



**City of Bothell, Washington**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended December 31, 2013



City of Bothell™

CITY OF BOTHELL, WASHINGTON

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2013

PREPARED BY THE FINANCE DEPARTMENT

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**City of Bothell, Washington  
Comprehensive Annual Financial Report  
For The Fiscal Year Ended December 31, 2013**

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City of Bothell™

# Introductory Section



June 30, 2014



**Honorable Mayor, Members of the City Council, and Citizens of the City of Bothell:**

The Comprehensive Annual Financial Report (CAFR) of the City of Bothell for the fiscal year ended December 31, 2013 is hereby submitted. This report is prepared by the City's Finance Department as the official annual financial report, in conformance with State statute RCW 43.09.230 requiring annual reports for Washington municipal governments to be certified and filed timely with the State Auditor's Office. This report also complies with the standards promulgated by the Government Finance Officers Association (GFOA) of the United States and Canada, and by 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 to demonstrate legal compliance and competent management control. City management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all related disclosures. The City operates under a system of accounting internal controls that are concerned with the safeguarding of assets and the reliability of financial records. City management believes this report is presented accurately in all material aspects and that it conforms to the above required standards.

In addition to GAAP compliance, Washington cities and counties must utilize the Budgeting, Accounting and Reporting System (BARS), as prescribed by the Office of the State Auditor. State law also requires timely submission of annual financial reports, as well as an annual independent audit conducted by the State Auditor's Office.

Bothell's independent audit covering the year ended December 31, 2013 was conducted between May and June of 2014, and is now complete. The City's financial statements were found to be presented fairly and the City was given an unqualified opinion, as stated in the Independent Auditor's Report (see section II). Over the past decade, Bothell has received zero audit findings.

As a recipient of more than \$500,000 in federal, state, and county financial assistance, the City is required to undergo an independent annual single audit in conformity with the provisions of the Single Audit Act of 1996, the Budget Circular A-133 (Audits of State and Local Governments), and the March 2006 Compliance Supplement.

This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit. The City's annual single audit for the fiscal year ended December 31, 2013 found zero deficiencies in the design or operation of internal control over major federal programs.

GAAP requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of 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 can be found immediately following the State Auditor's report.

### **Profile of the Government**

The City of Bothell is a non-charter optional code City operating under Section 35A of the Revised Code of Washington. It has a Council-City Manager form of government. The seven-member City Council is elected by the voters of the City for four-year terms and is responsible for establishing the general guidelines and policies for the City. The Council elects the Mayor and Deputy Mayor from within its ranks. The Council contracts with a professional City Manager to carry out the policies and direction set by the Council. The City Manager appoints seven department heads, a Deputy City Manager, and an Assistant City Manager.

At the end of 2013, the City of Bothell had 304 authorized full-time equivalent positions. Bothell's full and part-time employees provide a full range of municipal services. City services include: general government administration, police and fire, emergency medical services, planning and zoning, street maintenance, and parks and recreation.

Bothell's proprietary operations consist of water, sewer, and storm & surface water utilities. The City also operates three internal services funds – Equipment Rental (Fleet), Self-Insurance, and Asset Replacement. Garbage service is provided by an independent contractor, while library services are provided by the King County Library System.

In conjunction with the Capital Facilities Plan (CFP), the City's biennial budget serves as a major driver in bringing Bothell's short and long-term fiscal plans to fruition. The City prepares its biennial budget based on Council's "budget focus areas" and "desired budget outcomes", and in accordance with the Revised Code of Washington (RCW 35A.34). Council's "budget focus areas" and "desired budget outcomes" are described in detail in the City's budget document, which is available on the City's website.

Bothell's biennial budgets are adopted at the fund level by the City Council prior to the first day of each odd-numbered calendar year. Mid-biennial reviews are conducted not less than eight months after the beginning of a biennium, and any increase or decrease in a fund's budget appropriation is adopted by the City Council. In accordance with state law, budget status reports are provided quarterly to Council and City management.

## **Local Economy**

Incorporated in 1909, Bothell has evolved from an isolated logging village to a multi-faceted full-service city with a population of 34,460. Located within the Seattle metropolitan area, the City straddles two counties (King and Snohomish) and comprises 12.6 square miles. In 2013, Bothell ranked number 31 among the largest cities in the State of Washington.

Due to Bothell's central proximity to two interstate highways and three major state highways, the City has become increasingly desirable to homebuyers and renters, as well as to an extensive amount of commercial development. Bothell is also esteemed for its education opportunities. The University of Washington and Cascadia Community College share a common campus within Bothell's historic downtown and the Northshore School District has consistently been recognized among the State's top school districts.

Bothell's three business parks, dubbed "The Technology Corridor", provide an appealing location for advanced biotechnology firms, wireless communications, medical device manufacturing and medical research. The corridor includes a state-designated innovation partnership zone facilitated by University of Washington-Bothell, Cascadia Community College, and private sector businesses. Major firms include: AT&T (the largest communications holding company in the world based on revenue generation), Philips Medical Systems (a global leader in diagnostic imaging systems, patient monitoring and cardiac devices), Sonosite Inc. (a world leader and specialist in hand-carried and mounted ultrasound), Seattle Genetics (a biotechnology company focused on anti-body based therapy for cancer treatment), Vertafore (a leading provider of insurance agency management systems software), and T-Mobile (a national provider of wireless voice, messaging, and data services). The City does not levy a business and occupation tax, unlike some neighboring communities, thereby offering Bothell as a competitive advantage with employers.

In 2005 the City initiated the largest municipally-led downtown revitalization project in Washington State. To date, the City has invested over \$90 million in vital capital projects as part of a \$150 million program of planned infrastructure improvements. These improvements, according to economic studies, will leverage \$650 million in private investments; generate 8,400 temporary construction jobs and nearly 1,400 permanent family wage jobs in the downtown district.

McMenamins, one of the top 50 largest craft breweries in the United States, will begin construction in the summer of 2014 transforming the historic Anderson school building into

a 70-room hotel. The hotel and associated buildings will include a restaurant, brewpub, movie theatre, and live music entertainment venue.

A unique element of the agreement with McMenamins provides free use of the former Northshore Pool for Bothell citizens for a period of 15 years. McMenamins is scheduled to open in 2015.

### **Economic Condition**

Bothell relies on three major revenue streams to fund City services: sales tax, property tax, and utility tax.

Bothell's largest revenue stream, sales tax, slightly exceeded budget expectations during 2013. While retail sales tax revenue continued to lag behind budget projections, it increased 2.7% from 2012 levels. Retail sales tax receipts exceeded 2012 levels in eight of the last nine months of 2013.

Multiple development projects caused construction sales tax to spike in 2013. The City received more than \$2.1 million in construction sales tax, up over 58% from 2012, demonstrating that post-Great Recession development is continuing.

Property tax remained stable throughout the economic recovery. While utility tax revenue was down 1.5% from 2012 levels, the significant amount of multi-family development that is occurring will have a positive impact on future utility tax receipts.

Puget Sound economists expect the state economy to grow somewhat faster than the national economy. Positive signs include the housing recovery and its impacts on the construction sector, the Boeing backlog, and continued growth in software employment. The region's unemployment rate at the end of 2013 was 5.3%. By the end of March 2014, the Seattle-Bellevue-Everett unemployment rate had fallen to 5.2%.

### **Long-term Financial Planning and Management Measures**

Bothell assesses plans for future revenue inflows and expenditure outflows through a variety of fiscal management measures such as:

- Managing future fiscal risks by utilizing a 7-year budget modeling system that assimilates a constant state of revision based on the latest, most-likely economic assumptions. Budget modeling provides City management an opportunity to analyze revenue inflows and expenditure outflows, as well as the long-term impacts of present-day decision making.
- Adhering to a 2-year CFP process that produces a Council-adopted 7-year Capital Facilities Plan. The CFP process identifies all future capital needs and allocates capital funding sources to best meet the community's infrastructure needs.

- Identifying one-time revenue inflows and designating these monies specifically for one-time expenditure outflows.
- Continuing to rebalance operating inflows and outflows to maintain a pre-designated fiscal position throughout a budget period.
- Managing future fiscal liabilities by systematically setting monies aside in an Asset Replacement Fund. Monies are set aside to procure new assets in the future when assets reach the end of their useful lives.
- Maintaining adequate reserves. City management optimally budgets a General Fund operating reserve equal to or greater than 15% of operating expenditures. Adequate reserves help ensure that a municipality's immediate operating and capital obligations can be met without compromising the City's fiscal stability or impacting citizen services should unanticipated revenue shortfalls or expenditure outflows arise. The Great Recession and its slow recovery are prime examples of why adequate operating reserves are necessary and how the use of these monies is imperative to sustaining vital City services through extraordinary economic periods. When spending down operating reserves is necessary, City Management develops and implements a well-defined fiscal plan to replenish reserves.

### **Major Initiatives**

In 2007, the City instituted a \$7.3 million (20%) General Fund operating reserve to provide adequate interim funding to sustain City services for two biennia in the event of a significant economic downturn. While this prudent action sustained the City well during the aftermath of the Great Recession, General Fund reserves have been reduced over the last 6 years. The 2013-2014 biennium begins the process to reinstate the General Fund reserves. The 2013-2014 budget projects a 9% General Fund reserve (approximately \$3.2 million). In addition, one-time excess development revenue is projected to add an estimated \$1 million to the General Fund reserve by the end of the 2013-2014 biennium. The City's fiscal plan is to bring General Fund reserves to the City's optimal 15% level by the end of the 2015-2016 biennium.

In mid-2011 the Bothell City Council approved the use of General Fund operating reserves to fill an estimated \$1.5 million budget gap created by the loss of long relied on revenue streams (street light fees and broadband utility tax).

In 2012, a very successful \$1.8 million General Fund budget sustainability initiative was implemented to correct the structural imbalance between future operating revenues and expenditures. This plan included concessions in employer paid benefits, initiation of Motor Vehicle Accident fees, and an increase in Emergency Medical Service transport and business license fees. These measures helped sustain operations while preserving critical programs and levels of service.

Bothell continues to invest in its ambitious 2013-2019 CFP. To date the City has invested over \$90 million in vital capital projects as part of a \$150 million program of planned infrastructure improvements. Major funding sources for these projects come from real estate excise tax, utility user fees, mitigation/impact fees, grants, bonds and proceeds

from the sale of City-owned surplus property. Much of the City's 7-year CFP spending plan centers on the revitalization of Bothell's historic downtown.

In 2012, Bothell began the single largest capital investment in the City's history by realigning SR-522 to the south. This project, named Bothell Crossroads, is where SR-522 meets at a junction with Bothell's Main Street and the Park at Bothell Landing. The re-aligned project completion is anticipated in mid-2014.

For the past two years Bothell has been preparing to implement nine proposed King County annexations via interlocal agreement. Negotiations continued in 2013, and the annexations were implemented on February 28, 2014. The annexation squares off Bothell's boundaries and eliminates numerous irregularities thereby supporting more efficient delivery of urban services. Annexation provides incremental growth of approximately \$800 million to the City's property tax base, as well as, 6,910 additional residents. Three separate economic studies indicate a net positive fiscal and operational impact for both current Bothell residents and those in the annexation area.

## **RELEVANT FINANCIAL POLICIES**

### **Risk Management**

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 in detail in the Notes to the Basic Financial Statements.

### **Debt Administration**

In 2013, Moody's Investors Service (Moody's) assigned a Aa3 rating to the City's Councilmanic \$10 million Limited Tax General Obligation Bonds, 2013.

The City's general government long-term debt currently consists of one voted General Obligation (GO) bond with an outstanding balance of \$2,620,000, and a Public Works Trust Fund loan with \$562,990 outstanding as of December 31, 2013.

In 2013, Bothell City Council authorized a \$7 million short-term limited Bond Anticipation Note (BAN) to pay the final balance owed to the Northshore School District (NSD) for property purchased to carry out public improvements related to the downtown revitalization. In March 2013, the maturity date of the Note was extended through May 2013. The extension was put in place to provide staff time to secure long-term financing. The outstanding balance on the Note at March 1, 2013 was \$4 million. On May 21, 2013, City Council approved a 20-year, Bank Qualified (BQ), GO Bond to generate a maximum of \$10 million in proceeds to provide longer-term financing to accommodate the timetable necessary for closing the sale of the final two NSD surplus properties (Lots L and O) and

to fund other capital investments. Proceeds from the sale of Lots L and O is projected to be between \$7 and \$8 million.

In 2011, Bothell issued a \$30 million BAN that fully paid down the City's 2010 \$20 million BAN. The 2011 BAN was retired in January 2014, through the issuance of Local Infrastructure Financing Tool (LIFT) general obligation bonds, under which the state is contributing \$1 million annually toward debt service, essentially a sales tax rebate for incremental growth in state sales tax collections resulting from economic development within the City. This is not a tax increase to citizens, rather a reallocation of receipts between the State and the City. Issuing the interim notes prior to issuing the 25 year LIFT bonds was done to take advantage of extraordinarily low short-term borrowing rates and was carried out in accordance with Bothell's 2011-2017 CFP.

In 2011, Bothell was awarded an \$8 million Public Works Trust Fund (PWTF) Construction Loan PC12-951-022 for the City's Bothell Crossroads project. The loan balance at the end of 2013 was \$5,908,354.

The City's legal debt capacity along with a comprehensive list of future debt service liability is outlined in Note 13 of the Basic Financial Statements.

### **Cash Management and Investment Policy**

The City's cash management practice encourages investment of all cash not needed for immediate expenditures. It is the policy of the City to invest public funds in a manner that provides the highest investment return with the maximum security while complying with all Washington statutes governing the investment of public funds. The City's investment policy was certified by the Municipal Treasurer's Association.

### **Awards and Acknowledgments**

The GFOA of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bothell for its CAFR for the fiscal year ended December 31, 2012. This was the twelfth consecutive year Bothell has received this prestigious award. To earn a Certificate of Achievement award, a government must publish an easily readable and efficiently organized CAFR that satisfies generally accepted accounting principles and adheres to all applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Bothell is submitting the City's 2013 CAFR to the GFOA to determine this report's eligibility for a certificate. Staff believes the City's 2013 CAFR again meets the requirements of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting certification program.

