	<u>-</u>	<u>(931,275)</u>	<u>2,641,047</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest earnings	369,300	369,300	13,877		13,877	(355,423)
Loan	(2,428,000)	(2,428,000)				2,428,000
Proceeds from the sale of capital assets	21,200	21,200	34,556		34,556	13,356
Total non-operating revenue (expense)	<u>(2,037,500)</u>	<u>(2,037,500)</u>	<u>48,434</u>	<u>-</u>	<u>48,434</u>	<u>2,085,934</u>
Income (loss) before contributions and transfers	<u>(5,609,822)</u>	<u>(5,609,822)</u>	<u>(882,841)</u>		<u>(882,841)</u>	<u>4,726,981</u>
Transfers in	1,816,076	1,816,076	908,038		908,038	(908,038)
Transfers out						
Net assets - beginning, January 1, 2009	6,794,169	6,794,169	8,182,910		8,182,910	1,388,741
Net assets - ending, December 31, 2009	<u>\$3,000,423</u>	<u>\$3,000,423</u>	<u>\$8,208,107</u>	<u>-</u>	<u>\$8,208,107</u>	<u>\$5,207,684</u>

This schedule is presented as supplemental information
Supplemental Information 6

City of Bothell
Schedule 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Grantor/Pass Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenditures		
			Direct	Pass-Through	Total
Department of Homeland Security/Washington State Military Department <u>Disaster Grants - Public Assistance (97.036)</u>					
Public Assistance Grant for Dec 2008-Jan 2009 Snowstorm	97.036	D09-447		\$109,387	\$109,387
Department of Homeland Security/Washington State Military Department <u>Emergency Management Performance Grant (97.042)</u>					
Emergency Management Performance Grant	97.042	E08-299		19,462	19,462
Emergency Management Performance Grant	97.042	E09-255		12,196	12,196
		Subtotal	-	31,658	31,658
Department of Homeland Security/City of Seattle Police Department <u>Homeland Security Grant Program (97.067)</u>					
Urban Area Security Initiative (UASI)	97.067	E08-107		2,840	2,840
Department of Homeland Security Total:			-	143,885	143,885
Department of Transportation/Washington State DOT <u>Highway Planning & Construction (20.205)</u>					
240th Street Bridge Replacement	20.205	BRM-2459 (001)		13,743	13,743
Citywide ITS Improvements	20.205	CM-0110 (006)		104,540	104,540
North Creek Trail - Stage 1	20.205	STPUL-CM-0110 (005)		9,816	9,816
North Creek Trail Section 1, Stage 2	20.205	CM-0110 (008)		13,678	13,678
North Creek Trail Section 2, Stage 2	20.205	CM-0110 (007)		326,250	326,250
SR522 - Widening & Realignment @ Wayne Curve	20.205	STPF-0522 (032)		596,558	596,558
SR522 Multi-Modal Corridor - Stage 2	20.205	STPUL-0522 (051)		136,643	136,643
SR524 Filbert Road	20.205	ER-0801 (133)		20,931	20,931
SR527 Improvements	20.205	HPP-0527 (006)		406,893	406,893
SR527 Improvements	20.205	STPUL-0527 (005)		92,852	92,852
SR527 Signal System Interconnect Project	20.205	STPUL-0527 (003)		76,773	76,773
		Subtotal	-	1,798,677	1,798,677
American Recovery & Reinvestment Act (ARRA)/Department of Transportation/Washington State DOT <u>ARRA Highway Planning & Construction (20.205)</u>					
North Creek Trail Section 2, Stage 2, Phase 2	20.205	ARRA-0110 (009)		11,362	11,362
Department of Transportation/Washington Association of Sheriffs & Police Chiefs <u>State & Community Highway Safety (20.600)</u>					
WASPC Traffic Safety Grant	20.600	NA		799	799
Department of Transportation Total:			-	1,810,838	1,810,838
Total Federal Assistance for 2009:			-	\$1,954,723	\$1,954,723

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.

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

Expenditures for programs with "ARRA" indicated in the program title were funded by ARRA.

NA = Not Available

City of Bothell
Schedule 16
Schedule of State and Local Financial Assistance
For the Year Ended December 31, 2009

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
Department of Ecology			
Bothell Crossroads Contamination	334.03.10	G0900245	\$238,624
Bothell Local Government Stormwater Grant	334.03.10	G0800296	20,046
Comprehensive Shoreline Master Program Update	334.03.10	G1000013	10,432
Coordinated Prevention Grant (Regular Cycle)	334.03.10	G0800282	26,540
Coordinated Prevention Grant (Off Cycle)	334.03.10	G0900179	9,529
Department of Ecology Total:			305,171
Department of Health			
EMS Prehospital Participation Grant	334.04.90	FY09 (17M04)	1,726
Department of Health Total:			1,726
Department of Transportation (WSDOT)			
Commute Trip Reduction	334.03.20	GCA-5395	21,108
Department of Transportation (WSDOT) Total:			21,108
King Conservation District			
North Creek Confluence Habitat Improvement	337.07.00	NA	19,907
Youth Water Education/Conservation	337.07.00	NA	5,000
King Conservation District Total:			24,907
King County			
Hazardous Waste Management Program	337.07.00	D37966D	12,334
Injury Prevention Mini-Grant	337.09.01	D39023D	5,493
Waste Reduction & Recycling	337.07.00	D36966D	33,959
King County Total:			51,786
State Military Department			
Public Assistance Grant for Dec 2008-Jan 2009 Snowstorm	334.01.80	D09-447	18,231
State Military Department Total:			18,231
Transportation Improvement Board			
240th Street Sidewalk Project	334.03.80	P-P-114 (P03)-1	129,257
East Riverside Drive Sidewalk Project	334.03.80	P-P-114 (P04)-1	63,552
SR522 - NE 180th Street to Western City Limits	334.03.80	9-P-114 (004)-1	418,299
Transportation Improvement Board Total:			611,108
Total State & Local Financial Assistance for 2009:			\$1,034,037

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.

NA = Not Available

City of Bothell
General Obligation Bonds
Refunding 2008
December 31, 2009

Year Ended December 31, 2009	Interest Rate Range	Interest June 1	Interest December 1	Principal December 1	Total Debt Service
2010	3.25 to 4%	\$89,831	\$89,831	\$545,000	\$724,663
2011	3.5 to 4%	80,975	80,975	560,000	721,950
2012	3.5 to 4%	71,175	71,175	580,000	722,350
2013	3.5 to 4%	61,025	61,025	605,000	727,050
2014	3.625 to 4%	50,438	50,438	620,000	720,875
2015	3.75 to 4%	39,200	39,200	640,000	718,400
2016	4%	27,200	27,200	665,000	719,400
2017	4%	13,900	13,900	695,000	722,800
	Total	\$433,744	\$433,744	\$4,910,000	\$5,777,488

City of Bothell
Public Works Trust Fund Loan
PW-98-791-007
December 31, 2009

<u>Year Ended December 31, 2009</u>	<u>Interest Rate</u>	<u>Interest July 1</u>	<u>Principal July 1</u>	<u>Total Debt Service</u>
2010	1%	\$10,134	\$112,599	\$122,733
2011	1%	9,008	112,599	121,607
2012	1%	7,882	112,599	120,481
2013	1%	6,756	112,599	119,355
2014	1%	5,630	112,599	118,229
2015	1%	4,504	112,599	117,103
2016	1%	3,378	112,599	115,977
2017	1%	2,252	112,599	114,851
2018	1%	1,126	112,599	113,725
	Total	\$50,669	\$1,013,388	\$1,064,058

City of Bothell
Summary of Changes in Assets and Liabilities
Agency Trust Fund
For the Year Ended December 31, 2009