The City was also pleased to receive the GFOA Distinguished Budget Presentation Award for the City's 2013-2014 biennial budget document. 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.

Successful preparation of Bothell's 2013 Comprehensive Annual Financial Report could not have been accomplished without the dedicated efforts of the Finance staff, City management, and all other employees and agencies who contributed to the development of this expansive financial report. Further appreciation is extended to the Mayor and City Council for their steadfast encouragement in conducting the Bothell's fiscal operations in a sound and prudent manner. The support and assistance from the State Auditor's Office is also appreciated.

We would be happy to respond to any questions or comments about the information contained in this report.

Respectfully submitted,



Tami Schackman  
Finance Director



Maureen Werts  
Deputy Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

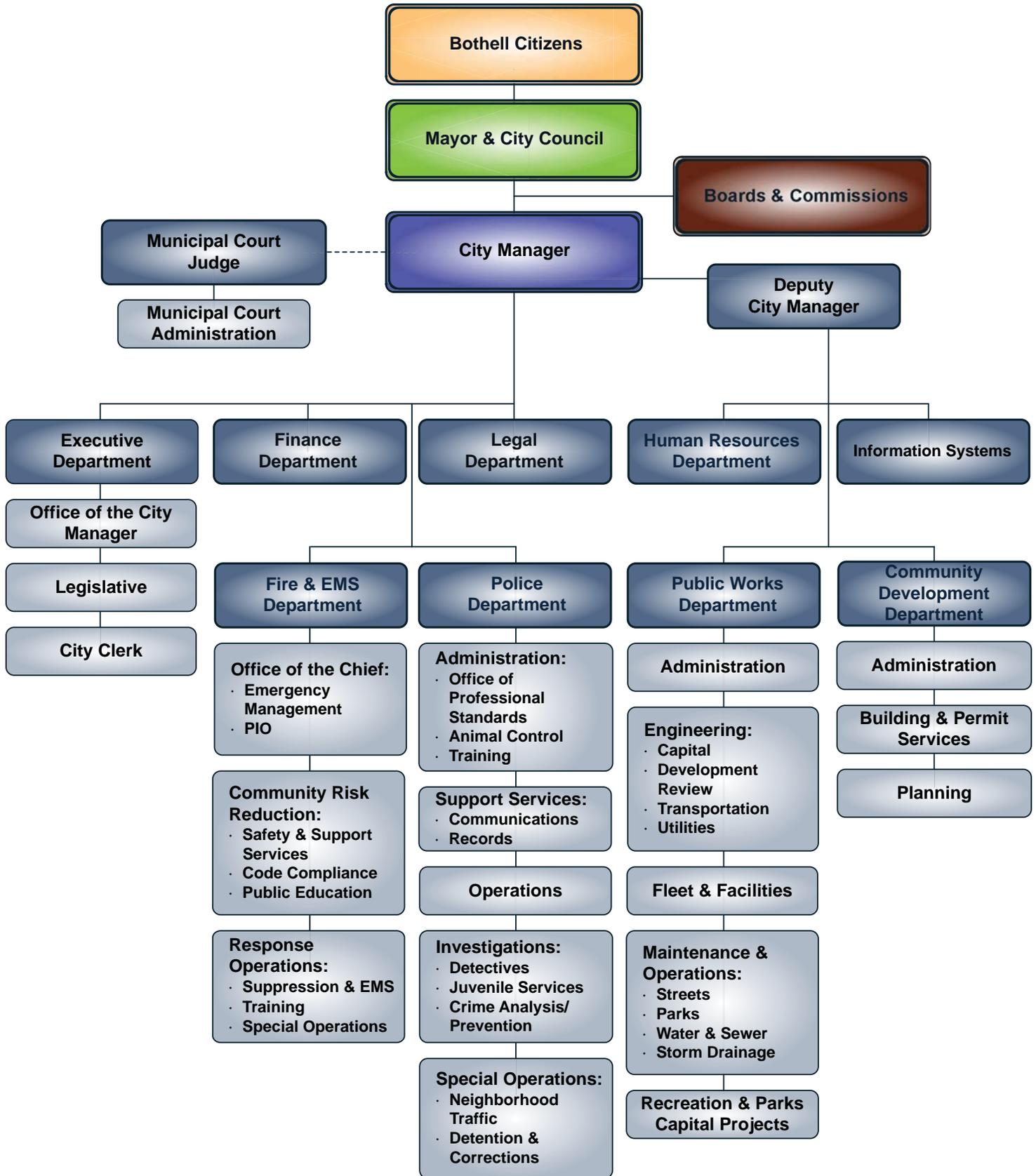
**City of Bothell  
Washington**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2012**

Executive Director/CEO

# City of Bothell Organizational Chart



# City of Bothell Elected Officials



**Andy Rheaume**



**Deputy Mayor  
Joshua Freed**



**Del Spivey**



**MAYOR  
Mark Lamb**



**Bill Evans**



**Tom Agnew**



**Patrick Ewing**

## **Executive Staff**

(Officials as of December 31, 2013)

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

Robert S. Stowe  
Steve Anderson  
Tami Schackman  
Jamie Marsden  
Joe Beck  
Bill Wiselogle  
Bob VanHorne  
Carol Cummings  
Erin Leonhart

# Financial Section





# Washington State Auditor Troy Kelley

## INDEPENDENT AUDITOR'S REPORT

June 30, 2014

Mayor and City Council  
City of Bothell  
Bothell, Washington

### *REPORT ON FINANCIAL STATEMENTS*

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, King County, Washington, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Matters of Emphasis***

As described in Note 1, during the year ended December 31, 2013, the City has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 through A15 , and budgetary comparison information on page C1 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements on pages D1 through D17 and supplemental information on pages E1 through E14 is presented for purposes of additional analysis and is not a required

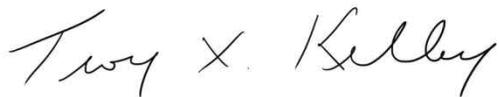
part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we will also issue our report dated June 30, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



**TROY KELLEY**  
STATE AUDITOR

# Management's Discussion & Analysis



## Management's Discussion and Analysis

The discussion and analysis section of the City of Bothell's Comprehensive Annual Financial Report (CAFR) is prepared by City management to provide CAFR users an overview of the City's financial activity and performance for the fiscal year ended December 31, 2013. Users are encouraged to consider Management's Discussion and Analysis in conjunction with additional information furnished in the letter of transmittal (Introductory Section) and the City's financial statements (Financial Section).

### 2013 Financial Highlights

- Net position equaled \$775,825,961 at the end of 2013.
- Net position decreased by \$17,851,238, or 2.25% compared to 2012.
- Unrestricted net position amounted to \$7,794,505 (\$3,262,857 for governmental activities and \$4,531,648 for business-type activities).
- Long-term debt increased by \$10,270,566.
- Total governmental fund balances at year-end totaled \$15,779,049.
- Total governmental fund revenues increased \$9,717,756, or 21.1%.
- Total governmental fund expenditures increased \$4,961,792, or 8.1%.
- Governmental fund expenditures, excluding transfers, exceeded governmental revenue by \$10,544,671.
- Fund balance for the General Fund at year-end totaled \$3,787,810.
- Total General Fund revenues increased \$5,155,313 or 15.2%.
- Total General Fund expenditures increased \$2,063,409, or 5.8%.
- General Fund, revenues excluding transfers, exceeded General Fund expenditures by \$1,303,146.

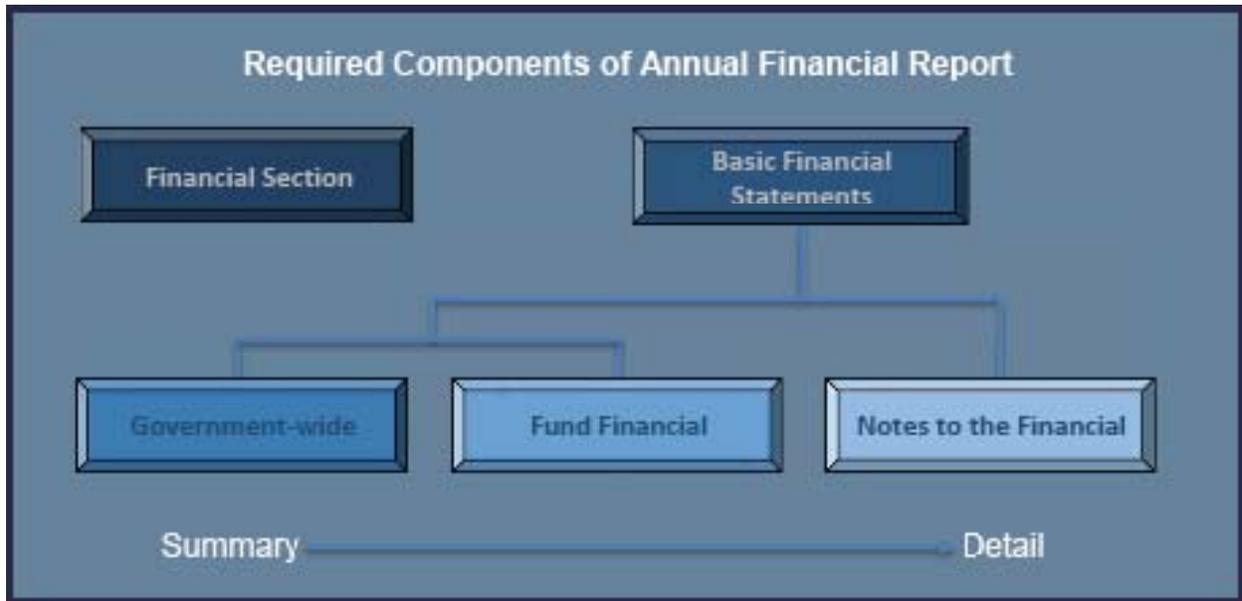
### Overview of the Financial Statements

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.
- 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 Position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement is similar to the balance sheet of a private-sector business, and increases and decreases in net position over time 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 position changed during the most recent fiscal year. All changes in net position 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 or 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 & surface water.

Government-wide financial statements are located in Financial Section IIB.

### **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. In 2011, the City implemented Statement No. 54 of the Governmental Accounting Standards Board (GASB): Fund Balance Reporting and Governmental Fund Type Definitions. In previous financial reports, fund balance for governmental funds focused on whether resources were available for appropriations and presentation distinguished unrestricted fund balance (available for appropriation) from reserved fund balance (not available for appropriation). The new fund balance components focus on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in the fund can be spent. 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 11 governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statements pertaining to revenues, expenditures, and changes in fund balances for the General and Capital Improvements. Funds which are considered the City's major governmental funds. Data for the other 9 governmental funds is combined into a single aggregated presentation. Individual fund data for each non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Classification of major and non-major funds is determined annually based on the criteria prescribed in GASB statement 34.

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 the Financial Section IIC 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 & surface water 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 the Financial Section IIB 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 the Financial Section IIB 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 the Financial Section IIB of this report immediately following the basic financial statements.

**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

### Statement of Net Position

The statement of net position serves as a useful indicator of the City’s financial position. As of December 31, 2013, the City’s assets exceeded liabilities by \$775,825,961. Net investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City’s net position (98.38%), 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. The following is a condensed version of the government-wide statement of net position for 2013 compared to 2012.

### City of Bothell’s Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$25,225,735	\$18,315,791	\$6,850,962	\$5,904,785	\$32,076,697	\$24,220,576
Capital assets	768,778,034	784,057,919	35,455,568	33,860,655	804,233,602	817,918,574
Total assets	<u>794,003,769</u>	<u>802,373,710</u>	<u>42,306,530</u>	<u>39,765,440</u>	<u>836,310,299</u>	<u>842,139,150</u>
Long-term debt	51,259,355	40,619,742	2,190,404	2,559,450	53,449,759	43,179,192
Other liabilities	6,342,675	4,336,337	691,903	946,423	7,034,578	5,282,759
Total liabilities	<u>57,602,030</u>	<u>44,956,079</u>	<u>2,882,307</u>	<u>3,505,873</u>	<u>60,484,337</u>	<u>48,461,951</u>
Net position						
Net investment in capital assets	720,584,679	746,225,080	34,892,575	33,185,063	755,477,254	779,410,143
Restricted	12,554,203	7,578,091			12,554,203	7,578,091
Unrestricted	3,262,857	3,614,460	4,531,648	3,074,506	7,794,505	6,688,966
<b>Total net position</b>	<b><u>\$736,401,739</u></b>	<b><u>\$757,417,631</u></b>	<b><u>\$39,424,223</u></b>	<b><u>\$36,259,569</u></b>	<b><u>\$775,825,961</u></b>	<b><u>\$793,677,200</u></b>

The City’s \$3,262,857 in unrestricted governmental net position is available for appropriation in order to meet the needs of its citizens and to satisfy its creditors.

At the end of the 2013 fiscal year, all three categories of net position for governmental activities reported positive balances. Business-type activities reported positive balances in all categories.

### Changes in Net Position

The following table reflects increases or decreases in net position resulting from the City's operating activities. The table shows revenues, expenses, and related changes in net position for the governmental activities separate from the business-type activities for 2012 and 2013. Bothell's net position from operations decreased citywide by \$18,037,953 during 2013.