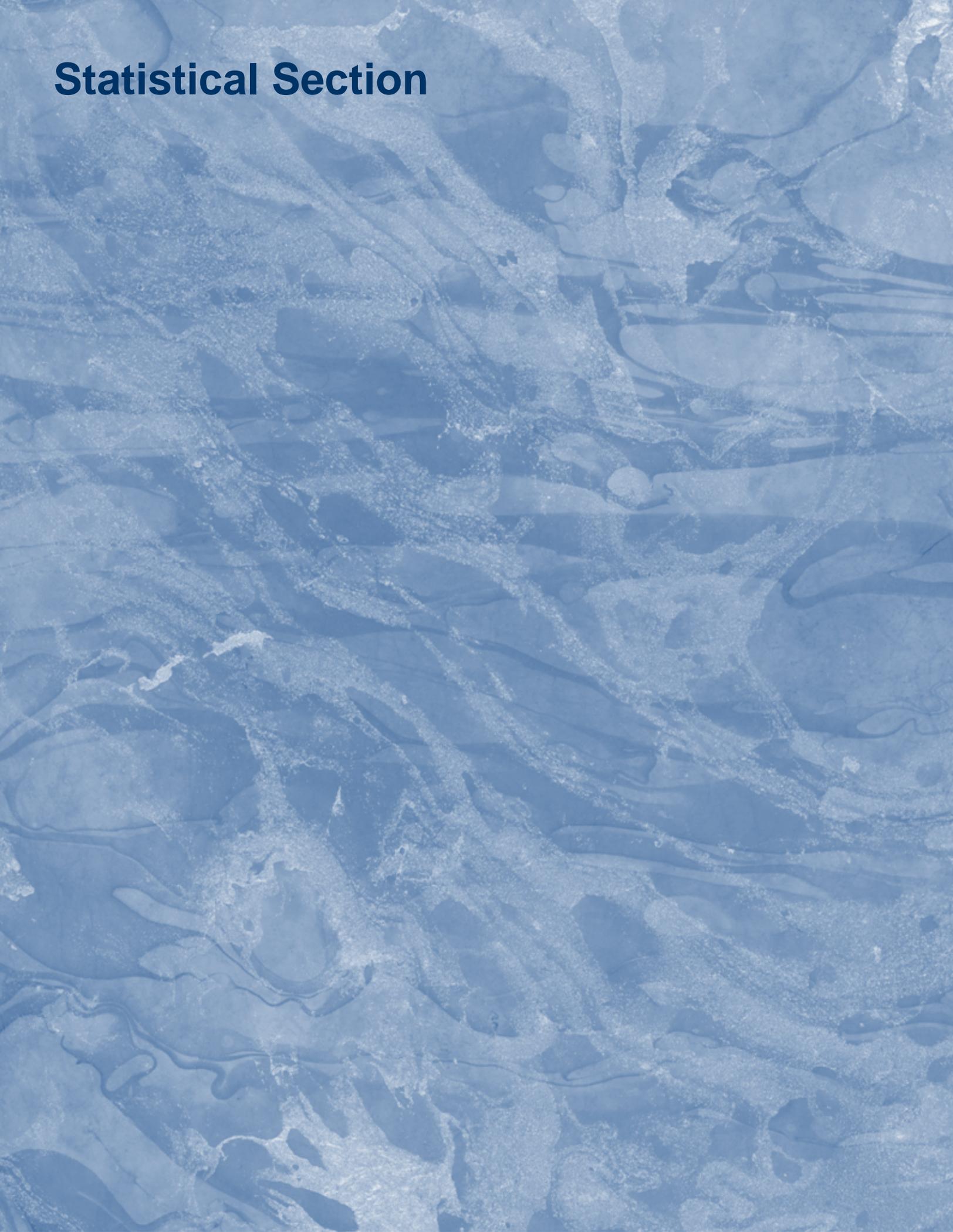
	<u>Balance 1/1/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2009</u>
Assets:				
Cash	\$8,915	\$5,255,479	\$4,460,481	\$803,914
Investments	1,953,119	272,802	1,610,000	615,920
Total Assets	<u>\$1,962,034</u>	<u>\$5,528,281</u>	<u>\$6,070,481</u>	<u>\$1,419,834</u>
Liabilities:				
Accounts payable	\$37,603	\$1,092,935	\$1,088,156	\$32,824
Funds held in trust	1,439,477	2,337,036	1,784,600	887,041
Other liabilities	484,954		15,015	499,969
Total Liabilities	<u>\$1,962,034</u>	<u>\$3,429,971</u>	<u>\$2,887,771</u>	<u>\$1,419,834</u>

City of Bothell
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget to Actual
Capital Improvements Fund
For the Year Ended December 31, 2009

	2009-2010		2009	2010	Total	Variance with
	Budgeted Amounts					
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Taxes	\$4,680,000	\$3,252,000	\$1,057,683		\$1,057,683	(\$2,194,317)
Intergovernmental revenues	39,106,000	20,425,000	2,720,895		2,720,895	(17,704,105)
Charges for services			162,760		162,760	162,760
Investment interest	376,000	376,000	224,836		224,836	(151,164)
Proceeds from sale of capital assets	200,000	220,000				(220,000)
Rents		450,000	446,101		446,101	(3,899)
Contributions	422,000	17,000	17,105		17,105	105
Total revenues	44,784,000	24,740,000	4,629,380	-	4,629,380	(20,110,620)
EXPENDITURES						
Current:						
Capital outlay	45,182,840	74,395,900	31,713,481		31,713,481	42,682,419
Interest expense		350,000				350,000
Total expenditures	45,182,840	74,745,900	31,713,481	-	31,713,481	43,032,419
Excess of revenue over (under) expenditures	(398,840)	(50,005,900)	(27,084,101)		(27,084,101)	22,921,799
OTHER FINANCING SOURCES (USES)						
Bond Anticipation Notes		20,000,000				(20,000,000)
Transfers in	2,751,000	7,188,900	4,566,964		4,566,964	(2,621,936)
Transfers out	(1,574,000)		(91,435)		(91,435)	(91,435)
Total other financing sources	1,177,000	27,188,900	4,475,529	-	4,475,529	(22,713,371)
Net change in fund balances	778,160	(22,817,000)	(22,608,572)		(22,608,572)	208,428
FUND BALANCES - JANUARY 1, 2009	23,173,232	23,173,232	24,686,299		24,686,299	1,513,067
FUND BALANCES - DECEMBER 31, 2009	\$23,951,392	\$356,232	\$2,077,727	-	\$2,077,727	\$1,721,495

This schedule is presented as supplemental information
Supplemental Information 12

Statistical Section

The background of the page is an aerial photograph of a river delta, showing a complex network of channels and distributaries. The entire image is overlaid with a semi-transparent blue filter, which softens the colors and creates a monochromatic effect. The text 'Statistical Section' is positioned in the upper left corner in a bold, dark blue font.

Statistical Section

This part of the City of Bothell’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information says about the City’s overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	1
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	5
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	11
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place and to help make comparisons over time and with other governments.	19
Operating Information These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.	21

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

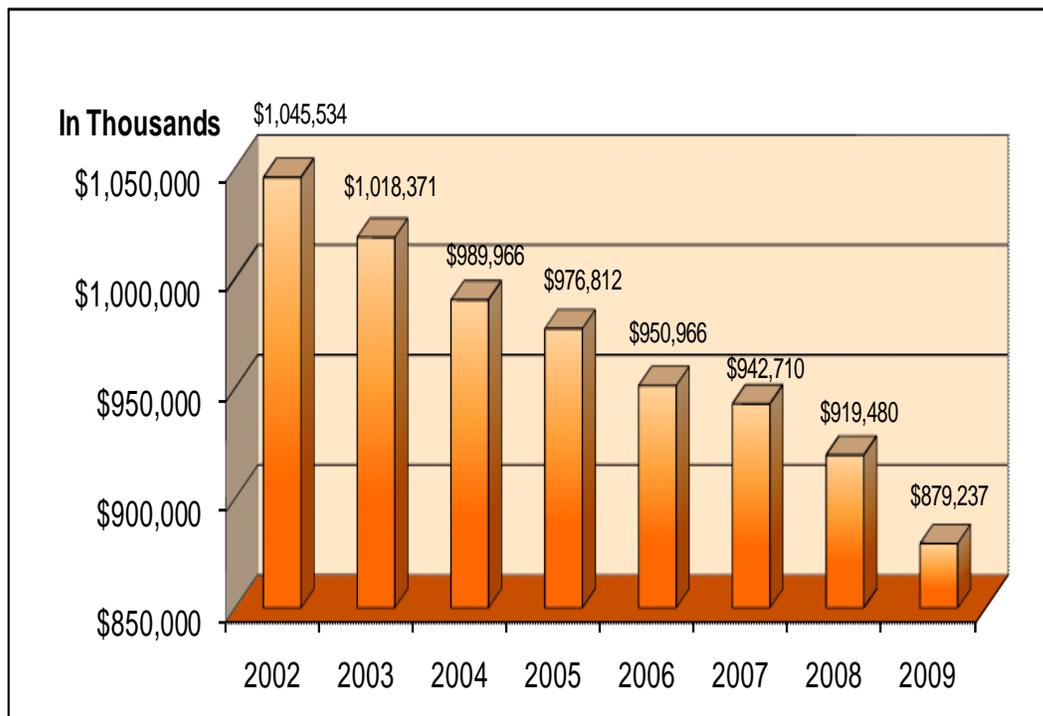
City of Bothell

Net Assets by Component

Last Eight Fiscal Years

(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities								
Invested in capital assets, net of related debt	\$986,435,737	\$957,239,957	\$926,564,388	\$908,007,883	\$872,520,256	\$851,902,746	\$841,148,841	\$829,995,723
Restricted	367,399	358,713	536,635	515,178				
Unrestricted	33,517,097	34,527,209	35,923,716	39,434,906	46,594,330	56,832,220	44,506,169	14,636,710
Total governmental activities net assets	1,020,320,233	992,125,879	963,024,739	947,957,967	919,114,586	908,734,966	885,655,008	844,632,433
Business-type activities								
Invested in capital assets, net of related debt	19,105,935	19,344,446	19,505,269	20,160,168	22,312,164	22,148,994	22,894,341	25,684,286
Restricted	45,950	45,950	45,950	45,960	45,960	45,960	45,960	
Unrestricted	6,062,075	6,854,312	7,390,151	8,648,183	9,493,206	11,780,119	10,884,406	8,920,530
Total business-type activities net assets	25,213,960	26,244,708	26,941,370	28,854,311	31,851,330	33,975,073	33,824,706	34,604,816
Primary government								
Invested in capital assets, net of related debt	1,005,541,672	976,584,403	946,069,657	928,168,051	894,832,420	874,051,740	864,043,182	855,680,009
Restricted	413,349	404,663	582,585	561,138	45,960	45,960	45,960	
Unrestricted	39,579,172	41,381,521	43,313,867	48,083,089	56,087,536	68,612,339	55,390,573	23,557,239
Total primary government net assets	\$1,045,534,193	\$1,018,370,587	\$989,966,109	\$976,812,278	\$950,965,916	\$942,710,039	\$919,479,714	\$879,237,248