### Changes in Net Position

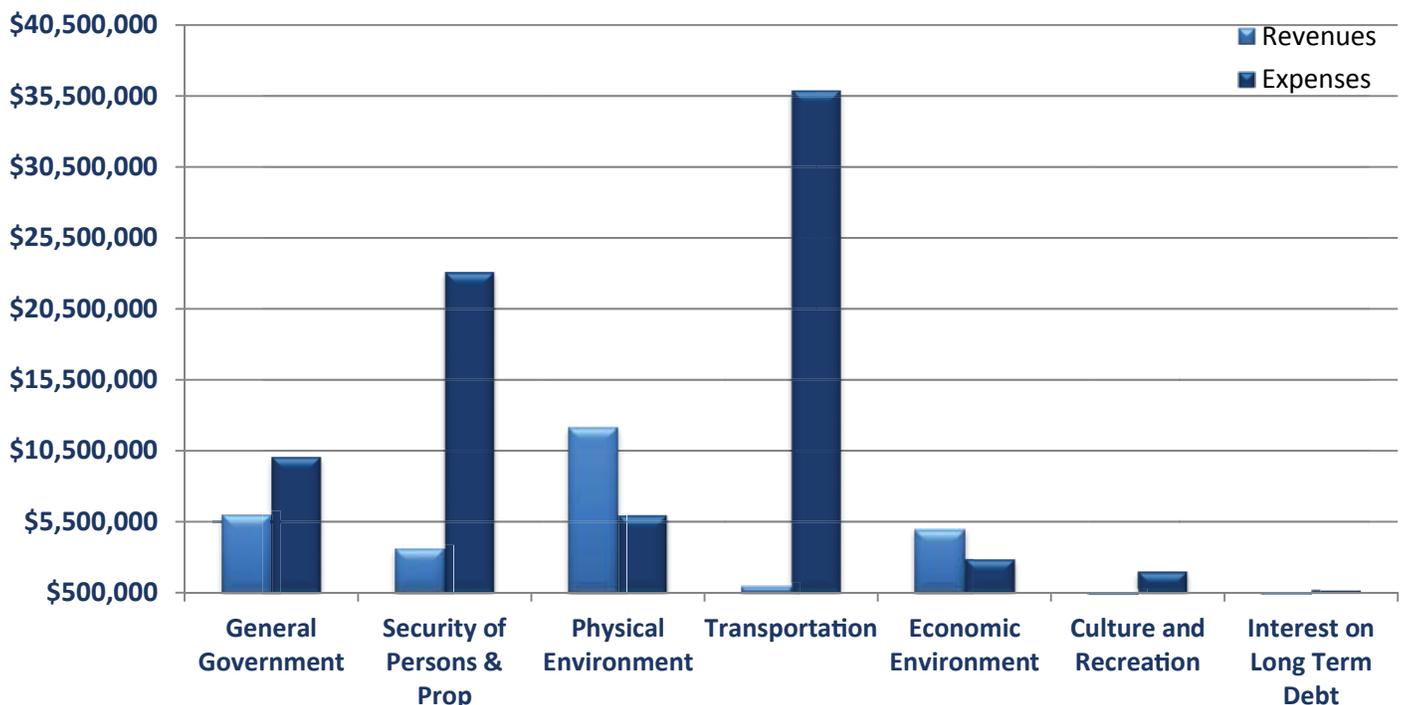
	2013			2012		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues						
Charges for services	\$15,227,026	\$14,715,797	\$29,942,823	\$13,632,450	\$12,941,864	\$26,574,314
Operating grants and contributions	1,566,336		1,566,336	969,659		969,659
Capital grants and contributions	11,102,307	501,000	11,603,307	4,324,101	164,800	4,488,901
General revenues						
Property tax	12,506,112		12,506,112	11,128,474		11,128,474
Excise tax	11,071,149		11,071,149	10,341,621		10,341,621
Business tax	6,759,484		6,759,484	6,972,159		6,972,159
Interest and investment earnings	164,714		164,714	512,991	4,685	517,676
Transfers	(17,422)	17,422				
Miscellaneous	1,033,726		1,033,726	540,813		540,813
Total revenues	<u>59,413,433</u>	<u>15,234,219</u>	<u>74,647,652</u>	<u>48,422,268</u>	<u>13,111,349</u>	<u>61,533,617</u>
Program expenses including indirect expenses						
General government	10,073,570		10,073,570	10,969,744		10,969,744
Security of persons and property	23,098,903		23,098,903	22,078,983		22,078,983
Physical environment	5,972,811		5,972,811	4,914,790		4,914,790
Transportation	35,896,052		35,896,052	36,833,751		36,833,751
Economic environment	2,882,941		2,882,941	2,860,182		2,860,182
Culture and recreation	2,005,064		2,005,064	1,613,519		1,613,519
Interest and fiscal charges	686,700		686,700	517,471		517,471
Water		3,947,670	3,947,670		3,369,337	3,369,337
Sewer		5,136,854	5,136,854		4,976,045	4,976,045
Storm & surface water		2,985,040	2,985,040		2,938,653	2,938,653
Total expenses	<u>80,616,038</u>	<u>12,069,564</u>	<u>92,685,603</u>	<u>79,788,440</u>	<u>11,284,035</u>	<u>91,072,475</u>
Excess (deficiency)	(21,202,606)	3,164,654	(18,037,953)	(31,366,171)	1,827,315	(29,538,856)
<b>Change in net position</b>	<b><u>(\$21,202,606)</u></b>	<b><u>\$3,164,654</u></b>	<b><u>(\$18,037,953)</u></b>	<b><u>(\$31,366,171)</u></b>	<b><u>\$1,827,315</u></b>	<b><u>(\$29,538,856)</u></b>
Net position beginning	\$757,417,631	\$36,259,569	\$793,677,200	\$787,505,342	\$34,432,254	\$821,937,596
Prior year adjustment	186,714		186,714	1,278,460		1,278,460
<b>Net position ending</b>	<b><u>\$736,401,739</u></b>	<b><u>\$39,424,223</u></b>	<b><u>\$775,825,961</u></b>	<b><u>\$757,417,631</u></b>	<b><u>\$36,259,569</u></b>	<b><u>\$793,677,200</u></b>

**Governmental Activities.** Governmental activities decreased the City's net position by \$21,202,606. Governmental activities account for 95% of the City's net position.

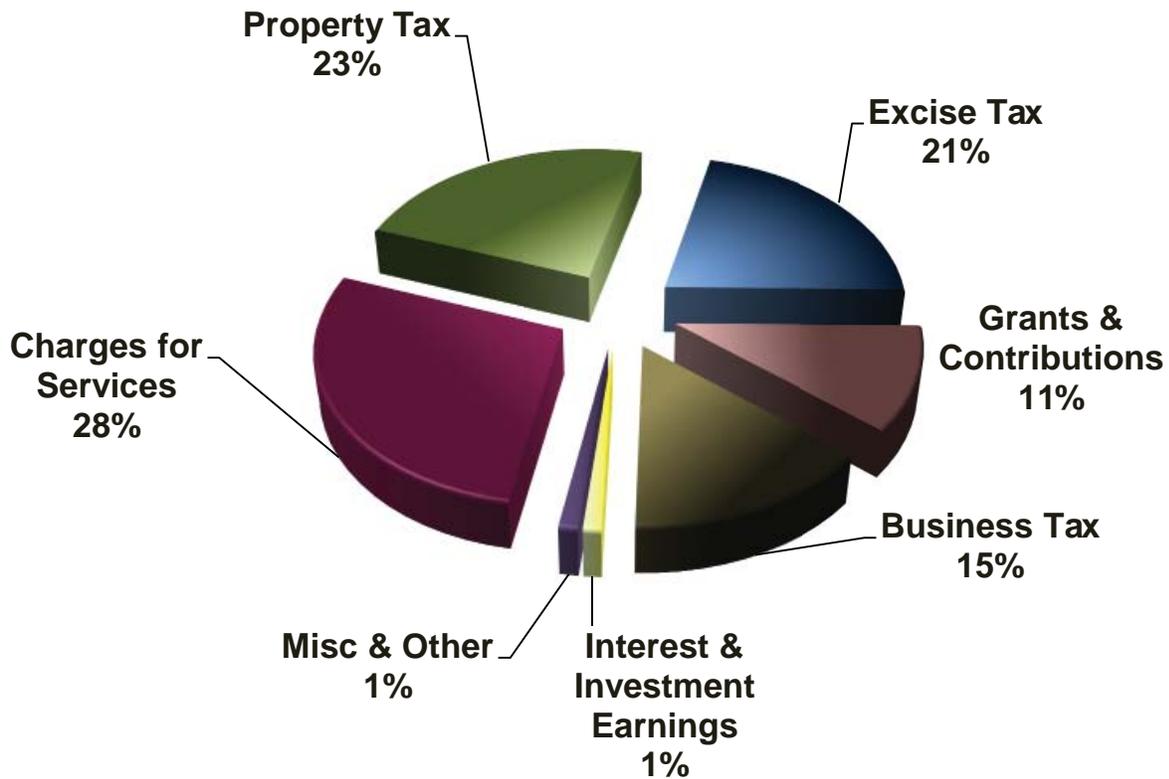
**The key factors impacting the decrease in 2013 net position are described below:**

- (\$37,920,107) decrease related to the depreciation of infrastructure assets.
- \$21,441,381 increase in capital assets, which will be depreciated over their useful life.
- (\$4,215,304) decrease in fund balance.
- \$624,800 increase in donated assets, which will be depreciated over their useful life.
- \$5,258,421 increase attributable to bond principal payments and other long term loan payment that reduce long-term liabilities on the Statement of Net Position.
- (\$9,665,000) increase in long-term debt related to issuance of 2013 A & B General Obligation (GO) bonds.
- (\$5,953,936) increase in loan proceeds related to Public Works Trust Fund (PWTF) PC12-951-022.
- (\$56,197) increase in compensated absences liability.
- (\$217,299) increase in long-term liabilities for other post-employment benefits.
- \$20,602) increase 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 is reported with governmental activities.

### Expenses and Program Revenues - Governmental Activities

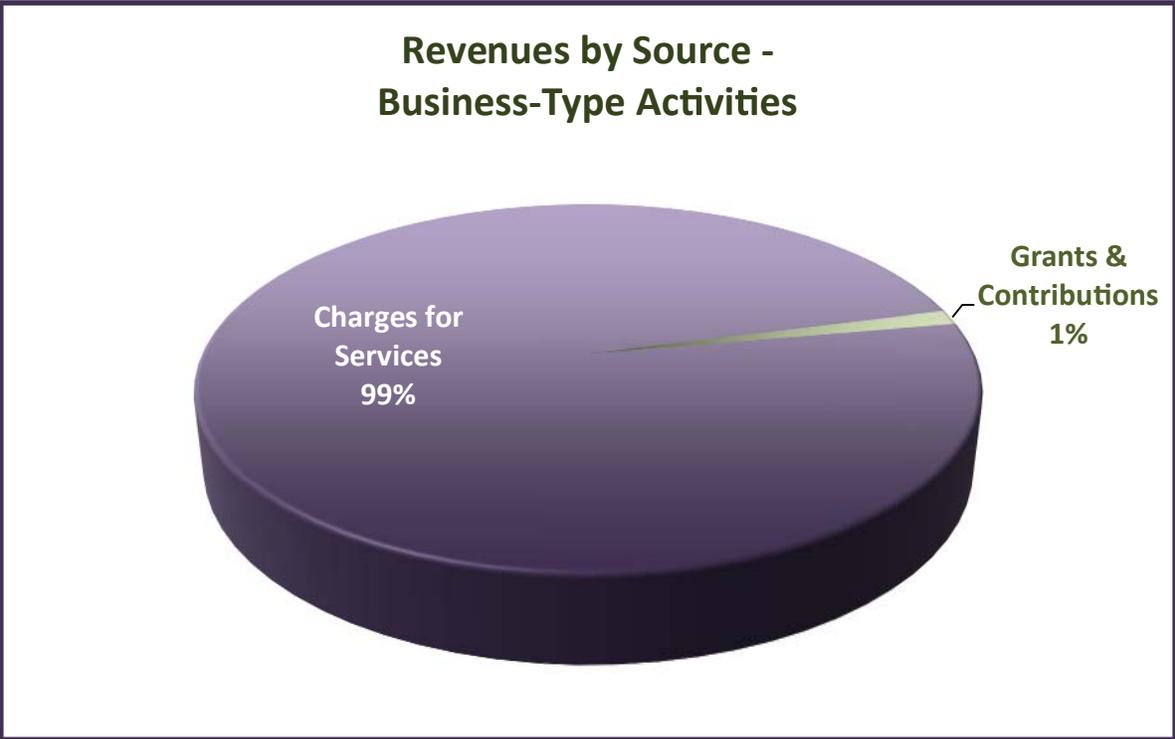
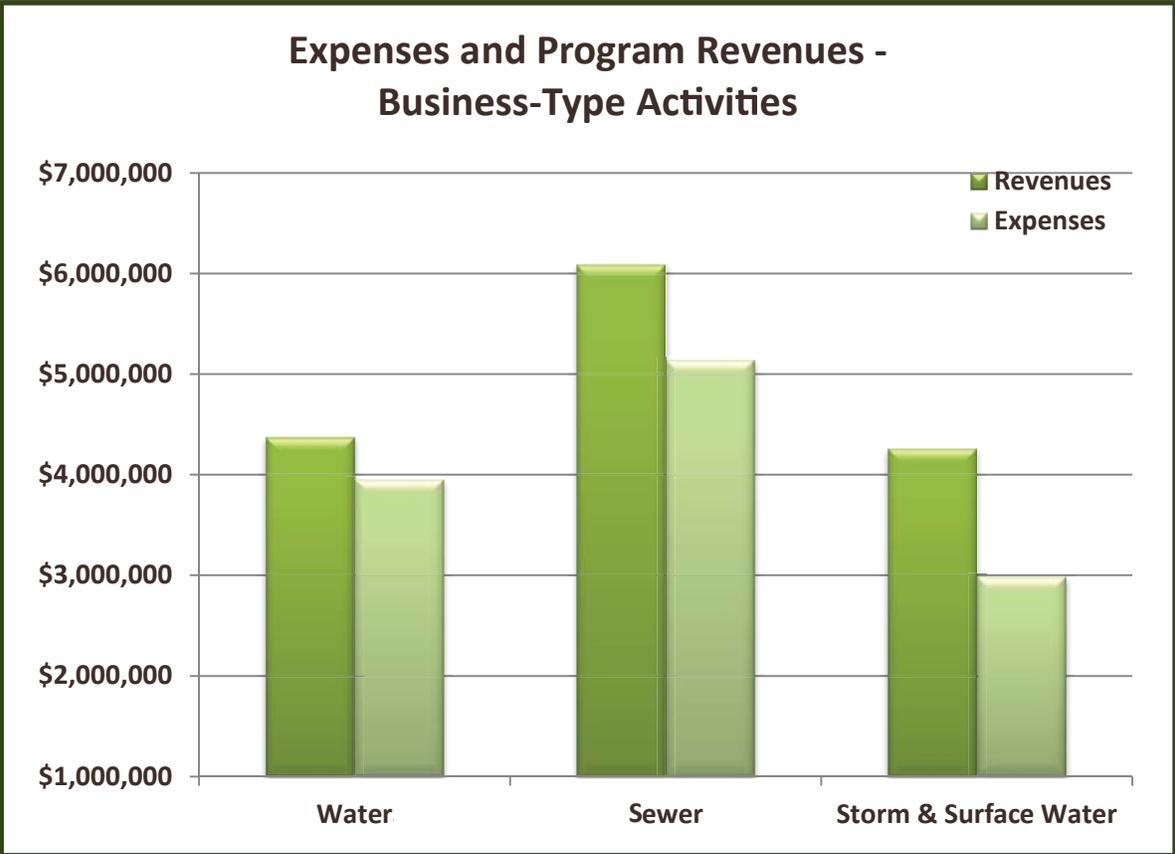


### Revenues by Source - Governmental Activities



**Business-Type Activities.** Business-type activities increased the City's net position by \$3,164,654. Business-type activities account for 5.1% of the City's net position. The key components of this increase were reduced expenses and increased program revenues.

In 2013, the overall net position of the City did not materially change (2.25%), however, during the 2013-2014 biennium, Bothell made significant strategic investment towards fruition of the Community's downtown revitalization vision as prescribed in the City's adopted Capital Facilities Plan (CFP). This fiscally strategic revitalization is projected to generate significant increases in revenue (ongoing and one-time) to help support Bothell's future operating and capital needs.



## Financial Analysis of the Governmental Funds

**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, unrestricted fund balance may serve as a useful measure of a government’s net resources available for appropriation at the end of the fiscal year.

Bothell’s ongoing emphasis on downtown revitalization continued throughout 2013. The City invested \$21,441,381 in capital infrastructure during 2013. At year-end, \$42,379,950 remained in construction in progress.

At December 31, 2013, the City’s governmental funds reported a combined fund balance of \$15,779,049. Fund balance for Governmental funds increased by \$5,551,840, or 54.28%. The City’s major governmental funds (General and Capital Improvements) experienced a combination of the following: General Fund increased \$663,122 while Capital Improvements increased \$3,941,593 due to increased intergovernmental revenue.

The General Fund is the chief operating fund of the City. In accordance with Statement No. 54 of the Governmental Accounting Standards Board: Fund Balance Reporting and Governmental Fund Type Definitions, at the end of the 2013 fiscal year, the unrestricted fund balance in the General Fund amounted to \$3,157,153. This figure includes a reimbursement of approximately \$1.7 million from the City’s Capital Improvements Fund that stems from an interfund transfer made from the General Fund to the Capital Improvements Fund in late 2009. This transaction was made prior to the City issuing a Local Infrastructure Financing Tool (LIFT) Bond Anticipation Note (BAN) to postpone the issuance of debt and circumventing unnecessary financing costs. As in years subsequent to 2010, these funds are assigned for future capital investment. (See Basic Financial Statements)

In 2013, the General Fund revenues, excluding transfers, exceeded expenditures by \$1,303,146. The following table reflects fund balance variances for the General Fund between 2013 and 2012:

	2012	2013	Variance Increase/ (Decrease)	% Variance
Revenue & Other Financing Sources	\$35,975,704	\$38,982,600	\$3,006,896	8.36%
Expenditures & Other Financing Uses	36,558,005	38,330,523	1,772,518	4.85%
<b>Revenue Over (Under) Expenditures</b>	<b>(582,301)</b>	<b>652,077</b>	<b>4,779,415</b>	
Beginning Fund Balance	3,706,999	3,124,698	582,301	
Prior Year Adjustment		11,035	11,035	
<b>Ending Fund Balance</b>	<b>\$3,124,698</b>	<b>\$3,787,810</b>	<b>\$663,112</b>	<b>20.26%</b>

**General Fund Budgetary Highlights:** 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 transfers in accordance with fiscal policy; and 4) increases in appropriations necessary to maintain services.

During the 2013 fiscal year, the Council modified the City's adopted budget on one occasion. The 2013 budget amendment was adopted by ordinance on November 12, 2013. The net impact on the General Fund was an increase of \$32,042 in fund balance.

**The General Fund 2013 amended budgetary highlights are as follows:**

- \$1,000,000 in one-time program revenues and expenditures for two grants related to the Bothell Med Tech Innovation Partnership Zone (IPZ).
- \$786,861 in projected revenues and \$1,468,541 in projected expenditures relating to the City's 2014 annexation, which will become effective February 28, 2014.
- \$837,405 reduction in the 2014 Street Fund subsidy, reflecting the fact that the City will be receiving road tax rather than property tax in the year of annexation implementation.
- \$10,000 transfer to the Street Fund to finance a new permit parking program.
- \$113,683 to fund a limited-term position to assure Development Services Initiative (DSI) standards during this period of increased development.

2013 General Fund inflows exceeded outflows by \$652,077 and inflows exceeded projections by \$938,773 or 2.5%. Total General Fund outflows for the biennium were \$38,330,523.

**Significant differences between the General Fund's originally adopted 2013 budget and actual inflows and outflows were required as follows:**

- Retail sales tax finished \$626,709 less than projected.
- Construction sales tax receipts were \$667,966 greater than projected.
- Utility taxes were \$754,314 below projections - mainly due to gas and telephone (broadband services) utility shortfalls.
- Interest earnings trailed behind projections by \$151,073.
- Salary and benefit expenditures exceeded projections by \$133,191.
- Maintenance and operating expenditures were behind projections by \$15,420.\*
- Capital expenditures were \$468,925 greater than projected.\*
- Transfers-out ended \$300,000 under their projections because the subsidy transfer to the Street Fund was able to be reduced by \$300,000.

\*\$334,820 in maintenance and operating expenditures and \$409,912 in capital expenditures were on-time costs connected with the IPZ program. See discussion above in amended budgetary highlights section.

**Proprietary Funds.** The City's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position are as follows: Water \$1,606,064; Sewer \$2,659,048; and Storm & Surface Water \$266,536.

The overall change in net position for each proprietary fund is as follows: Water increased \$506,710; Sewer increased \$1,131,760; and Storm & Surface Water increased \$1,526,184. 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, 2013 totaled \$804,233,601 (net of accumulated depreciation). These assets include bridges, rights-of-way, buildings, streets and sidewalks, land, machinery and equipment, and vehicles.

### Capital Asset and Debt Administration

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and land improvements	\$60,234,806	\$58,300,094	\$285,302	\$285,302	\$60,520,108	\$58,585,395
Infrastructure rights-of-way	71,324,510	71,043,127	140,987	15,006	71,465,497	71,058,133
Buildings	16,300,736	16,739,980	7,459,434	7,624,133	23,760,170	24,364,113
Improvements	43,348,570	42,835,258	22,945,194	23,435,709	66,293,763	66,270,968
Infrastructure	527,102,493	557,654,763			527,102,493	557,654,763
Vehicles	2,511,564	1,959,438		10,027	2,511,564	1,969,465
Machinery & equipment	875,404	752,994	191,786	238,261	1,067,190	991,256
Construction in progress	42,379,950	30,072,265	4,432,866	2,252,217	46,812,816	32,324,481
Intangible asset	4,700,000	4,700,000			4,700,000	4,700,000
<b>Total</b>	<b>\$768,778,033</b>	<b>\$784,057,919</b>	<b>\$35,455,568</b>	<b>\$33,860,655</b>	<b>\$804,233,601</b>	<b>\$817,918,574</b>

Additional information on the City's capital assets can be found in the Financial Section IIB, Note 5 of the Basic Financial Statements.

**Long-Term Debt.** As of December 31, 2013, the City had total debt outstanding of \$53,449,458.

### Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation debt	\$12,285,000	\$3,225,000			\$12,285,000	\$3,225,000
Bond anticipation note	30,000,000	34,607,839			30,000,000	34,607,839
Other debt	8,974,055	2,786,902	2,190,403	2,559,449	11,164,458	5,346,351
<b>Total</b>	<b>\$51,259,055</b>	<b>\$40,619,741</b>	<b>\$2,190,403</b>	<b>\$2,559,449</b>	<b>\$53,449,458</b>	<b>\$43,179,191</b>

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 \$435,362,697 as of January 1, 2014. The City had \$2,620,000 in voter approved bonds outstanding at December 31, 2013. Additional information regarding the City's long-term debt is located in the Financial Section IIB, Note 13.

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

- Puget Sound economists expect the Washington State economy to continue to grow somewhat faster than the national economy in 2014. Positive signs include the housing recovery and its impacts on the construction sector, the Boeing backlog, as well as growth in software employment.
- The construction and housing markets are recovering. Local economists predict housing prices to increase 5.5% during 2014.
- In 2013, regional employment grew at a rate of 2.7%, twice the national pace. The Seattle-Bellevue-Everett unemployment rate at the end of 2013 was 5.3%. As of March 2014, the local unemployment rate had fallen further to 5.2%.
- City fees increase annually on January 1 of each year, in line with the previous year's June-to-June Consumer Price Index (CPI), which is published by the Bureau of Labor Statistics. Based on the 2013 CPI, City fees increased 1.2% in 2013.
- City Council approved a 1% property tax levy for 2013 and 2014. A 1% property tax increase generates approximately \$92,000 per year for the City.

### **Biennial Budget Highlights for the Period Ending December 31, 2013**

#### **Governmental Activities:**

In mid-2011, Council approved the use of approximately \$1.5 million from the City's General Fund operating reserve to fill a budget imbalance. The imbalance was predominantly created by recent court rulings that eliminated the City's authority to collect two long relied on revenue streams (street light fees and telephone/broadband utility tax). The use of reserves provided time for staff to develop a corrective budget sustainability initiative for Council consideration.

In early 2013, City management implemented a Council approved \$1.8 million budget sustainability initiative to correct the structural imbalance between General Fund operating revenues and expenditures. Measures included a new Motor Vehicle Accident (MVA) fee, increases in EMS Transport and business license fees, and personnel concessions from bargaining groups.

In 2013, Council's sustainability initiative proved successful with General Fund revenues exceeding expenditures by more than \$600,000 as was projected in the City's 2013-2014 biennial budget. These excess revenues are designated toward re-establishment of pre-Great Recession reserves.

Fund balance in the City's General Fund amounted to 10.0% of operating expenditures at December 31, 2013.

Total capital outlay expenditures in governmental funds amounted to \$21,441,381 during 2013.

**Business-Type Activities:**

The City's three utility funds (Water, Sewer, and Storm & Surface Water) are fully supported through user fees.

In 2013, Council approved the following utility rate increases to pay for utility expenses and capital projects identified in the City's 2013-2019 Capital Facilities Plan: 5.0% increase in water, 3.4% increase in sewer and a 8% increase in storm & surface water. These rate adjustments took effect on January 1, 2014.

**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



City of Bothell™

# Basic Financial Statements





# City of Bothell™

**City of Bothell**  
**Statement of Net Position**  
**December 31, 2013**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$5,221,161	\$1,423,246	\$6,644,407
Investments	8,962,156	3,645,607	12,607,762
Receivables (net)	10,850,806	1,782,109	12,632,915
Taxes receivable	191,614		191,614
Capital assets:			
Non-depreciable	178,639,267	4,859,155	183,498,421
Depreciable, net	590,138,767	30,596,413	620,735,180
Total assets	<u>794,003,769</u>	<u>42,306,530</u>	<u>836,310,299</u>
<b>LIABILITIES</b>			
Accounts payable	5,533,818	691,903	6,225,722
Unearned revenue	808,857		808,857
Long-term liabilities (see Note 13)			
Due within one year	32,764,535	458,010	33,222,545
Due in more than one year	18,494,820	1,732,394	20,227,214
Total liabilities	<u>57,602,030</u>	<u>2,882,307</u>	<u>60,484,337</u>
<b>NET POSITION</b>			
Net investment in capital assets	720,584,679	34,892,575	755,477,254
Restricted for:			
Transportation	2,879,684		2,879,684
Parks & Recreation	1,945,408		1,945,408
Capital projects	6,917,958		6,917,958
Street maintenance	19,704		19,704
Drug forfeitures	40,664		40,664
Debt service	103,808		103,808
Cemetery (permanently restricted)	16,321		16,321
Other purpose	630,656		630,656
Unrestricted (deficit)	3,262,857	4,531,648	7,794,505
<b>Total net position</b>	<u><b>\$736,401,739</b></u>	<u><b>\$39,424,223</b></u>	<u><b>\$775,825,961</b></u>

**City of Bothell**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

Functions/program	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government activities:				
General government	\$10,073,570	\$5,795,890	\$192,281	
Security of persons and property	23,098,903	3,243,837	345,342	
Physical environment	5,972,811	1,352,480	727,417	10,086,696
Transportation	35,896,052	349,447		582,900
Economic environment	2,882,941	4,218,724	301,296	432,710
Culture and recreation	2,005,064	266,648		
Interest and fiscal charges	686,700			
<b>Total governmental activities</b>	<b>80,616,039</b>	<b>15,227,026</b>	<b>1,566,336</b>	<b>11,102,307</b>
Business-type activities:				
Water	3,947,670	4,371,380		83,000
Sewer	5,136,854	6,088,614		180,000
Storm drain	2,985,040	4,255,802		238,000
<b>Total business-type activities</b>	<b>12,069,565</b>	<b>14,715,797</b>	<b>-</b>	<b>501,000</b>
<b>Total primary government</b>	<b>\$92,685,604</b>	<b>\$29,942,823</b>	<b>\$1,566,336</b>	<b>\$11,603,307</b>