City of Bothell

Change in Net Assets

Last Eight Fiscal Years

(accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Expenses - Governmental activities								
General government	\$5,443,786	\$6,194,411	\$6,459,084	\$6,795,788	\$7,286,832	\$7,590,440	\$9,462,780	\$9,413,427
Security of persons and property	13,179,554	14,205,576	16,513,236	16,624,606	16,716,844	18,356,633	19,342,241	20,646,387
Physical environment	2,250,105	2,053,136	4,706,457	3,127,375	5,680,934	3,466,656	4,626,024	6,262,903
Transportation	3,258,334	35,842,309	34,035,627	24,857,528	34,309,036	38,300,146	38,946,938	42,394,908
Economic environment	2,799,741	1,880,106	2,184,275	2,100,999	2,583,146	3,808,101	3,413,764	3,026,618
Culture and recreation								
Interest on long-term debt	827,705	489,954	551,882	511,467	362,317	327,703	229,262	213,348
Total governmental activities	27,759,225	60,665,492	64,450,561	54,017,763	66,939,110	71,849,679	76,021,008	\$81,957,592
Business-type activities								
Water	2,797,684	2,653,301	3,031,706	2,291,688	2,944,338	2,878,560	3,150,986	3,188,527
Sewer	3,042,798	3,052,256	3,179,756	3,473,410	3,318,782	3,965,202	4,099,024	4,436,576
Storm Drain	1,100,330	976,137	1,181,700	1,141,388	1,229,997	1,323,861	1,645,670	2,094,509
Total business-type activities	6,940,812	6,681,694	7,393,162	6,906,486	7,493,117	8,167,623	8,895,680	9,719,612
Total primary government expenses	\$34,700,037	\$67,347,186	\$71,843,723	\$60,924,249	\$74,432,227	\$80,017,302	\$84,916,688	\$91,677,203
Program Revenues - Governmental activities								
Charges for services								
General government	\$1,092,590	\$1,276,148	\$1,255,310	\$1,369,104	\$2,109,872	\$2,063,843	\$1,686,890	\$1,858,979
Security of persons and property	1,486,127	1,693,054	2,637,365	1,301,166	1,634,128	1,652,887	2,084,447	1,901,973
Physical environment	887,101	746,039	834,657	1,132,053	1,425,625	1,544,277	1,420,714	2,330,963
Transportation	423,687	241,270	630,191	923,975	858,310	1,932,005	1,764,671	79,707
Economic environment	599,624	722,659	925,573	1,193,016	1,582,638	1,806,077	1,713,091	1,390,869
Culture and recreation	212,067	174,553	122,515	144,427	157,648	143,191	149,021	225,350
Operating grants and contributions	3,300,874	575,740	872,463	1,106,751	402,018	846,560	525,398	357,367
Capital grants and contributions	462,331	571,787	333,556	652,446	5,642,460	12,983,232	12,229,943	3,064,379
Total governmental activities program revenues	8,464,401	6,001,250	7,611,630	7,822,938	13,812,699	22,972,072	21,574,175	11,209,588
Business-type activities								
Charges for services								
Water	3,074,326	3,202,248	3,259,509	3,004,837	3,995,496	3,786,422	3,377,642	3,731,390
Sewer	3,406,227	3,514,127	3,564,534	4,092,654	4,257,167	4,607,172	4,448,313	4,913,071
Storm Drain	1,642,076	1,461,784	1,733,226	1,806,901	1,837,048	1,730,963	1,753,920	2,478,439
Operating grants and contributions								
Capital grants and contributions	29,007			306,945	649,239	729,022	787,526	411,475
Total business-type activities program revenue	8,151,636	8,178,159	8,557,269	9,211,337	10,738,950	10,853,579	10,367,401	11,534,375
Total primary government program revenues	\$16,616,037	\$14,179,409	\$16,168,899	\$17,034,275	\$24,551,649	\$33,825,651	\$31,941,576	\$22,743,963
Net (Expense)/Revenue								
Governmental activities	(\$19,294,824)	(\$54,664,242)	(\$56,838,931)	(\$46,194,825)	(\$53,126,411)	(\$48,877,607)	(\$54,446,834)	(\$70,748,004)
Business-type activities	1,210,824	1,496,465	1,164,107	2,304,851	3,245,833	2,685,956	1,471,721	1,814,763
Total primary government net expense	(18,084,000)	(53,167,777)	(55,674,824)	(43,889,974)	(49,880,577)	(46,191,650)	(52,975,113)	(68,933,241)
General Revenue and Other Changes in Net Assets								
Governmental activities								
Taxes								
Property tax	7,610,308	8,468,939	9,363,115	9,792,823	11,294,149	13,745,959	9,979,056	9,480,272
Excise tax	9,481,312	8,795,760	9,355,346	11,040,881	13,035,096	12,875,394	11,731,999	9,842,288
Business tax	5,957,591	5,783,829	6,433,375	6,689,465	6,971,731	7,105,751	7,085,015	7,312,792
Unrestricted grants and contributions	138,334							
Investment earnings	815,546	476,394	391,823	1,103,359	2,340,709	2,766,765	1,627,957	1,055,739
Miscellaneous	775,392	1,677,683	1,414,231	1,953,704	737,447	1,010,077	1,020,245	915,788
Transfers	794,916	518,903	521,153	547,823	797,483	899,556	959,111	1,118,550
Total governmental activities	25,573,399	25,721,508	27,479,043	31,128,055	35,176,613	38,403,500	32,403,383	29,725,430
Business-type activities								
Investment earnings	64,546	47,456	53,708	155,914	256,904	337,341	180,799	62,247
Miscellaneous	2,732	5,731						21,650
Transfers	(794,916)	(518,903)	(521,153)	(547,823)	(797,483)	(899,556)	(959,111)	(1,118,550)
Total business-type activities	(727,638)	(465,716)	(467,445)	(391,909)	(540,579)	(562,215)	(778,311)	(1,034,652)
Total primary government	\$24,845,761	\$25,255,792	\$27,011,598	\$30,736,146	\$34,636,035	\$37,841,286	\$31,625,072	\$28,690,778
Change in Net Assets								
Governmental activities	\$6,278,575	(\$28,942,734)	(\$29,359,888)	(\$15,066,770)	(\$17,949,797)	(\$10,474,106)	(\$22,043,451)	(\$41,022,574)
Business-type activities	483,186	1,030,749	696,662	1,912,942	2,705,255	2,123,742	693,410	780,109
Total primary government	\$6,761,761	(\$27,911,985)	(\$28,663,226)	(\$13,153,828)	(\$15,244,543)	(\$8,350,365)	(\$21,350,042)	(\$40,242,465)

Schedules comply with GASB 34 implementation or 10 years
Statistical Information 2

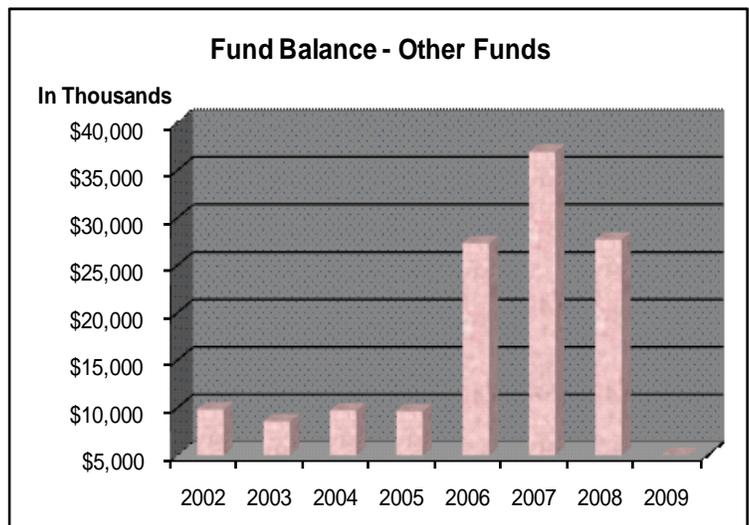
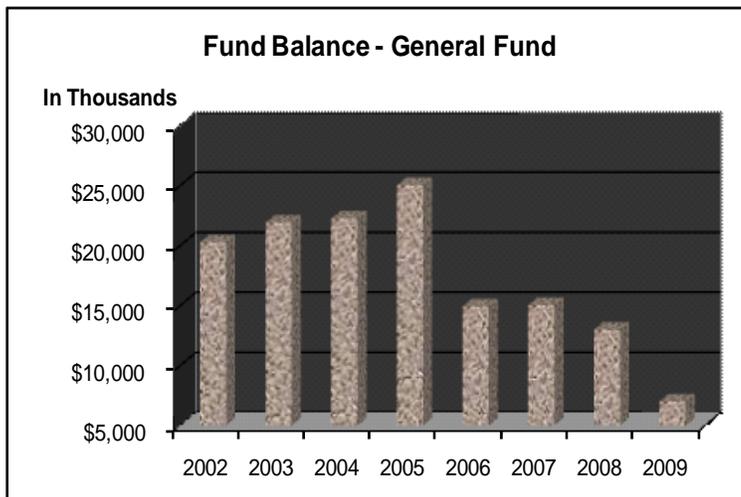
City of Bothell

Fund Balances of Governmental Funds

Last Eight Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
General Fund								
Reserved	\$367,399	\$358,713	\$536,635	\$515,178				
Unreserved	19,883,978	21,524,521	21,684,097	24,488,474	14,911,218	15,014,982	12,955,076	6,994,173
Total general fund	\$20,251,377	\$21,883,234	\$22,220,732	\$25,003,652	\$14,911,218	\$15,014,982	\$12,955,076	\$6,994,173
All Other Governmental Funds								
Unreserved								
Special revenue funds	\$4,554,530	\$3,198,861	\$3,324,460	\$3,717,526	\$3,866,507	\$4,693,599	\$2,320,927	\$2,124,745
Debt service funds	905,552	486,126	549,539	436,662	249,682	474,567	690,991	2,012
Capital projects funds	4,351,293	4,852,793	5,826,040	5,478,620	23,179,317	31,767,467	24,686,299	2,077,727
Total all other governmental funds	\$9,811,375	\$8,537,780	\$9,700,039	\$9,632,808	\$27,295,506	\$36,935,634	\$27,698,218	\$4,204,485