**City of Bothell**  
**Statement of Activities**  
**For the Year Ended December 31, 2013**

Functions/program	Net (Expense) Revenues and Changes in Net Position		
	Assets Governmental Activities	Primary Government Business-Type Activities	Total
Primary government:			
Government activities:			
General government	(\$4,085,398)		(\$4,085,398)
Security of persons and property	(19,509,723)		(19,509,723)
Physical environment	6,193,783		6,193,783
Transportation	(34,963,705)		(34,963,705)
Economic environment	2,069,790		2,069,790
Culture and recreation	(1,738,415)		(1,738,415)
Interest and fiscal charges	(686,700)		(686,700)
<b>Total governmental activities</b>	<b>(52,720,370)</b>		
Business-type activities:			
Water		506,710	506,710
Sewer		1,131,760	1,131,760
Storm drain		1,508,762	1,508,762
<b>Total business-type activities</b>		<b>3,147,232</b>	
<b>Total primary government</b>	<b>(\$52,720,370)</b>	<b>\$3,147,232</b>	<b>(\$49,573,138)</b>
General Revenues:			
Property tax	\$12,506,112		\$12,506,112
Excise tax	11,071,149		11,071,149
Business tax	6,759,484		6,759,484
Interest and investment earnings	164,714		164,714
Transfers	(17,422)	17,422	
Miscellaneous	1,033,726		1,033,726
<b>Total general revenues</b>	<b>31,517,764</b>	<b>17,422</b>	<b>31,535,186</b>
Change in net position	(21,202,606)	3,164,654	(18,037,952)
Net position - beginning	757,417,631	36,259,569	793,677,200
Prior year adjustment	186,714		186,714
<b>Net position - ending</b>	<b>\$736,401,739</b>	<b>\$39,424,223</b>	<b>\$775,825,961</b>

**City of Bothell**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2013**

	General	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Current cash & cash equivalents	\$914,702	\$2,810,289	\$1,204,853	\$4,929,843
Investments	435,768	3,000,000	4,066,736	7,502,504
Receivables (net of allowances)				
Taxes	180,117		11,497	191,614
Accounts receivable	1,653,711	1,203,156	4,500	2,861,367
Due from other governmental units	3,248,668	3,121,901	84,915	6,455,484
<b>TOTAL ASSETS</b>	<b><u>\$6,432,964</u></b>	<b><u>\$10,135,346</u></b>	<b><u>\$5,372,502</u></b>	<b><u>\$21,940,812</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$429,460	\$2,867,387	\$117,528	\$3,414,375
Unearned revenue	682,034		126,823	808,857
Deposits payable	47,802	350,000		397,802
Compensated absences			27,698	27,698
Payroll payable	1,485,859		27,173	1,513,032
Total liabilities	2,645,155	3,217,387	299,221	6,161,763
Fund balances				
Restricted	613,906	6,917,958	5,005,588	12,537,453
Committed	16,750		67,692	84,442
Assigned	1,711,130			1,711,130
Unassigned	1,446,023			1,446,023
Total fund balances	3,787,810	6,917,958	5,073,281	15,779,049
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$6,432,964</u></b>	<b><u>\$10,135,346</u></b>	<b><u>\$5,372,502</u></b>	<b><u>\$21,940,812</u></b>

**City of Bothell**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**December 31, 2013**

Total fund balances for the governmental funds \$15,779,049

Amounts reported for governmental activities in the statement of net position 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	178,639,267	
Depreciable assets (net)	<u>590,138,767</u>	768,778,033

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 position. Internal service fund net position are: 3,051,572

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	(1,447,471)	
Other post-employment benefits payable	(1,566,090)	
Bonds and note payable	<u>(48,193,354)</u>	<u>(51,206,915)</u>
<b>Total net position of governmental activities</b>		<b><u><u>\$736,401,739</u></u></b>

**City of Bothell**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	General	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$26,481,734	\$2,794,919	\$1,136,460	\$30,413,113
Licenses and permits	2,876,067		77,445	2,953,512
Intergovernmental revenues	1,602,896	9,289,326	754,937	11,647,160
Charges for services	7,034,443		2,002,690	9,037,134
Fines and forfeitures	381,258			381,258
Interest earnings	162,427			162,427
Contributions	135,392	755,470		890,862
Other revenue	308,407	3,740	18,158	330,305
Total revenue	<u>38,982,624</u>	<u>12,843,456</u>	<u>3,989,691</u>	<u>55,815,771</u>
<b>EXPENDITURES</b>				
Current				
General government	8,651,252			8,651,252
Security of persons and property	20,829,840			20,829,840
Transportation			1,688,875	1,688,875
Physical environment	4,785,520			4,785,520
Economic environment	2,882,941			2,882,941
Other expenditures			10,474	10,474
Debt service				
Debt service - principal		4,653,421	605,000	5,258,421
Debt Issue costs		125,039		125,039
Debt service - interest		388,387	298,314	686,700
Capital outlay				
Capital outlay	529,925	20,851,148	60,307	21,441,381
Total expenditures	<u>37,679,478</u>	<u>26,017,995</u>	<u>2,662,970</u>	<u>66,360,442</u>
Excess of revenue over (under) expenditures	1,303,146	(13,174,539)	1,326,722	(10,544,671)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond anticipation note - issuance of debt		9,665,000		9,665,000
GO Bond premiums		455,236		455,236
Loan		5,953,936		5,953,936
Transfer in		1,194,411	694,900	1,889,311
Transfer out	(651,045)	(167,563)	(1,250,167)	(2,068,775)
Total other financing sources	<u>(651,045)</u>	<u>17,101,020</u>	<u>(555,267)</u>	<u>15,894,708</u>
<b>SPECIAL ITEMS</b>				
Proceeds from sales of capital assets	(24)	15,113		15,088
Net change in fund balances	652,077	3,941,594	771,454	5,365,125
<b>FUND BALANCES - JANUARY 1, 2013</b>				
FUND BALANCES - JANUARY 1, 2013	3,124,698	2,976,365	4,126,147	10,227,209
Prior year adjustment	11,035		175,679	186,714
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<u><b>\$3,787,810</b></u>	<u><b>\$6,917,958</b></u>	<u><b>\$5,073,281</b></u>	<u><b>\$15,779,049</b></u>

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, 2013**

Net change in fund balances - total governmental funds \$5,365,125

The change in net position 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	624,800
Expenditures for capital assets	21,441,381
Sales of capital assets	(100,396)
Depreciation	(37,920,107)

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

Principal payments	5,258,421
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Bond anticipation note and loan proceeds are the other financing sources in governmental funds, but increase long-term liabilities in the statement of position.

Bond anticipation note proceed	(9,665,000)
Loan proceeds	(5,953,936)

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	(56,197)
Change in other post-employment benefits payable	(217,299)

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.

	20,602
<b>Change in net position of governmental activities</b>	<b><u>(\$21,202,606)</u></b>

**City of Bothell**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2013**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain	Total	
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$439,664	\$635,622	\$347,960	\$1,423,246	\$291,317
Investments	1,105,890	1,006,640	1,533,076	3,645,607	1,459,652
Accounts receivable	427,595	1,113,528		1,541,124	1,954
Due from other governments	271	484	239,830	240,586	
Advances receivable					250,000
Special assessments receivable		400		400	
Total current assets	<u>1,973,421</u>	<u>2,756,674</u>	<u>2,120,866</u>	<u>6,850,962</u>	<u>2,002,924</u>
Non-current assets					
Advances receivable					1,282,000
Capital assets, net of depreciation					
Land	122,175	163,126		285,302	
Right of way			140,987	140,987	
Buildings	2,486,002	2,829,568	2,143,863	7,459,434	
Improvements other than buildings	8,781,480	6,030,797	8,132,917	22,945,194	822,767
Equipment		117,450	74,336	191,786	213,470
Vehicles					2,500,192
Construction in progress	878,130	771,470	2,783,266	4,432,866	
Total capital assets, net of depreciation	<u>12,267,787</u>	<u>9,912,411</u>	<u>13,275,369</u>	<u>35,455,568</u>	<u>3,536,429</u>
Total non-current assets	<u>12,267,787</u>	<u>9,912,411</u>	<u>13,275,369</u>	<u>35,455,568</u>	<u>4,818,429</u>
Total assets	<u>14,241,209</u>	<u>12,669,085</u>	<u>15,396,236</u>	<u>42,306,530</u>	<u>6,821,352</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	297,711	30,776	207,238	535,725	188,076
Payroll payable	44,991	41,359	69,827	156,178	20,534
Compensated absences	24,655	25,492	45,264	95,411	24,742
Current portion of loans payable	112,599			112,599	
Current portion of advances payable			250,000	250,000	
Total current liabilities	<u>479,956</u>	<u>97,627</u>	<u>572,330</u>	<u>1,149,913</u>	<u>233,352</u>
Non-current liabilities					
Loans payable	450,394			450,394	
Advances payable			1,282,000	1,282,000	
Total non-current liabilities	<u>450,394</u>	<u>-</u>	<u>1,282,000</u>	<u>1,732,394</u>	<u>-</u>
Total liabilities	<u>930,350</u>	<u>97,627</u>	<u>1,854,330</u>	<u>2,882,307</u>	<u>233,352</u>
<b>NET POSITION</b>					
Net investment in capital assets	11,704,795	9,912,411	13,275,369	34,892,575	3,536,429
Unrestricted	1,606,064	2,659,048	266,536	4,531,648	3,051,572
<b>Total net position</b>	<u><b>\$13,310,859</b></u>	<u><b>\$12,571,458</b></u>	<u><b>\$13,541,906</b></u>	<u><b>\$39,424,223</b></u>	<u><b>\$6,588,001</b></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 Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2013**

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds	
	Water	Sewer	Storm Drain		Total
<b>OPERATING REVENUES</b>					
Charges for services	\$4,367,235	\$6,085,882	\$4,086,228	\$14,539,345	\$2,419,813
Intergovernmental revenues	4,146	2,731	152,013	158,890	257
Other			17,561	17,561	
Total operating revenue	<u>4,371,380</u>	<u>6,088,614</u>	<u>4,255,802</u>	<u>14,715,797</u>	<u>2,420,070</u>
<b>OPERATING EXPENSES</b>					
Administrative and general	585,250	416,470	1,359,665	2,361,385	1,693,700
Purchased water	1,504,942			1,504,942	
Metro service		3,167,714		3,167,714	
Maintenance and operations	944,977	734,132	1,140,193	2,819,302	230,454
Customer accounts	141,400	141,614		283,013	
Taxes	313,641	349,644	48,726	712,011	
Depreciation and amortization	451,268	327,280	434,169	1,212,717	737,245
Total operating expenses	<u>3,941,477</u>	<u>5,136,854</u>	<u>2,982,754</u>	<u>12,061,085</u>	<u>2,661,400</u>
OPERATING INCOME (LOSS)	<u>429,903</u>	<u>951,760</u>	<u>1,273,049</u>	<u>2,654,712</u>	<u>(241,330)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income					2,287
Gain (loss) on disposition of capital assets					97,603
Interest expense	(6,193)		(2,287)	(8,480)	
Total non-operating revenue (expense)	<u>(6,193)</u>	<u>-</u>	<u>(2,287)</u>	<u>(8,480)</u>	<u>99,890</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>					
	<b>423,710</b>	<b>951,760</b>	<b>1,270,762</b>	<b>2,646,232</b>	<b>(141,440)</b>
Transfers in			17,422		829,688
Transfers out					(667,646)
Capital contributions from developers	83,000	180,000	238,000	501,000	
CHANGE IN NET POSITION	506,710	1,131,760	1,526,184	3,147,232	20,602
NET POSITION - BEGINNING	12,804,148	11,439,699	12,015,722	36,259,569	6,567,399
<b>NET POSITION - ENDING</b>	<b><u>\$13,310,859</u></b>	<b><u>\$12,571,458</u></b>	<b><u>\$13,541,906</u></b>	<b><u>\$39,424,223</u></b>	<b><u>\$6,588,001</u></b>

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, 2013**

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds	
	Water	Sewer	Storm Drain		Total
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$4,420,339	\$6,009,299	\$4,298,742	\$14,728,380	\$2,420,070
Cash paid to employees	(638,902)	(617,490)	(1,037,591)	(2,293,983)	(323,288)
Cash paid to suppliers for goods and services	(2,653,140)	(4,119,466)	(1,692,933)	(8,465,539)	(1,220,895)
Cash paid for taxes	(313,641)	(349,644)	(48,726)	(712,011)	
Net cash provided by operating activities	<u>814,656</u>	<u>922,699</u>	<u>1,519,491</u>	<u>3,256,846</u>	<u>875,887</u>
<b>CASH FLOW FROM NON-CAPITAL ACTIVITIES</b>					
Transfers out					(667,646)
Transfers in			17,422	17,422	829,688
Net cash provided from non-capital activities	-	-	<u>17,422</u>	<u>17,422</u>	<u>162,042</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(640,740)	(265,721)	(1,400,170)	(2,306,630)	(1,411,682)
Interest paid on capital debt	(6,193)		(2,287)	(8,480)	
Proceeds from the sale of capital assets					97,603
Net cash (used) by capital and related activities	(646,933)	(265,721)	(1,402,457)	(2,315,110)	(1,314,079)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments		(200,000)		(200,000)	499,147
Interest and dividends					2,287
Net cash provided by investing activities	-	(200,000)	-	(200,000)	501,433
Net increase (decrease) in cash and cash equivalents	<u>167,723</u>	<u>456,979</u>	<u>134,456</u>	<u>759,158</u>	<u>225,284</u>
Balances - January 1	<u>271,941</u>	<u>178,643</u>	<u>213,504</u>	<u>664,088</u>	<u>66,033</u>
<b>Balances - December 31</b>	<b><u>\$439,664</u></b>	<b><u>\$635,622</u></b>	<b><u>\$347,960</u></b>	<b><u>\$1,423,246</u></b>	<b><u>\$291,318</u></b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$429,903	\$951,760	\$1,273,049	\$2,654,712	(\$241,330)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	451,268	327,280	434,169	1,212,717	737,245
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	45,439	(78,932)	92,848	59,355	22,109
Decrease (increase) in due from other governments	3,519	(383)	(49,908)	(46,772)	72
Decrease (increase) in special assessments deferred		400		400	
Decrease (increase) in loan receivable					250,000
Increase (decrease) in non-capital accounts payable	(3,635)	(278,785)	27,808	(254,611)	95,937
Increase (decrease) in interfund loan payable			(250,000)	(250,000)	
Increase (decrease) in interest payable	(563)			(563)	
Increase (decrease) in compensated absences payable	(1,237)	882	(6,093)	(6,448)	8,472
Increase (decrease) in payroll payable	2,561	476	(2,381)	655	3,382
Increase (decrease) in contracts payable	(112,599)			(112,599)	
<b>Net cash provided by operating activities</b>	<b><u>\$814,656</u></b>	<b><u>\$922,699</u></b>	<b><u>\$1,519,491</u></b>	<b><u>\$3,256,846</u></b>	<b><u>\$875,887</u></b>
Noncash investing, capital and financing activities					
increase (decrease) in fair value of investments	-	-	-	-	-
Capital contributions from developers	\$83,000	\$180,000	\$238,000	\$501,000	

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

**City of Bothell**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2013**

	<b>Pension Trust</b>	<b>Agency</b>
	<b>Firemen's Pension Reserve</b>	<b>Trust</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$84,706	\$169,322
Total receivables	84,706	169,322
Investments, at fair value		
State investment pool	218,407	
Total investments	218,407	-
Total assets	\$303,114	\$169,322
<b>LIABILITIES</b>		
Refunds payable and others		\$168,322
Accounts payable		1,000
Total liabilities	-	169,322
<b>NET POSITION</b>		
Held in trust for pension benefits	\$303,114	-

**City of Bothell**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2013**

	Pension Trust
	Firemen's Pension Reserve
<b>ADDITIONS</b>	
Contributions	
Employer	\$51,360
Total contributions	51,360
Investment earnings	
Interest	
Total investment earnings	
Total additions	51,360
<b>DEDUCTIONS</b>	
Benefits	42,780
Total deductions	42,780
Change in net position	8,579
Net position - beginning	294,534
<b>Net position - ending</b>	<b>\$303,114</b>

## Notes to Financial Statements December 31, 2013

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# City of Bothell

## Notes to Financial Statements January 1, 2013 through December 31, 2013

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

### 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 of Bothell has implemented all applicable GASB statements through Statement 66.

In 2012, the City implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which establishes guidance for reporting deferred outflows of resources,

deferred inflows of resources, and net position in a statement of financial position.

In 2013, the City adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. Also adopted in 2013 was GASB Statement No. 66, Technical Corrections, an amendment of GASB Statements No. 10 and No. 62. None of these new accounting standards have had a material impact on the City's financial statements.

#### 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.

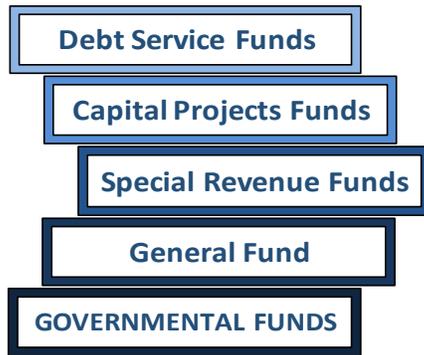
#### BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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, net position, revenues, and expenditures/expenses.

The various funds are reported by generic classifications within the financial statements.

The City uses the following fund types:



### 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:

- 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.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Capital project funds are used to account for financial resources for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

- 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.



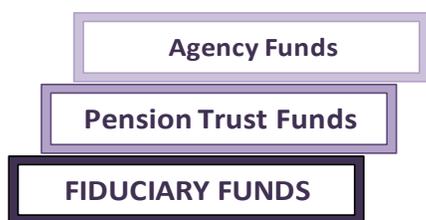
### Proprietary Funds:

Proprietary fund measurement focuses on determining operating income, changes in net position, 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 & Surface Water Funds are derived from charges to customers for sales and services.

The Water, Sewer, and Storm & Surface Water 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:

- 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.
- Internal service funds are used to account for the financing of goods or services provided to other City funds on a cost-reimbursement basis.



### **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 position, using accounting principles similar to proprietary funds.

### **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 Position, 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 components of the City's net position are: net investment in capital assets, restricted net position, and unrestricted net position. 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 and property, physical environment, transportation, economic environment, mental and physical health, culture and recreation, water, sewer (wastewater), and storm drain (surface 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:

- 1) Charges for services;
- 2) program-specific operating grants and contributions; and
- 3) 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 position resulting from the current year's activities. Classification of major and non-major funds is determined annually based on the criteria prescribed in GASB Statement 34.

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

## **MAJOR FUNDS**

### **Governmental Activities**

#### **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.

#### **Capital Improvement Fund**

The Capital Improvement Fund accounts for special revenue dedicated to capital projects. The main sources of revenue are real estate excise taxes, mitigation fees, and grants.

### **Business-Type Activities**

#### **Water Fund**

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 for 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.

### **Sewer Fund**

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 King County Wastewater Treatment 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 for 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.

### **Storm & Surface Water Fund**

This fund is used to account for the provision of storm drain and surface water 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**

### **Arterial Street Fund**

The Arterial Street Fund is a special revenue fund used to account for proceeds of restricted revenues dedicated to street construction and transportation improvement projects. The main source of revenue is impact fees. Impact fees are transferred to the Capital Improvement Fund in a reimbursement manner for right-of-way acquisition, design and construction of roadways, sidewalks, street lighting, traffic signals, and landscaping.

### **Street Fund**

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

### **Park Cumulative Reserve Fund**

The Park Cumulative Reserve Fund is used for the acquisition and development of parks. Funding is derived from park fees paid by developers.

## **Local Improvement District (LID) Control Funds**

LID Control Funds 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.

### **Drug Forfeiture Fund**

This fund accounts for monies seized from drug policing activities.

### **Cemetery Endowment Fund**

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

### **General Obligation (GO) Bond Funds**

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.

### **Construction and Acquisition Fund**

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

### **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**

### **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.

### **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.

### **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. Trust funds use economic resources as their measurement focus. Agency funds are custodial in nature (assets equal liabilities) and do not measure the results of operations. Individual fund descriptions are as follows:

### **Firemen's Pension Reserve Fund**

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.

Reserve resources are utilized to supplement annuity benefit payments for LEOFF I retirees (Refer to Note 6).

### **Agency Fund**

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

### **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.

### **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.

### **Modified Accrual**

The governmental funds financial statements are presented using the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, 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.

### **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 (Refer to Note 5).

### **FINANCIAL STATEMENT ACCOUNTS**

#### **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 position within cash and cash equivalents or investments in the various funds. The interest on these investments is prorated to the applicable funds.

## **Investments**

Investments for the government are reported at fair value. The state's local Government Investment Pool (LGIP) investment pool operates in accordance with state laws and regulations.

The reported value of the pool is the same as the fair value of the pool shares (Refer to Note 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.

Court receivables consist of transactions handled by the Court in a fiduciary capacity such as a restitution, bail and state portion of certain fines and penalties and is reported as an asset, net of estimated uncollectible amounts with an offsetting liability.

## **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.

## **Capital Assets and Depreciation**

Capital assets include land and land improvements, easements, building and building improvements, vehicles, and equipment. The straight-line method is used for depreciating assets (Refer to Note 5).

## **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).

Court revenue is recognized when a fine or penalty is legally enforceable. This would occur when the party pays the fine or when the fine is adjudicated by the court. When adjudicated, revenue is recognized net of estimated adjustments that could result from appeals.

### **Expenditures**

Expenditures are recognized when the related fund liability is incurred.

### **Unearned Revenues**

This account recognizes receivables, but not as revenues in governmental funds because the revenue recognition criterion has not been met.

### **Custodial Accounts**

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

### **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.

Compensated absences are reported in governmental funds only if they have matured.

### **Other Post-Employment Benefits**

Uniform police and fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977 are provided lifetime full medical coverage. A liability for the accumulated unfunded actuarially required contribution is reported in the Statement of Net Position. The actual medical costs are reported as expenditures in the year they are incurred. (Refer to Note 8).

### **Interfund Activity**

Interfund activities include reciprocal activities or interfund services provided and used; and, nonreciprocal activities or interfund transfers (Refer to Note 11).

### **Comparative Data**

Comparative data is included in the Statement of Net Position and budget to actual statements and schedules.

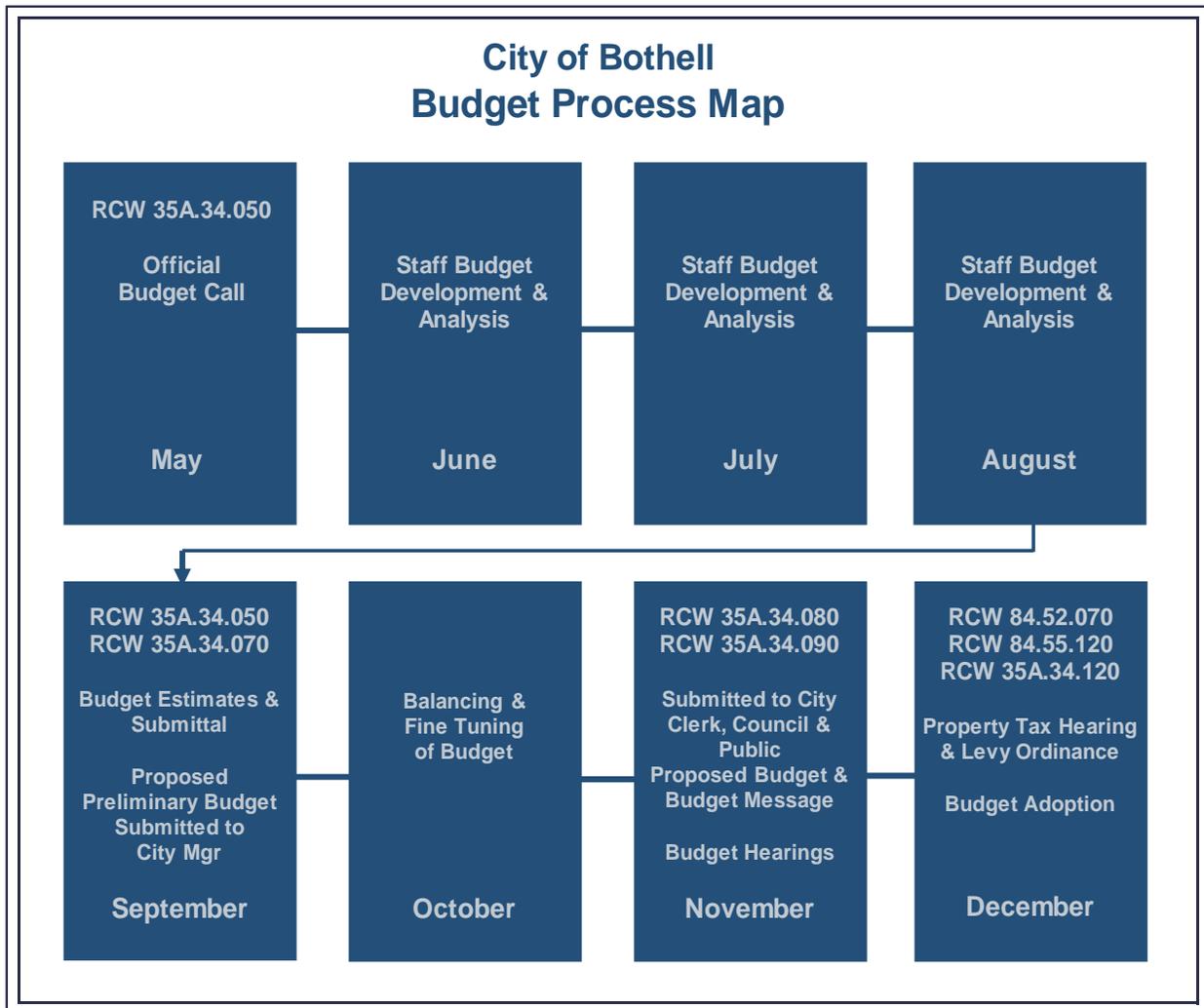
**NOTE 2**  
**Compliance and Accountability**

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.

**PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET**

The City's biennial budget procedures are mandated by the Revised Code of Washington, Chapter 35A.34. 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 the passage of an ordinance.
- 4) Revisions that alter any fund's appropriation must be approved by the City Council.



## 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 lion's share of the budget

amendment pertained to an annexation that increased the City's assessed value by approximately 16%.

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.

## 2012-2013 Final Budget Inflows and Outflows

### Budget Information as follows:

Fund	Original Inflows	Original Outflows	Final Inflows	Final Outflows
General Fund	\$78,150,611	\$78,150,611	\$79,937,472	\$79,905,430
Street Fund	4,123,008	4,123,008	5,210,307	4,358,536
Arterial Street Fund	6,132,320	6,937,054	6,132,320	6,937,054
Park Cumulative Reserve Fund	480,000	100,000	480,000	100,000
Drug Seizure Fund	44,000	23,000	44,000	23,000
2008 GO Bond Redemption Fund	1,435,000	1,475,000	1,435,000	1,475,000
LIFT General Obligation Bond	2,000,000	2,000,000	2,000,000	2,000,000
2013 GO			840,000	840,000
Capital Improvements Fund	78,568,887	78,354,340	81,974,637	82,600,090
Water Fund	10,624,378	11,680,279	10,624,378	11,680,279
Sewer Fund	15,120,910	15,754,663	15,120,910	15,754,663
Storm & Surface Water Fund	22,155,369	21,674,038	22,549,091	22,067,760
Equipment Rental Fund	3,082,272	3,077,111	3,082,272	3,099,486
Self Insurance Fund	2,182,524	2,130,813	2,182,524	2,130,813
Asset Replacement Fund	2,949,558	6,326,272	2,949,558	6,326,272
Cemetery Endowment Fund	400	18,000	400	18,000
Firemen's Pension Reserve Fund	90,000	90,000	90,000	90,000
<b>Total</b>	<b>\$227,139,237</b>	<b>\$231,914,189</b>	<b>\$234,652,869</b>	<b>\$239,406,383</b>

## NOTE 3 Deposits and Investments

### 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.

### 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 position to compute share prices.

Investments are shown on the entity-wide Statement of Net Position at fair value, or at amortized cost for 2a7-like-pools.