City of Bothell

Changes in Fund Balances of Governmental Funds

Last Eight Fiscal Years

(modified accrual basis of accounting)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Revenues								
Taxes	\$22,829,721	\$23,048,527	\$24,512,757	\$26,853,571	\$30,572,126	\$32,970,598	\$28,070,855	\$26,635,353
Licenses and permits	772,333	873,403	784,012	1,086,365	1,819,235	1,600,669	1,280,479	989,656
Intergovernmental	5,204,379	2,553,753	4,011,325	3,782,791	7,281,784	15,525,563	14,260,853	5,766,032
Charges for services	2,698,161	2,465,055	3,299,441	3,432,694	4,362,883	5,877,417	5,438,718	3,617,008
Fines and forfeitures	319,550	409,791	447,781	322,144	343,486	443,007	396,602	436,520
Interest earnings	768,248	436,419	398,759	993,181	2,107,757	2,590,040	1,555,854	1,033,628
Proceeds from the sale of capital assets	22,357	27,435	12,420	47,289	1,064	750	12,399	501
Contributions						471,276	132,230	30,706
Other revenue	561,819	739,835	441,708	622,453	403,877	416,493	802,892	805,466
Total revenues	33,176,568	30,554,218	33,908,203	37,140,488	46,892,211	59,895,814	51,950,883	39,314,871
Expenditures								
General government	5,202,863	5,321,164	5,913,630	6,075,203	6,306,333	6,919,113	8,102,794	8,074,767
Security of persons and property	12,599,524	13,176,418	14,923,213	14,939,138	15,344,949	16,837,363	17,894,731	18,984,021
Transportation	3,114,858	1,068,423	1,379,542	1,371,919	1,639,542	1,463,468	1,601,855	1,574,859
Physical environment	2,151,025	1,715,425	1,880,697	2,245,469	2,914,337	3,179,940	3,614,666	3,675,595
Economic environment	2,676,459	1,794,739	2,039,339	1,942,086	2,433,653	2,749,084	3,203,110	2,853,133
Bond issue costs							73,595	
Debt service								
Interest	827,705	489,954	551,882	511,467	362,317	327,703	117,539	213,348
Principal	666,429	1,457,879	860,871	2,843,862	768,862	483,862	668,862	558,862
Other expenditures	1,270	225,572	1,453	569		18,264	80,743	27,872
Capital outlay	3,536,845	3,250,992	3,864,122	3,856,465	8,059,038	16,441,760	25,199,063	31,859,238
Total expenditures	30,776,978	28,500,566	31,414,749	33,786,178	37,829,031	48,420,557	60,556,958	67,821,695
Excess of revenue over (under) expenditures	2,399,590	2,053,652	2,493,454	3,354,310	9,063,180	11,475,257	(8,606,075)	(28,506,824)
Other Financing Sources (Uses)								
Refunding bonds issued							6,070,000	
Premium on refunding bonds							123,226	
Payment to refunded bond escrow agent							(6,116,354)	
Transfers in	1,768,956	1,561,846	1,927,746	1,643,955	18,343,405	4,067,571	1,992,268	5,880,761
Transfers out	(2,845,584)	(2,846,141)	(3,180,191)	(2,282,575)	(19,836,319)	(5,893,424)	(3,720,477)	(6,828,573)
Total other financing sources uses	(1,076,628)	(1,284,295)	(1,252,445)	(638,620)	(1,492,914)	(1,825,853)	(1,651,337)	(947,812)
Net change in fund balances	\$1,322,962	\$769,357	\$1,241,009	\$2,715,690	\$7,570,266	\$9,649,404	(\$10,257,412)	(\$29,454,636)
Debt service as a percentage of noncapital expenditures	5.5%	7.7%	5.1%	11.2%	3.8%	2.5%	2.2%	2.1%

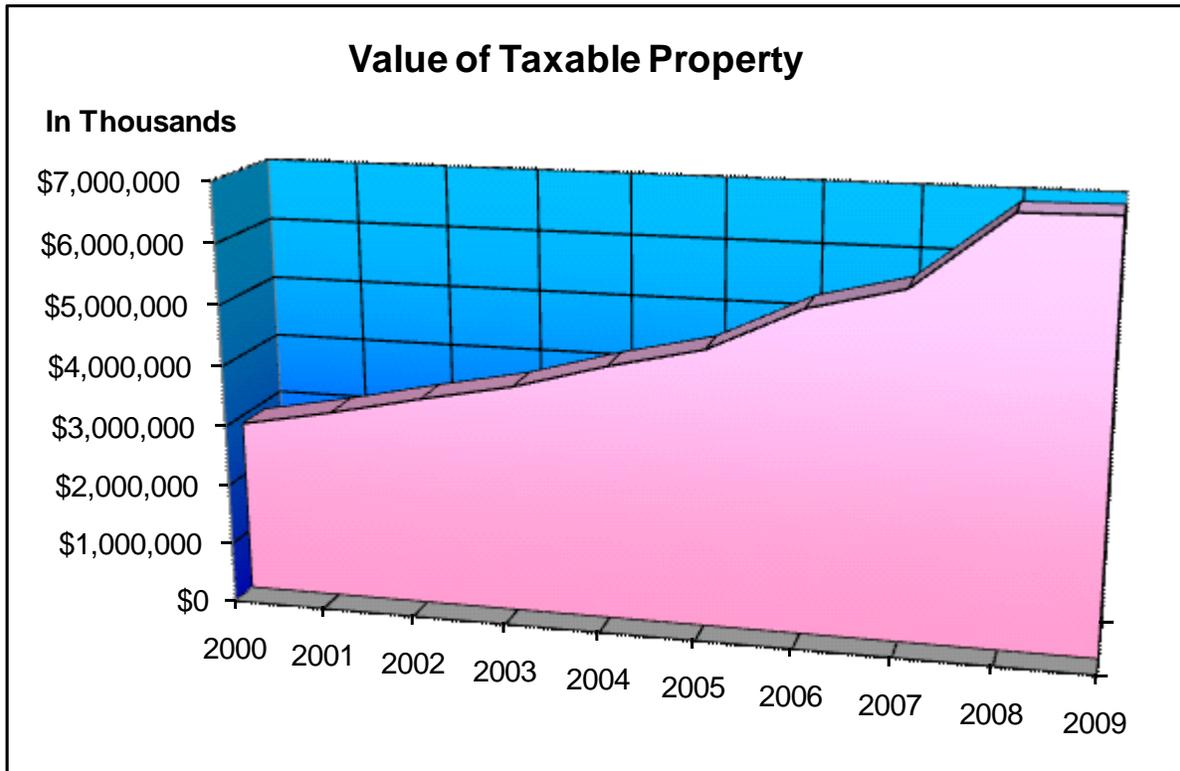
Schedules comply with GASB 34 implementation or 10 years
Statistical Information 4

City of Bothell

Assessed Value and Actual Value of Taxable Property Last Ten Fiscal Years

Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate
2000	\$2,552,472,171	\$313,234,015	\$2,865,706,186	2.05
2001	2,813,337,817	337,480,399	3,150,818,216	1.96
2002	3,112,934,976	365,860,429	3,478,795,405	1.87
2003	3,232,972,513	546,921,112	3,779,893,625	1.86
2004	3,623,707,550	583,801,150	4,207,508,700	1.71
2005	3,800,921,130	760,067,192	4,560,988,322	1.69
2006	4,115,479,688	1,178,645,091	5,294,124,779	1.54
2007	4,762,031,697	915,321,778	5,677,353,475	1.50
2008	5,475,256,395	1,032,949,319	6,899,208,239	1.36
2009	6,068,825,132	852,179,192	6,921,004,324	1.27

Source: King and Snohomish County Assessors Office



City of Bothell
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

King County

Year	City of Bothell	WA State	King County	School District	County Port	Hospital District	Library District	Emergency Medical Services	Park/ Rec District	Total King County
2000	2.05	3.30	1.69	5.46	.22	.41	.59	.27	.03	14.02
2001	1.96	3.14	1.55	5.39	.19	.39	.56	.25	.03	13.46
2002	1.87	3.29	1.45	5.02	.19	.36	.53	.25	.06	13.02
2003	1.86	2.90	1.35	4.88	.25	.34	.54	.24	.05	12.41
2004	1.71	2.76	1.43	4.69	.25	.34	.54	.24	.05	12.01
2005	1.69	2.69	1.38	4.34	.25	.59	.53	.23	.04	11.74
2006	1.54	2.50	1.33	4.07	.23	.54	.53	.25	.04	11.03
2007	1.50	2.33	1.29	3.88	.23	.50	.50	.21	.04	10.48
2008	1.36	2.13	1.21	3.62	.22	.45	.45	.30	.03	9.76
2009	1.27	1.96	1.10	3.48	.20	.40	.42	.27	.01	9.11

Snohomish County

Year	City of Bothell	WA State	Snohomish County	School District	County Port	Stevens Hospital	Library District	Emergency Medical Services	Park/ Rec District	Total Snohomish County
2000	2.05	3.50	1.48	5.46		.34	.59		.03	13.45
2001	1.96	3.40	1.48	5.39		.35	.55		.03	13.16
2002	1.87	3.29	1.42	5.02		.33	.53		.05	12.51
2003	1.86	3.18	1.37	4.88		.36	.55		.05	12.25
2004	1.71	3.16	1.26	4.69		.27	.54		.05	11.68
2005	1.69	2.79	1.10	4.34		.24	.53		.04	10.73
2006	1.54	2.53	1.00	4.07		.22	.53	.25	.04	10.18
2007	1.50	2.16	0.84	3.88		.18	.50	.21	.04	9.31
2008	1.36	1.91	0.72	3.62		.16	.45	.19	.03	8.43
2009	1.27	1.91	0.72	3.48		.16	.42	.19	.01	8.16

The combined property tax rate excluding excess levies cannot exceed \$10 per \$1,000 of Assessed Value
The rates presented above include excess levies