As of December 31, 2013, 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	\$4,092,017	\$4,092,017		
Bonds of State or Local Government	8,734,153	1,260,343	7,473,810	
<b>Total</b>	<b>\$12,826,170</b>	<b>\$5,352,360</b>	<b>\$7,473,810</b>	<b>-</b>
	<b>Percent of Total</b>	<b>42%</b>	<b>58%</b>	<b>0%</b>

**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, 2013, 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 A1 by Standard & Poor's.

The City's investments in US Agencies were rated A1, A2, Aa1, Aa2, and Aa3

by Moody's Investors Service, and AAA, AA+, AA, A, A+ and AA- 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	32%	\$4,092,017
Bonds of State or Local Government	68%	8,734,153
<b>Total Investments</b>	<b>100%</b>	<b>\$12,826,170</b>

### Deposit and Investment Reconciliation

Amounts reported in the fund statements are as follows:

Government Funds	Amount
Cash	\$5,221,161
Investments	8,962,156
Proprietary Funds	Amount
Cash & cash equivalents	\$1,423,246
Investments	3,645,607
Fiduciary Funds	Amount
Cash & cash equivalents	\$254,028
Investments	218,408
<b>Total</b>	<b>\$19,724,605</b>

Cash, deposits, and investments are as follows:

Cash on hand	\$7,250
Checking accounts	6,891,185
State or local government	8,734,153
State investment pool	4,092,017
<b>Total</b>	<b>\$19,724,605</b>

**NOTE 4**  
**Property Taxes**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the county assessor at 100% 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:

- 1) 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.
- 2) 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.
- 3) The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations. For 2013, the City's General Tax Levy was \$1.54 per \$1,000, and the Special Tax Levy was \$0.13 per \$1,000. The total assessed valuation was \$5,804,835,963.

<b>2013 Assessed Valuation</b>	
Snohomish County	\$2,782,171,373
King County	3,022,664,590
<b>Total</b>	<b>\$5,804,835,963</b>

<b>Property Tax Calendar</b>	
January 01	Taxes are levied and become an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property established for next year's levy at 100% of market value.
October 31	Second installment is due.

**NOTE 5**  
**Capital Assets and Depreciation**

**GENERAL POLICIES**

Major expenditures for property including land, buildings, or equipment having an initial value of more than \$5,000 are capitalized. Assets may be acquired through donation, gift, purchase, capital lease, or self-construction work in progress with a life expectancy of more than one year.

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.

**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.

**PROPRIETARY FUND CAPITAL ASSETS**

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

**DEPRECIATION**

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

- ➔ Building and structures 30-50 years
- ➔ Other improvements 20-60 years
- ➔ Machinery and equipment 5-20 years
- ➔ 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	\$682,459
Security of persons & property	575,362
Transportation	34,207,177
Physical environment	2,514,526
Culture & recreation	670,351
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$38,649,875</b>

Business-Type Activities	Amount
Water	\$451,268
Sewer	327,280
Storm & Surface Water	434,169
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$1,212,717</b>

## Construction Commitments as of December 31, 2013

	<u>Construction In Progress</u>	<u>Remaining Commitment</u>
<b>Government Activities</b>		
Canyon Park Radio Project	\$38,781	
SR 522 Bothell Crossroads	22,276,299	5,079,858
SR 527 Widening: 240th St SE to 228th St SE	3,725,025	4,020,326
SR 527 Multiway Boulevard	6,036,061	2,680,830
Neighborhood Traffic Calming	2,531	
Citywide ITS		165,738
240th St SE Bridge Replacement		15,241
Bridge Rehab & Seismic Retrofit 240th	263,002	34,051
SR 522 Phase 2 Stage 2		1,000,959
SR 522 Stage 2B	100,364	
Sidewalk/Walkway Program	93,192	
Main Street Extension	179,722	24,179
NE 185th Improvement	233,606	
Annual Arterial Overlay Program	722,747	24,544
Main Street Enhancement	257,990	
Pop Keeney Road	225,449	7,752
North Creek Trail Section 3	305,995	54,202
Downtown Soil/Ground Cleanup	5,068,319	475,984
City Hall/Dawson Replacement	1,998,921	1,115,045
North Creek Field 3	74,950	
North Shore SD Property		171,196
Park Master Planning; Bothell Landing	171,734	
Park at Bothell Landing	15,176	4,510
SR 522 Property		59,105
Half Acre Open Space	86,668	36,297
SR 522 Ph1, Stage 3 Improvements	6,430	
North Creek Forest		4,120
228th St SE/15th Ave SE Safety Imp	14,602	
SE 527 (220th-211th St) Corridor Safety	39,109	
Main St (101st-104th) Safety Imp	6,596	
General Park Improvements	17,627	
City Wide Transportation Safety	67,800	4,035
SR 527 & 228th Intersection	285,302	102,582
NE 200th St Sidewalk	2,097	158,953
NE 195th Bridge Seismic Retrofit	857	
228th Corridor Safety	59,930	4,026
Land - General Park & Open Space Acquisition	1,000	
1st Lt Nicholas Memorial Park	2,065	
North Creek School House		39,220
<b>Total Governmental Activities</b>	<b><u>\$42,379,950</u></b>	<b><u>\$15,282,754</u></b>
<b>Business -Type Activities</b>		
Reclaimed Water System	\$47,683	\$5,648
Water Main Replacement Bothell Crossroads	755,752	
Penn Park Reservoir	71,209	149,186
Downtown Revitalization Utility - Water	3,487	
Sewer Replacement Program	31,389	8,585
Sewer Main Replacement Bothell Crossroads	377,024	
Infiltration & Inflow Program	72,705	
Lift Station #2 Phase 2	176,389	693,448
Promontory Hillside Sewer Replacement	88,518	
Downtown Revitalization Utility - Sewer	10,342	
NE 200th St Sewer Improvements	15,102	
Annual Stormwater Capital Projects	94,976	1,841
North Creek TMDL Plan	7,040	
North Creek Habitat Improvement	39,636	
Blyth Park Hill Slope Stream Restoration	209	
Flood Mit: 120th Ave NE	739	
Flood Mit: Filbert Ck & N Ck	138,448	
Horse Creek Improvements	2,409,492	219,150
Sammamish River Side Channel	92,728	380
<b>Total Business-Type Activities</b>	<b><u>\$4,432,865</u></b>	<b><u>\$1,078,238</u></b>

## Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$58,300,094	\$1,934,713		\$60,234,806
Infrastructure right-of-way	71,043,127	281,383		71,324,510
Intangible Asset	4,700,000			4,700,000
Construction in progress	30,072,265	21,441,381	9,133,695	42,379,950
<b>Total capital not being depreciated</b>	<b>\$164,115,485</b>	<b>\$23,657,476</b>	<b>\$9,133,695</b>	<b>\$178,639,267</b>
<b>Other capital assets:</b>				
Buildings	\$21,072,305			\$21,072,305
Improvements	57,250,874	3,788,133	236,225	60,802,782
Infrastructure	1,541,857,909	3,751,414		1,545,609,324
Vehicles	6,788,832	1,083,974	705,863	7,166,943
Equipment	3,827,498	330,560	139,718	4,018,340
<b>Total other capital assets at historical cost</b>	<b>\$1,630,797,419</b>	<b>\$8,954,081</b>	<b>\$1,081,806</b>	<b>\$1,638,669,694</b>
<b>Less accumulated depreciation for:</b>				
Buildings	\$4,332,325	\$439,243		\$4,771,569
Improvements	14,415,616	3,174,426	135,829	17,454,212
Infrastructure	984,203,147	34,303,684		1,018,506,831
Vehicles	4,829,394	524,371	698,386	4,655,379
Machinery & equipment	3,074,503	208,151	139,718	3,142,936
<b>Total accumulated depreciation</b>	<b>\$1,010,854,985</b>	<b>\$38,649,875</b>	<b>\$973,933</b>	<b>\$1,048,530,927</b>
<b>Governmental activities capital assets, net</b>	<b>\$784,057,919</b>	<b>(\$6,038,318)</b>	<b>\$9,241,568</b>	<b>\$768,778,033</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$2,252,217	\$2,306,630	\$125,981	\$4,432,866
Infrastructure right-of-way	15,006	125,981		140,987
Land and improvements	285,302			285,302
<b>Total capital not being depreciated</b>	<b>\$2,552,524</b>	<b>\$2,432,612</b>	<b>\$125,981</b>	<b>\$4,859,155</b>
<b>Other capital assets:</b>				
Buildings	\$8,442,610			\$8,442,610
Intangible plant	411,179			411,179
Improvements	41,044,120	501,000		41,545,120
Vehicles	716,366		328,632	387,734
Machinery & equipment	519,911			519,911
<b>Total other capital assets at historical cost</b>	<b>\$51,134,185</b>	<b>\$501,000</b>	<b>\$328,632</b>	<b>\$51,306,553</b>
<b>Less accumulated depreciation for:</b>				
Buildings	\$818,477	\$164,699		\$983,176
Intangible plant	411,179			411,179
Improvements	17,608,410	991,516		18,599,926
Vehicles	706,339	10,027	328,632	387,734
Machinery & equipment	281,649	46,476		328,125
<b>Total accumulated depreciation</b>	<b>\$19,826,054</b>	<b>\$1,212,717</b>	<b>\$328,632</b>	<b>\$20,710,140</b>
<b>Business-type activities capital assets, net</b>	<b>\$33,860,655</b>	<b>\$1,720,894</b>	<b>\$125,981</b>	<b>\$35,455,568</b>

## NOTE 6 Pensions

Substantially 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, under cost-sharing, multiple-employer, public employee defined benefit and defined contribution retirement plans.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for each plan.

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

The following disclosures are made pursuant to GASB Statement 27, Accounting for Pensions by State and Local Government Employers and No. 50 Pension Disclosures, an Amendment of GASB Statements No. 25 and No.27.

### **PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) - PLANS 1, 2, AND 3**

#### **Plan Description**

PERS is a cost sharing, multiple employer, defined benefit pension plan. Membership in the plan includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees (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.

**Judicial Benefit Multiplier (JBM)** program was created to provide judicial members of PERS an increased retirement benefit multiplier. Newly elected or appointed justices on or after January 1, 2007 are mandated into Plan 2. Members may retire at age 65 with 5 years of service, or at age 55 with 20 years of service. The annual pension is

3.5% of the AFC per year of service. JMB 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.

### **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.

The required contribution rates expressed as a percentage of current year covered payroll as of December 31, 2012 are as follows:

PERS	Plan 1	Plan 2	Plan 3
Employer*	9.21%	9.21%	9.21%
Employee - Not JBM	6.00%	4.92%	***
Employee - JBM	-	12.30%	-

\*Employer rates include an administrative expense rate of 0.16%.

\*\*Plan 3 defined benefit portion only.

\*\*\*Variable from 5% to 15% based on rate selected by the member.

Both the City of Bothell and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

PERS	Plan 1	Plan 2	Plan 3
2013	\$17,402	\$938,066	\$82,819
2012	15,216	808,992	70,244
2011	18,905	704,490	53,546

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

### Plan Description

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.

**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 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.

### Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute 0% as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the

level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by State law. The Legislature, by means of a special funding arrangement, appropriated money from the State General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current year covered payroll as of December 31, 2013 are as follows:

LEOFF	Plan 1	Plan 2
Employer*	0.16%	5.23%
Employee	-	8.41%

\*Employer rates include an administrative expense rate of 0.16%.

Both the City of Bothell and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

LEOFF	Plan 1	Plan 2
2013	-	\$633,014
2012	-	605,411
2011	-	578,304

### PUBLIC SAFETY EMPLOYEES RETIREMENT SYSTEM (PSERS) Plan 2

#### Plan Description

PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan.

PSERS Plan 2 was created by the 2004 State Legislature and became effective July 1, 2006. 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.

PSERS Plan 2 members are vested after five years of eligible service and may retire at the age of 65 with 5 years of service, or at the age of 60 with at least 10 years of service credit, with an allowance of 2% of the AFC per year of service.

The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. If retirement is at age 53 or older with at least 20 years of service, a 3% per year reduction for each year between the age at retirement and age 60 applies. There is no cap on years of service credit, and a cost-of-living allowance is granted and capped at 3%.

### Funding Policy

PSERS Plan 2 employer and employee contribution rates are adopted each biennium by the State Pension Funding Council. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2. All employers are required to contribute at the level established by the Legislature. The methods used to determine the contribution requirements are established under State statute in accordance with Chapters 41.37 and 41.45 RCW.

The required contribution rates expressed as a percentage of current year covered payroll as of December 31, 2013 are as follows:

PSERS Plan 2	
Employer*	10.54%
Employee	6.36%

\*Employer rates include an administrative expense rate of 0.16%.

Both the City of Bothell and the employees made the required contributions. The City's required contributions for the years ended December 31 were as follows:

PSERS	Plan 2
2013	\$11,574
2012	10,140
2011	9,426

## **OTHER RETIREMENT SYSTEMS**

### **Fire Fighter's Pension Fund**

The Fire Fighter's Pension is a closed single-employer defined benefit pension plan system operated by the City in accordance with Revised Code of Washington Chapter 41.18. Membership is limited to firefighters employed prior to March 1, 1970.

The City's obligation under the system is composed of excess benefits over LEOFF for fire fighters retired after March 1, 1970, who are members of the system. An actuarial study was done in 1969 to determine the funding requirements.

The Finance Director and the State Auditor's Office concluded that a new actuarial study was not necessary due to the limited number of employees 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.

The fire insurance premium for 2013 was \$51,360 which was sufficient to pay the 2012 Firemen's Pension Fund expenses of \$42,780.

**NOTE 7**  
**Other Employee Benefits**

**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.

**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.

**POST-EMPLOYMENT BENEFITS**

Post-employment 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.

The City contributes a 3% (\$18,978 in 2013) match to the Police Captain's Union (4 members).