Source: King and Snohomish County Assessors Office

Note: The City of Bothell is split equally between King and Snohomish Counties

City of Bothell

Principal Property Tax Payers

Current and Ten Years Ago*

Snohomish County Taxpayers

Taxpayer	2009			2000		
	Taxable Assessed	Rank	Percentage of	Taxable Assessed	Rank	Percentage of
	Value		Total Assessed	Value		Total Assessed
	Value	Rank	Valuation	Value	Rank	Valuation
Teachers Insurance & Annuity Assn	\$124,104,700	1	3.66%	\$72,342,200	1	4.94%
Arden Realty Inc/Thompson Prop Tax Svc	120,421,500	2	3.55%			
Phillips Ultrasound Inc	74,898,930	3	2.21%			
AT&T Mobility LLC	67,602,630	4	2.00%			
T-Mobile USA Inc	63,693,605	5	1.88%			
BRE Properties	41,907,800	6	1.24%			
Diamond Canyon Park LLC	37,000,000	7	1.09%			
Monte Villa Farms LLC	36,519,642	8	1.08%			
Stonemeadow Farm Apartments Inc	34,978,240	9	1.03%			
Verizon Northwest Inc	33,553,880	10	0.99%			
Advanced Technology Laboratories				64,141,320	2	4.38%
Carr America				46,910,700	3	3.21%
GTE Telephone Operations				36,523,214	4	2.50%
Palmer Groth & Pietka, Inc				21,000,000	5	1.43%
Hibbs/Woodinville Association				18,072,600	6	1.23%
Ameriton Properties				17,612,000	7	1.20%
Wood Phil				16,563,800	8	1.13%
Riggs Bank				15,360,000	9	1.05%
Carr America Realty				14,739,000	10	1.01%
Total Assessed Valuation - Largest Taxpayers	634,680,927		18.73%	323,264,834		22.09%
Total Assessed Valuation - All Other	2,753,389,434		81.27%	1,140,343,501		77.91%
Total Assessed Value	\$3,388,070,361		100.00%	\$1,463,608,335		100.00%

Source: Snohomish County Assessor

King County Taxpayers

Taxpayer	2009			2000		
	Taxable Assessed	Rank	Percentage of	Taxable Assessed	Rank	Percentage of
	Value		Total Assessed	Value		Total Assessed
	Value	Rank	Valuation	Value	Rank	Valuation
T-Mobile	\$227,158,619	1	6.43%			
Schnitzer Northwest	204,791,900	2	5.80%	83,013,500	2	5.90%
Seattle Times	74,670,851	3		91,345,616	1	6.49%
Arden Realty Inc (formerly Allstate Ins)	58,629,400	4	1.66%	24,053,256	3	1.71%
Tishman Speyer Archstone-SM	45,562,000	5	1.29%			
KBS Realty	36,710,100	6	1.04%			
Essex Property Trust	32,340,000	7	0.46%			
Archstone Communities Trust	28,971,000	8	0.92%			
Puget Sound Energy	25,423,997	9	0.72%	16,579,734	4	1.18%
Home Depot USA	16,391,756	10		10,326,424	7	0.73%
Security Capitol Corp				15,980,400	5	1.14%
Spieker Properties				10,679,104	6	0.76%
GTE Northwest				7,863,949	8	0.56%
Total Assessed Valuation - Largest Taxpayers	750,649,623		21.25%	259,841,983		18.46%
Total Assessed Valuation - All Other	2,782,284,340		78.75%	1,147,916,157		81.54%
Total Assessed Value	\$3,532,933,963		100.00%	\$1,407,758,140		100.00%

Source: King County Levy Administration

*Information not available prior to 2000

Note: City of Bothell is split between Snohomish and King Counties

City of Bothell

Property Tax Levies and Collections

Last Eight Fiscal Years

Snohomish County

Year	Taxes Levied for the Year	Collected Within the Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2002	\$3,065,951	\$2,999,709	97.84%	\$66,180	\$3,065,889	100.00%
2003	3,085,208	3,026,664	98.10%	58,462	3,085,126	100.00%
2004	3,405,007	3,341,998	98.15%	62,867	3,404,865	100.00%
2005	3,510,873	3,461,610	98.60%	49,057	3,510,666	99.99%
2006	4,102,892	4,048,230	98.67%	54,015	4,102,245	99.98%
2007	4,224,254	4,158,655	98.45%	52,752	4,211,407	99.70%
2008	4,366,603	4,280,026	98.02%	27,281	4,307,307	98.64%
2009	4,942,927	4,816,176	97.44%		4,816,176	97.44%

King County

Year	Taxes Levied for the Year	Collected Within the Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2002	\$3,611,247	\$3,539,595	98.02%	\$71,621	\$3,611,216	100.00%
2003	4,149,066	4,066,127	98.00%	82,452	4,148,579	99.99%
2004	4,018,105	3,937,236	97.99%	80,700	4,017,936	100.00%
2005	4,371,465	4,294,086	98.23%	76,938	4,371,024	99.99%
2006	4,870,776	4,799,153	98.53%	69,857	4,869,010	99.96%
2007	4,222,252	4,160,404	98.54%	53,944	4,214,348	99.81%
2008	4,393,868	4,323,657	98.40%	103,985	4,427,642	100.77%
2009	4,470,381	4,363,474	97.61%		4,363,474	97.61%

Source: King and Snohomish County Assessors Office

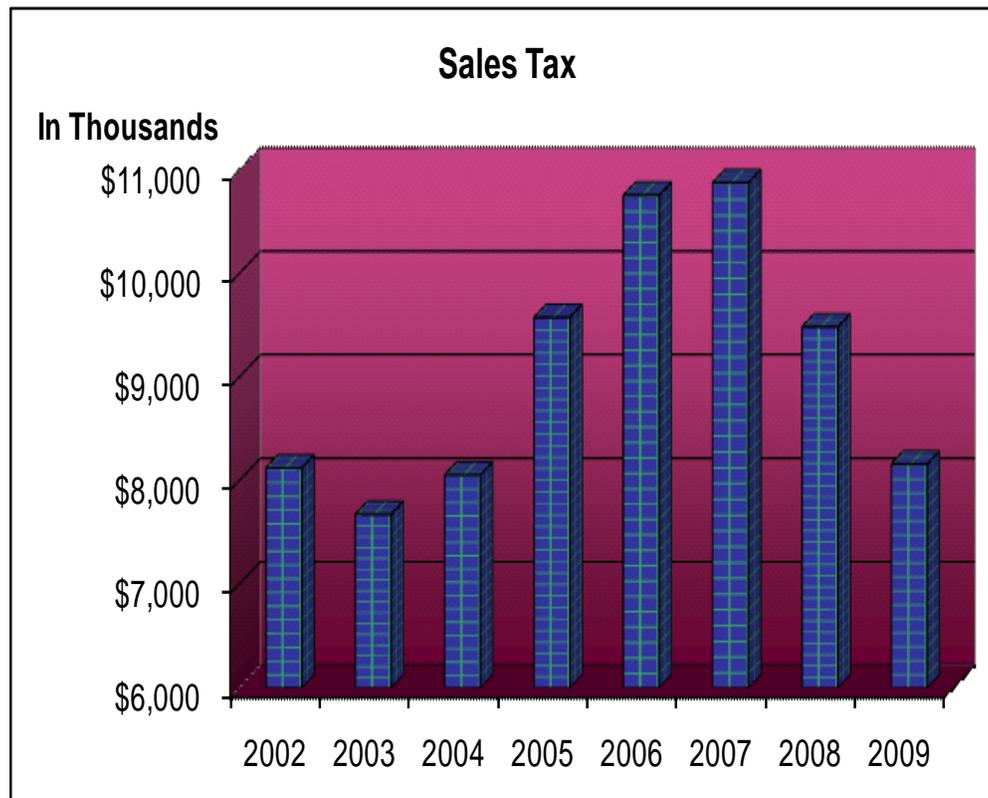
City of Bothell Sales Tax Revenue by Category Last Eight Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Retail trade	\$2,616,158	\$2,986,742	\$2,847,436	\$2,412,099	\$2,508,233	\$2,693,069	\$2,862,393	\$2,636,007
Wholesale trade	1,312,469	998,213	1,404,602	2,038,824	1,916,152	1,372,642	1,306,267	911,702
Construction	1,237,221	1,001,491	1,207,882	1,442,939	1,775,214	2,532,150	1,922,867	1,883,587
Information	722,322	1,075,821	997,429	1,073,011	1,885,562	1,254,407	554,324	492,863
Professional, scientific, technical services				957,186	953,927	635,885	432,359	326,240
Accommodation and food services	1,609,541	829,253	1,157,533	576,178	626,006	685,535	678,197	647,083
Real estate, rental, leasing	110,993	212,961	112,232	202,931	209,753	228,520	230,538	188,787
Manufacturing	405,606	464,892	210,371	378,300	339,856	424,598	377,019	211,566
Admin, supp, remed services				187,007	220,482	266,664	253,074	200,105
Other services				129,175	134,319	150,918	133,389	148,760
Other	108,533	105,115	116,669	178,357	186,182	633,155	733,565	512,235
Total	\$8,122,843	\$7,674,488	\$8,054,154	\$9,576,007	\$10,755,686	\$10,877,543	\$9,483,992	\$8,158,935

City direct sales tax rate is 0.85%

King County	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%
Snohomish County	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%	0.85%

Source: Washington State Department of Revenue



City of Bothell

Direct and Overlapping Sales Tax Rates Last Ten Fiscal Years*

King County

Year	Local	State	Rapid Transit	Total Sales Tax
2000	1.7%	6.5%	.4%	8.6%
2001	1.9%	6.5%	.4%	8.8%
2002	1.9%	6.5%	.4%	8.8%
2003	1.9%	6.5%	.4%	8.8%
2004	1.9%	6.5%	.4%	8.8%
2005	1.9%	6.5%	.4%	8.8%
2006	1.9%	6.5%	.4%	8.8%
2007	2.0%	6.5%	.4%	8.9%
2008	2.5%	6.5%	.4%	9.4%
2009	2.5%	6.5%	.5%	9.5%

Snohomish County

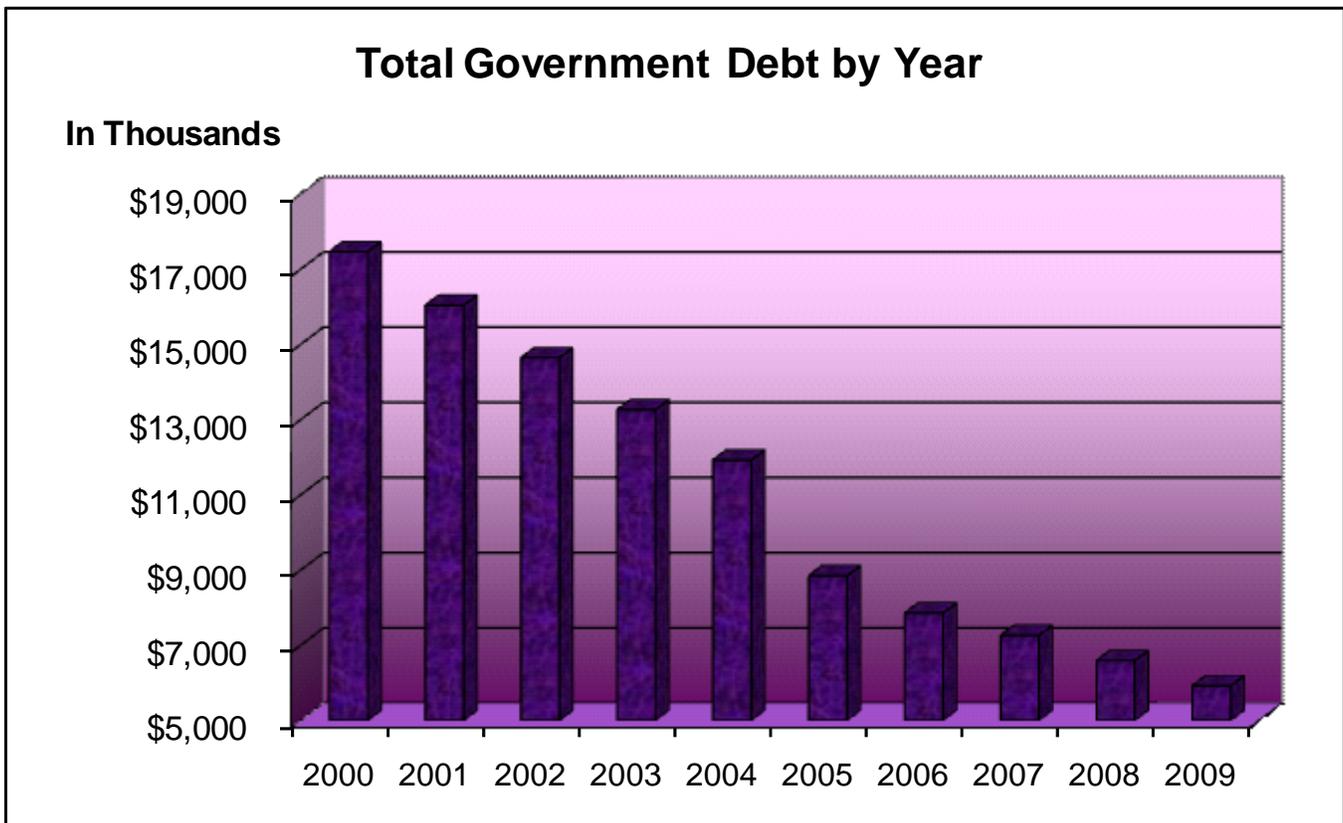
Year	Local	State	Rapid Transit	Total Sales Tax
2000	1.7%	6.5%	.4%	8.6%
2001	2.0%	6.5%	.4%	8.9%
2002	2.0%	6.5%	.4%	8.9%
2003	2.0%	6.5%	.4%	8.9%
2004	2.0%	6.5%	.4%	8.9%
2005	2.0%	6.5%	.4%	8.9%
2006	2.0%	6.5%	.4%	8.9%
2007	2.0%	6.5%	.4%	8.9%
2008	2.4%	6.5%	.4%	9.3%
2009	2.5%	6.5%	.5%	9.5%

Source: Washington State Department of Revenue

City of Bothell

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

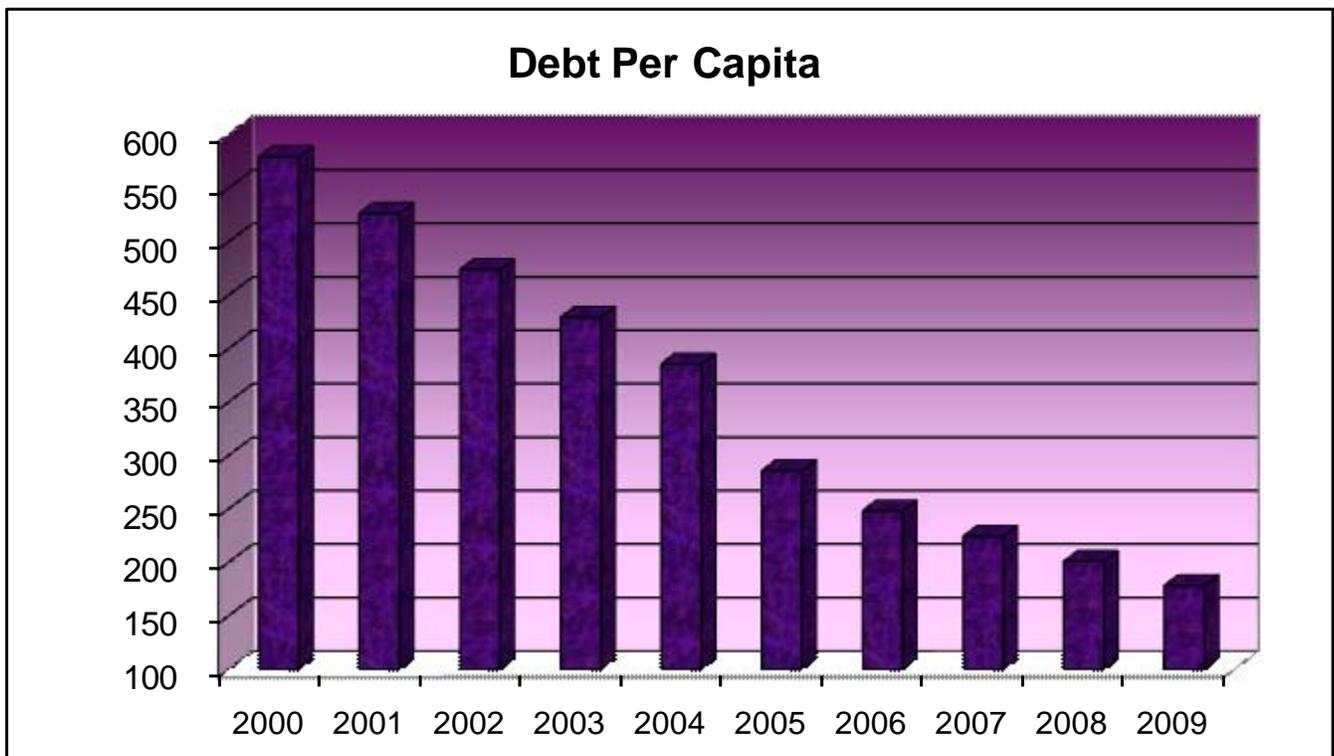
Year	Government Activities			Business-Type Activities		
	General Obligation	Special Assessment	Term Loan Payable	Water Bonds	Sewer Bonds	Term Loan Payable
2000	\$11,805,000	\$2,091,528	\$922,295	\$625,000	\$230,000	\$1,790,526
2001	11,220,000	1,588,033	775,905	535,000	230,000	1,691,052
2002	10,615,000	1,586,025	237,036	435,000	180,000	1,591,578
2003	9,975,000	882,008	203,174	335,000	180,000	1,688,979
2004	9,305,000	645,000	169,312	230,000		1,576,380
2005	6,835,000	305,000	135,450	115,000		1,463,781
2006	6,405,000		101,588			1,351,183
2007	5,955,000		67,726			1,238,584
2008	5,435,000		33,864			1,125,985
2009	4,910,000					1,013,388



City of Bothell

Ratios of Outstanding Debt by Type Last Ten Fiscal Years

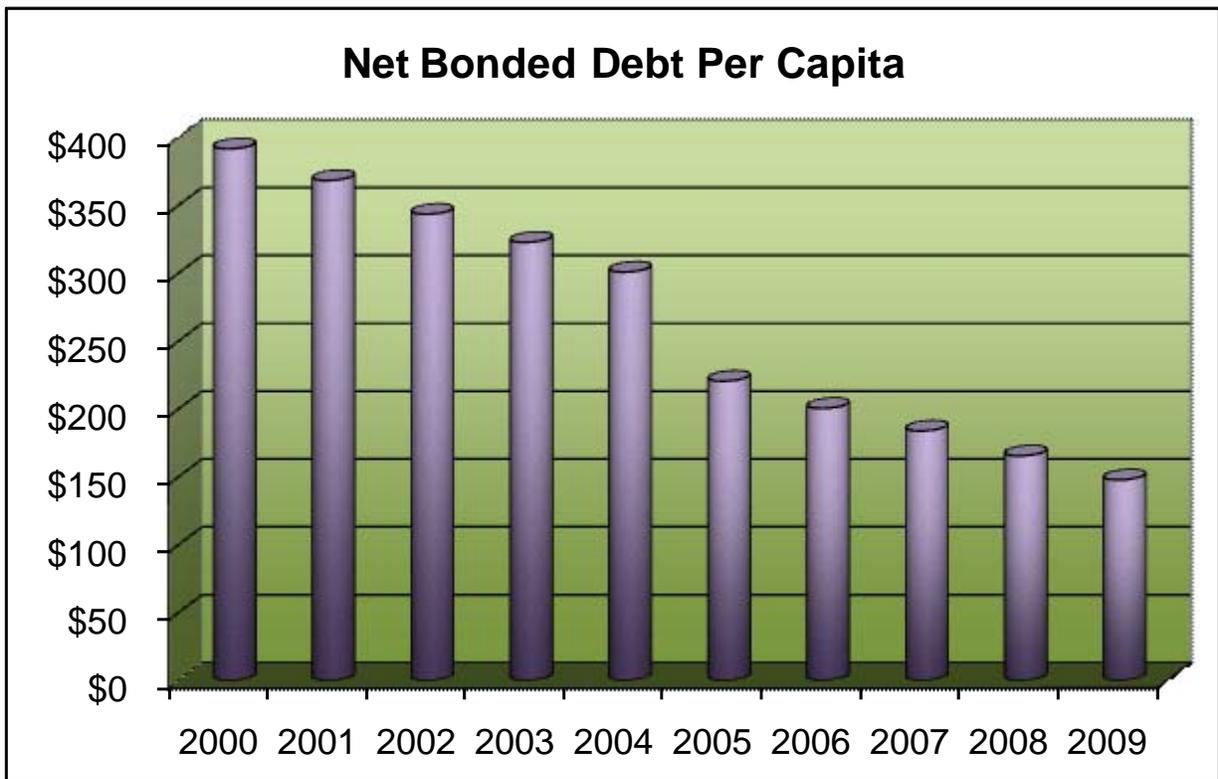
Total Primary Government	Per Capita Income	Percentage of Personal Income	Population	Per Capita	Year
\$17,464,349	\$26,483	2.19	30,150	579	2000
16,039,990	26,483	1.99	30,470	526	2001
14,644,639	26,483	1.79	30,910	474	2002
13,264,161	26,483	1.62	30,910	429	2003
11,925,692	26,483	1.46	30,930	386	2004
8,854,231	26,483	1.08	31,000	286	2005
7,857,771	26,483	0.94	31,690	248	2006
7,261,310	26,483	0.85	32,400	224	2007
6,594,849	26,483	0.76	32,860	201	2008
5,923,388	26,483	0.67	33,240	178	2009



City of Bothell

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years

Year	General Obligation Bonds	Total Taxable Assessed Value	Percentage of Actual Taxable Value of Property	Population	Per Capita
2000	\$11,805,000	\$2,865,706,186	0.41	30,150	392
2001	11,220,000	3,150,818,216	0.36	30,470	368
2002	10,615,000	3,478,795,405	0.31	30,910	343
2003	9,975,000	3,779,893,625	0.26	30,910	323
2004	9,305,000	4,207,508,700	0.22	30,930	301
2005	6,835,000	4,560,988,322	0.15	31,000	220
2006	6,405,000	5,294,124,779	0.12	31,960	200
2007	5,955,000	5,677,353,475	0.10	32,400	184
2008	5,435,000	6,899,208,239	0.08	32,860	165
2009	4,910,000	6,921,004,324	0.07	33,240	148



City of Bothell

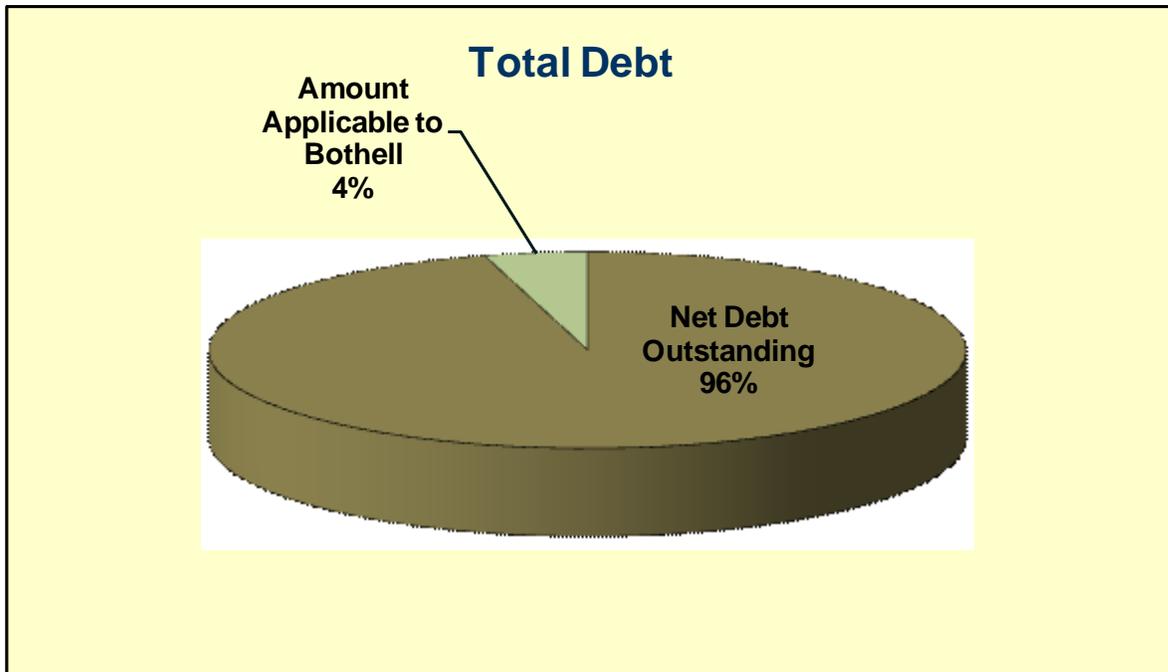
Computation of Direct and Overlapping Debt

December 31, 2009

Jurisdiction	Net Debt Outstanding	Percentage Applicable to Bothell	Amount Applicable to Bothell
City of Bothell	\$4,910,000	100.00%	\$4,910,000
King County	1,045,977,000	0.96	10,041,379
Snohomish County	370,219,628	0.03	123,952
North Shore School District	259,064,758	23.92	61,968,290
Evergreen Hospital	235,160,467	6.17	14,509,401
Port of Seattle	357,315	0.96	3,430
Northshore Parks	2,611,930	23.95	625,557
Library	129,221,246	1.57	2,028,774
Total	<u>\$2,047,522,344</u>		<u>\$94,210,783</u>

Net Debt Source: King & Snohomish County Finance Departments

Percentage Source: King County Levy Administration, Snohomish County Assessor



City of Bothell

Legal Debt Margin Information

Last Eight Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009
Assessed value	\$3,463,959,318	\$3,769,106,025	\$4,195,825,835	\$4,560,988,322	\$5,294,124,779	\$5,677,353,475	\$6,899,208,239	\$6,921,004,324
Debt limit (7.5% of assessed value)	259,796,949	282,682,952	314,686,938	342,074,124	397,059,358	425,801,511	517,440,618	519,075,324
Debt applicable to limit								
General obligation bonds	10,615,000	9,975,000	9,305,000	6,835,000	6,405,000	5,955,000	5,435,000	4,910,000
Less: amount set aside for repayment of general obligation debt	76,112	165,183	156,038	165,957	89,748	104,488	124,082	16,204
Total net debt applicable to limit	10,538,888	9,809,817	9,148,962	6,669,043	6,315,252	5,850,512	5,310,918	4,893,796
Legal debt margin	\$249,258,061	\$272,873,134	\$305,537,976	\$335,405,081	\$390,744,106	\$419,950,999	\$512,129,700	\$514,181,529
Total net debt applicable to the limit as a percentage of debt limit	4.09%	3.53%	2.96%	2.00%	1.61%	1.40%	1.05%	0.95%





City of Bothell™

City of Bothell

Pledged-Revenue Coverage Last Eight Fiscal Years

Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	\$3,095,813	\$1,985,629	\$1,110,184	\$100,000	\$27,865	8.68
2003	3,217,421	2,318,462	898,959	100,000	22,865	7.32
2004	3,272,470	2,532,960	739,510	105,000	17,675	6.03
2005	3,046,850	2,004,053	1,042,797	115,000	6,210	8.60
2006	4,067,661	2,577,874	1,489,787			
2007	3,898,335	2,528,733	1,369,602			
2008	3,442,357	2,787,482	654,875			
2009	3,731,390	2,800,841	930,549			

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements
 Operating expenses do not include interest and depreciation expenses
 Special Assessment bonds are callable
 No bonds were called in 2002 and all outstanding Special assessment bonds were called in 2006

City of Bothell

Pledged-Revenue Coverage Last Eight Fiscal Years

Special Assessment Bonds						
Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Year
			Principal	Interest		
\$362,967	\$27	\$362,940		\$78,108	4.65	2002
286,890	391	286,499	780,000	72,945	0.34	2003
262,299	435	261,864	155,000	36,700	1.37	2004
241,460	265	241,195	340,000	29,775	0.65	2005
216,153		216,153	305,000	14,280	0.68	2006
207,391		207,391				2007
195,375	517,883	(322,508)				2008
						2009

City of Bothell

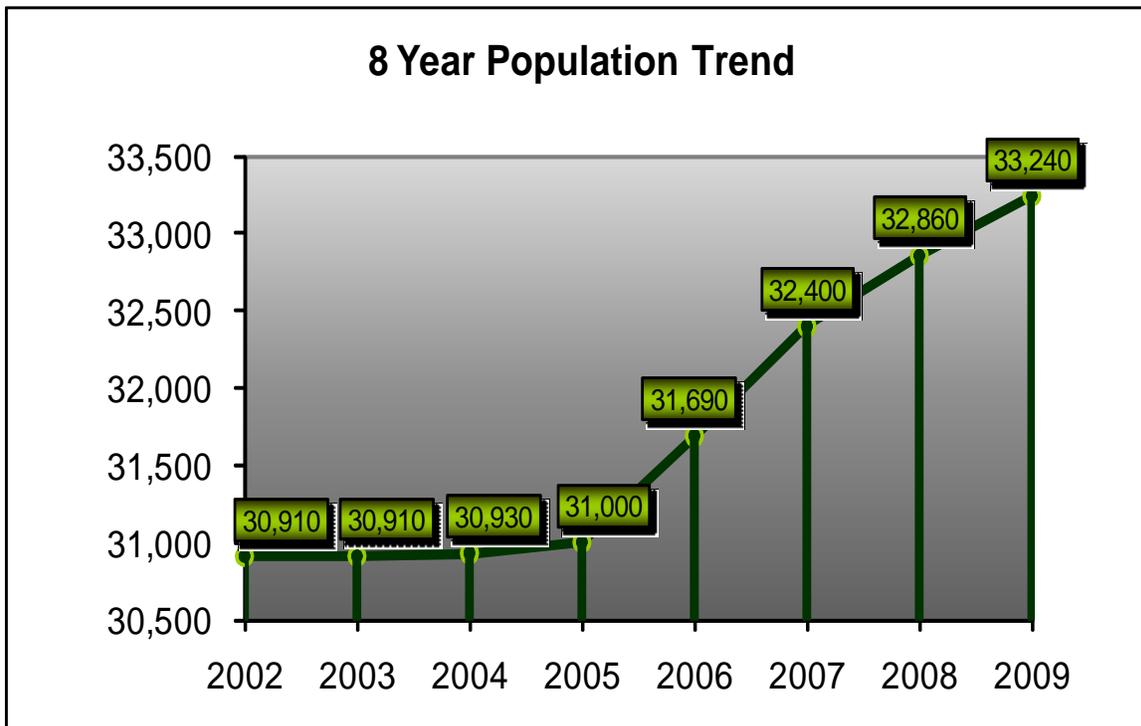
Demographic and Economic Statistics

Last Eight Fiscal Years

Year	Population	Personal Income <small>(thousands of dollars)</small>	Per Capita Income <small>(dollars)</small>	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2002	30,910	\$78,460,868	\$44,470	36	13.1	23,472	2.80%
2003	30,910	80,127,397	45,276	36	13.1	23,314	7.30%
2004	30,930	89,382,311	50,132	36	13.1	24,244	5.70%
2005	31,000	89,431,448	49,582	36	13.1	23,430	4.70%
2006	31,690	99,608,475	54,370	36	13.1	23,912	4.30%
2007	32,400	106,637,605	57,409	36	13.1	24,112	4.00%
2008	32,860	109,551,329	58,141	36	13.7	22,846	6.30%
2009	33,240	NA	NA	37	13.7	23,730	8.90%

Sources: US Department of Labor - Bureau of Labor Statistics (BLS) [2002-2007]
 US Department of Commerce - Bureau of Economic Analysis (BEA) [2008]
 Washington State - Office of Financial Management (OFM)
 Northshore School District (NSSD), University of Washington-Bothell (UW-B), Cascadia Community College

NA = Not Available



City of Bothell

Principal Employers

Current Year and Ten Years Ago

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
AT&T Mobile	2,416	1	29.15%			NA
Northshore School District	1,793	2	21.63%			NA
Phillips Ultrasound	1,551	3	18.71%			
Panasonic (Matsushita) Avionics	499	4	6.02%			NA
Seattle Times	405	5	4.89%			
Phillips Electric N American Corp	389	6	4.69%			
Puget Sound Energy	360	7	4.34%			NA
University of Washington-Bothell	300	8	3.62%			
Sonosite	288	9	3.47%			
City of Bothell	287	10	3.46%			
Advanced Technology Laboratories						NA
Eddie Bauer						NA
Washington Mutual						NA
Humongous Entertainment						NA
Precor						NA
SeaMED						NA
Total	8,288		37%	-		NA

Sources: City of Bothell Business License System
Northshore School District (NSSD) 2009-2010 Budget
City of Bothell Human Resources Department
University of Washington-Bothell (UW-B)

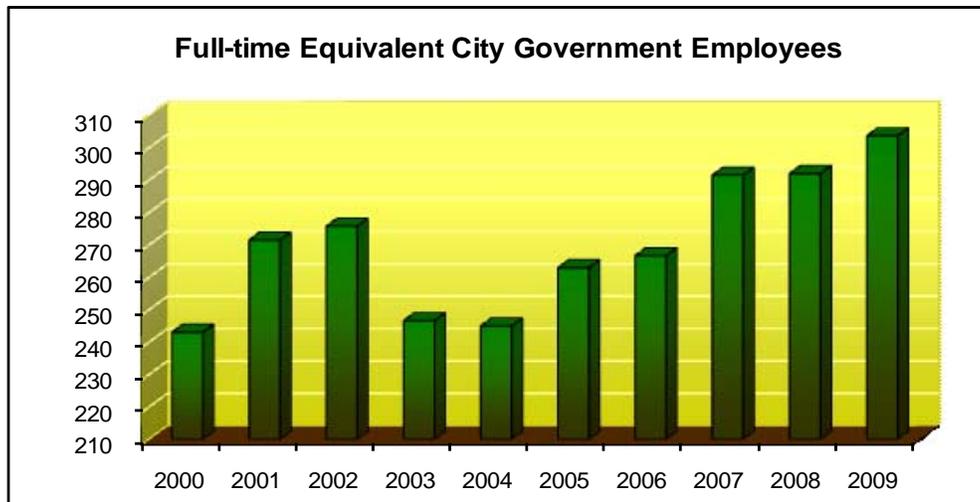
NA = Not Available

City of Bothell

Full-time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years

Function/Program	Full-Time Equivalent Employees as of December 31									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Executive										
Legislative	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Judicial	2.70	2.50	3.50	3.00	3.00	3.00	3.50	4.00	4.00	4.00
City Manager	5.00	5.00	6.00	5.00	5.00	6.00	7.00	7.00	7.00	7.00
City Clerk	4.75	5.25	5.50	3.75	3.75	3.25	3.25	2.75	2.75	2.75
Information Technology	4.00	7.00	7.00	6.91	6.91	6.50	6.00	7.00	7.00	10.00
Non-Dept/Tourism							0.50	0.50	1.00	1.00
Finance	7.00	9.00	10.00	7.91	7.91	6.80	6.80	7.80	7.80	8.25
Legal		3.00	3.00	3.00	3.00	2.56	2.56	2.56	2.56	3.56
Human Resources	3.40	4.00	4.00	4.93	4.93	5.50	5.00	5.00	5.00	6.00
Police										
Officers	46.00	50.00	53.00	53.00	54.00	54.00	54.00	57.00	57.00	58.00
Civilians	30.50	31.75	27.75	26.25	25.25	26.75	26.75	26.75	26.75	25.75
Fire										
Firefighters and officers	52.00	52.00	55.00	55.00	54.00	54.00	54.00	57.00	57.00	57.00
Civilians	5.50	7.50	5.50	4.50	5.50	5.50	6.50	6.75	6.75	7.75
Community Development	25.70	36.75	32.75	21.75	21.75	20.00	20.00	24.00	24.00	22.50
Public Works										
Facilities	8.70	3.40	1.40	1.00	1.00	1.33	1.33	1.33	1.33	4.71
Engineering	24.00	9.00	12.00	11.00	11.00	16.75	17.75	23.80	23.80	26.27
Parks & Recreation	14.47	14.52	15.43	9.63	8.00	9.53	10.19	10.79	10.79	10.42
Street		7.88	8.88	6.33	6.33	8.05	8.05	7.54	7.54	7.80
Water		5.29	5.89	5.81	5.81	6.86	6.86	8.78	8.78	8.83
Sewer		4.43	3.83	3.76	3.76	6.66	6.66	8.38	8.38	8.41
Storm Drain		3.58	4.58	4.69	4.69	9.79	9.79	12.82	12.82	13.31
Fleet	2.35	2.70	3.80	2.41	2.41	2.48	2.48	2.33	2.33	2.72
Self-Insurance/Risk Mgmt						.70	.70	.70	.70	.70
Totals	243.07	271.55	275.81	246.63	245.00	263.01	266.67	291.58	292.08	303.73

Source: Human Resources Department



City of Bothell

Operating Indicators by Function/Program Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police										
Calls for service	NA	22,060	20,503	20,886	20,575	26,984	27,628	23,214	25,650	25,678
Physical arrests	NA	NA	NA	NA	NA	1,733	2,288	2,203	2,298	1,969
Traffic violations	NA	NA	NA	NA	NA	4,212	4,584	5,081	3,928	4,272
Fire										
Emergency alarms	4,401	4,692	4,382	4,507	4,480	4,333	4,961	4,432	4,261	4,378
Inspections	1,487	1,668	1,673	1,725	1,698	1,465	1,413	1,523	1,133	1,043
Community Development										
Building permits issued	1,094	1,009	814	865	703	824	896	1,472	1,142	408
Building inspections	7,713	5,175	3,571	4,600	3,710	3,920	6,073	7,254	4,342	2,922
Parks and Recreation										
Field & shelter bookings	NA	NA	NA	NA	NA	NA	996	1,471	1,644	1,529
Water										
Units served	NA	4,181	3,082	3,091	NA	NA	NA	3,803	3,868	3,874
Water main breaks								3	3	3
Average daily consumption (thousands of gallons)	1,487	1,410	1,490	1,490	1,490	NA	1,488	2,010	1,538	1,591

Sources: Various City Departments

NA = Not Available

City of Bothell

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

Function/Program	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	3	3	3	3	3	3	3
Public Works - Streets										
Streets (miles)	105	104	322	322	322	322	322	322	325	326
Street lights	1,576	1,740	1,907	1,907	1,907	1,907	1,907	1,907	1,907	1,957
Parks and Recreation										
Acreage	193.00	190.00	196.00	201.00	201.64	200.84	200.84	200.84	200.84	201.02
Parks	21	23	23	23	26	25	25	25	25	23
Water										
Water mains (miles)	70.7	70.8	71.0	71.0	71.0	71.0	71.5	71.5	71.5	72.5
Sewer/Storm Drain										
Sanitary sewers (miles)	55.9	56.9	57.0	57.0	57.0	57.0	57.3	57.4	57.4	58.2
Storm sewers (miles)	106.2	108.0	108.0	108.0	108.0	108.0	109.4	109.7	109.7	110.0

Sources: Various City Departments