**Compensated Absences**

<b>Government Activities</b>	<b>1/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/2013</b>
Governmental funds	\$1,438,112	\$2,353,071	\$2,291,272	\$1,499,911
<b>Total Compensated Absences</b>	<b>\$1,438,112</b>	<b>\$2,353,071</b>	<b>\$2,291,272</b>	<b>\$1,499,911</b>

**Estimate of amount due within one year \$1.5 million.**

<b>Business-Type Activities</b>	<b>1/1/2013</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/2013</b>
Enterprise funds	\$101,860	\$149,243	\$155,691	\$95,412
<b>Total Compensated Absences</b>	<b>\$101,860</b>	<b>\$149,243</b>	<b>\$155,691</b>	<b>\$95,412</b>

**Estimate of amount due within one year \$95 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 2013 there were 19 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 costs 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 Other Postemployment Benefit (OPEB) Cost and Net OPEB Obligation (NOO)**

The City's annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 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 fifteen 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 \$1,566,090 is included as a noncurrent liability on the Statement of Net Position.

Determination of Annual Required Contribution	Fiscal Year Ending 12/31/2013
Normal Cost at Year End	-
Amortization of UAAL*	444,073
Annual Required Contribution	444,073

\*Unfunded Actuarial Accrued Liability (UAAL)

Determination of Net OPEB Obligation	Fiscal Year Ending 12/31/2013
Annual Required Contribution	\$444,073
Interest on Prior Year Net OPEB Obligation	60,696
Adjustment to ARC	(125,591)
Annual OPEB Cost	379,177
Contributions Made	161,878
Increase in Net OPEB Obligation	217,299
Net OPEB Obligation-Beginning of Year	\$1,348,791
Net OPEB Obligation-Ending of Year	\$1,566,090

### Funded Status and Funding Progress

As of January 1, 2013 the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$4,769,138 and the actuarial value of the assets was \$0 resulting in a UAAL of \$4,769,138.

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 Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
12/31/2010	-	5,784,108	5,784,108	0%	538,580	1073.95%
12/31/2011	-	5,563,967	5,563,967	0%	518,082	1073.95%
12/31/2012	-	5,416,802	5,416,802	0%	504,379	1073.95%
12/31/2013	-	4,769,138	4,769,138	0%	444,073	1073.95%

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the alternative measurement method permitted under GASB Statement No. 45. The City has 19 inactive members and no active members.

Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF I rates used in the June 30, 2009 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 2011. The results were based on grouped data. 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. The methods and assumptions used are in line with the LEOFF I 2013 medical report issued by OSA.

Actuarial Assumptions	
Annual Growth in Membership	0.00%
Return on Investment Earnings <sup>1</sup>	4.00%
Inflation <sup>2</sup>	3.00%
General Salary Increases (due to inflation) <sup>3</sup>	3.75%
Medical Trend	7.50%
Long-Term Care Inflation Rate	4.75%

<sup>1</sup> Annual rate, compounded annually.

<sup>2</sup> Based on the CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.

<sup>3</sup> Excludes longevity, merit, or step increases that usually apply to members in the early part of their careers.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding years, provide multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
12/31/2008	\$595,101	43%	\$337,543
12/31/2009	541,279	53%	591,109
12/31/2010	510,140	61%	774,598
12/31/2011	480,813	42%	1,053,927
12/31/2012	453,671	35%	1,348,792
12/31/2013	379,177	42%	1,566,090

## **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 inherently result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management does not anticipate any such allowances, but should a disallowance occur management believes a reimbursement would 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 2013.

## NOTE 10 Risk Management

The City of Bothell 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 for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or contracting for risk management services. WCIA has a total of 162 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence 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 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 apply by type of coverage. Property insurance and auto

physical damage are self-funded from the members' deductible to \$750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

WCIA's in-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts with claims investigation consultants for personnel issues, 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 adjustment, loss, 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, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

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

In the past eight years insurance settlements have not exceeded insurance coverage.

**NOTE 11**  
**Interfund Activities**

**Interfund Transfers** are recorded transactions that support the operations of other funds 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. There was one interfund transfer between governmental activities and business activities in 2013.

**Interfund Transfers**

Description	General Fund	Street Fund	2013 GO Bond Fund	Capital Improvement Fund	Storm & Surface Water Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		\$494,240				\$156,805		\$651,045
Arterial Street Fund		33,097		1,194,411	17,422			1,244,930
Drug Forfeitures Fund							5,237	5,237
Capital Improvement Fund			167,563					167,563
Equipment Rental Fund							667,646	667,646
<b>Total Transferred In</b>	<b>\$0</b>	<b>\$527,337</b>	<b>\$167,563</b>	<b>\$1,194,411</b>	<b>\$17,422</b>	<b>\$156,805</b>	<b>\$672,883</b>	<b>\$2,736,421</b>

	Net transferred in	Net transferred out
<b>Governmental Activities</b>	-	<b>17,422</b>
<b>*Business Activities</b>	<b>17,422</b>	-

**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.
- 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.

**Interfund Services** are services provided by one fund to other and are considered as reciprocal interfund activities because payment is made for services received. The City records and reports these transactions as “charges for service revenues and expenditures” in the appropriate funds.

**Interfund Loans** provide a mechanism for one fund to borrow from another and must be approved by the legislative body. Reciprocal in activity, interfund loans are reported as interfund receivables by the lender fund and interfund payables by the borrower fund. Interfund loans are not treated as capital-related for purposes of classifying net position.

Governmental funds report the issuance of a long-term interfund loan as a balance sheet item (advances payable) rather than in the operating statement (other financing sources). Repayment terms are 3 years from date of fund transfer. In 2013 an interfund loan extension for \$1,600,000 between the

Asset Replacement Fund and the Storm & Surface Water Fund was extended for 18 months to align repayment with a combined revenue bond issue to fund adopted Capital Facilities Plan utility fund projects.

## NOTE 12 Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is displayed in three components: net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

- The net investment in capital assets component is intended to reflect the portion of net position 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. Liabilities to other funds of the government, such as interfund loans, are not treated as debt for the purpose of calculating net investments in capital assets.
- The restricted component consists of 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.
- The unrestricted component represents un-appropriated, 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. Unrestricted net position amount may be a deficit to the extent that a government has elected to fund certain long-term liabilities as they come due rather than when they are incurred.

## NOTE 13 Long-Term Debt

### Long-Term Debt

The City typically issues general obligation and revenue bonds to finance land acquisitions, and construction of major capital infrastructure projects.

**GO Bond (Refunding)** - 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. In 2008, the City refinanced the bonds providing citizens with a net savings of approximately \$530,000. These bonds mature on December 1, 2017.

**Northshore School District Loan** – The City entered into a purchase and sale agreement with the Northshore School District (NSD) in 2009 to purchase 18 acres in Bothell's historic downtown for \$21,000,000. This property was essential for the development of the community's downtown revitalization plan. The loan balance was repaid in 2012.

**Bond Anticipation Note (BAN)** - In 2010 the Bothell City Council authorized a \$20,000,000 BAN to provide interim financing for the City's Local Infrastructure Financing Tool (LIFT) award projects.

In 2011, the Bothell City Council authorized a \$30,000,000 BAN that retired the \$20,000,000 BAN and provided \$10,000,000 to pay down monies owed to the NSD for land acquisition before issuing \$30,000,000 in LIFT bonds.

This fiscal strategy was chosen to utilize extraordinarily low, short-term borrowing rates and to allow additional time for revenue generating development to occur in the City's downtown revenue development area (RDA), thereby ensuring the full \$1,000,000 state contribution for 25 years. The \$30,000,000 was retired in 2014 through the issuance of a 25 year LIFT award general obligation bond.

In 2012 the Bothell City Council authorized a \$7,000,000 short-term limited BAN to pay the final balance owed to the Northshore School District for property purchased and to carry out public improvements related to the downtown revitalization. In 2013, Council authorized extension of the Note maturity date through May 31, 2013. The Note extension provided time for staff to identify longer-term financing to accommodate the timetable necessary to sell surplus City properties. Staff determined that 20-year, bank qualified (BQ), General Obligation (GO) Bonds would provide the most advantageous financing option, given the current unprecedentedly low interest rates and the City's capital strategy. In June, 2013, the City issued GO Bond 2013A (taxable) \$1,520,000, and GO Bond 2013B \$8,145,000.

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

**Public Works Assistance (PWA) Loan**  
Bothell has a PWA loan that is an obligation of the City's Water Fund. The loan stems from water improvement

projects located within Snohomish County and the City of Bothell.

The City's current principle balance amounts to \$562,990. Under an agreement made in 1998, the City makes an annual payment to Snohomish County, who then makes payment to the State of Washington for PWA loan 98-791-007.

**Public Works Trust Fund (PWTF) Construction Loan** – In 2011, the City was awarded an \$8,000,000 PC12-951-022 construction loan.

This loan is allocated to the Bothell Crossroads SR-522 realignment construction project. The balance at the end of 2013 was \$5,908,354.

In 2012, the City was awarded an \$800,000 PWTF PW-98-791-007 loan for Horse Creek improvements. These funds were not utilized in 2013.

The annual debt service requirements to maturity (including interest) are as follows:

### Schedule of Long Term Debt

Year	GO Bonds		Other Debt		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2014	\$995,000	\$425,190	\$30,328,242	\$48,232	\$31,796,664
2015	1,020,000	400,465	328,242	27,969	1,776,676
2016	1,045,000	372,665	328,242	26,323	1,772,230
2017	1,080,000	341,315	328,242	24,678	1,774,235
2018	390,000	307,163	328,242	23,033	1,048,438
2019	400,000	295,463	328,242	21,388	1,045,093
2020	415,000	283,463	328,242	19,743	1,046,448
2021	425,000	271,013	328,242	18,097	1,042,352
2022	440,000	258,263	328,242	16,452	1,042,957
223	450,000	245,063	328,242	14,807	1,038,112
2024	470,000	227,063	328,242	13,162	1,038,467
2025	490,000	208,263	328,242	11,517	1,038,022
2026	510,000	188,663	328,242	9,871	1,036,776
2027	530,000	168,263	328,242	8,226	1,034,731
2028	550,000	147,063	328,242	6,581	1,031,886
2029	570,000	125,063	328,242	4,936	1,028,241
2030	590,000	103,668	328,242	3,290	1,025,200
2031	615,000	81,563	328,242	1,645	1,026,450
2032	635,000	58,500			693,500
2033	665,000	29,925			694,925
<b>Subtotal</b>	<b>\$12,285,000</b>	<b>\$4,538,090</b>	<b>\$35,908,356</b>	<b>\$299,950</b>	<b>\$53,031,396</b>
<b>Business-Type Activities</b>					
2014			112,599	5,630	118,229
2015			112,599	4,504	117,103
2016			112,599	3,378	115,977
2017			112,599	2,252	114,851
2018			112,599	1,126	113,725
<b>Subtotal</b>			<b>\$562,990</b>	<b>\$16,890</b>	<b>\$579,883</b>
<b>Total</b>	<b>\$12,285,000</b>	<b>\$4,538,090</b>	<b>\$36,471,346</b>	<b>\$316,840</b>	<b>\$53,611,279</b>

### 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, 2013, City debt limits were based on assessed property totaling \$5,804,835,963.

<b>Debt Capacity as of January 1, 2014</b>						
Regular levy assessed value less annexations		\$5,804,835,963				
<b>Item</b>	<b>Without a Vote</b>	<b>With a Vote of the People</b>			<b>Total Capacity</b>	
	1.5%	1.0%	2.5%	2.5%	7.5%	
Legal limit	\$87,072,539	\$58,048,360	\$145,120,899	\$145,120,899	\$435,362,697	
Outstanding net debt	45,573,354	2,620,000			48,193,354	
<b>Margin available</b>	<b>\$41,499,185</b>	<b>\$55,428,360</b>	<b>\$145,120,899</b>	<b>\$145,120,899</b>	<b>\$387,169,343</b>	

## Changes in Long-Term Liabilities

### Long-Term Liability

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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#### Governmental Activities

GO Refund Bond	\$3,225,000		\$605,000	\$2,620,000	\$620,000
GO 2013A		1,520,000		1,520,000	375,000
GO 2013B		8,145,000		8,145,000	
Bond Anticipation Note	4,607,839		4,607,839		
Bond Anticipation Note	30,000,000			30,000,000	30,000,000
PTWF Loan PC12-951-022		5,953,936	45,582	5,908,354	328,242
OPEB/LEOFF	1,348,791	217,299		1,566,090	
Compensated Absences	1,438,112	2,352,771	2,291,272	1,499,611	1,499,611
<b>Subtotal</b>	<b>\$40,619,742</b>	<b>\$18,189,006</b>	<b>\$7,549,693</b>	<b>\$51,259,055</b>	<b>\$32,822,853</b>

#### Business-Type Activities

PWA Loan 98-791-007	\$675,589		\$112,599	\$562,990	\$112,599
Interfund Loan	1,782,000		250,000	1,532,000	1,532,000
Compensated Absences	101,860	149,243	155,691	95,412	95,412
<b>Subtotal</b>	<b>\$2,559,449</b>	<b>\$149,243</b>	<b>\$518,290</b>	<b>\$2,190,402</b>	<b>\$1,740,011</b>

<b>Total</b>	<b>\$43,179,191</b>	<b>\$18,338,249</b>	<b>\$8,067,983</b>	<b>\$53,449,457</b>	<b>\$34,562,864</b>
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Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/13	Issued	Redeemed	Balance 12/31/13	Due Within One Year
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#### Governmental Activities

GO Refund Bond	5/20/2008	12/1/2017	3.5-4.0%	\$6,070,000	\$3,225,000		\$605,000	\$2,620,000	\$620,000
GO 2013A		12/1/2015	.6-1.65%	1,520,000		1,520,000		1,520,000	375,000
GO 2013B		12/1/2033	3-4.5%	9,145,000		8,145,000		8,145,000	
Bond Anticipation Note	8/1/2012	1/30/2013	1.25 - 1.75%	6,550,000	4,607,839		4,607,839		
Bond Anticipation Note	9/28/2011	1/28/2014	1.18%	30,000,000	30,000,000			30,000,000	30,000,000
PWFT Loan PC12-951-22		6/1/2031	0.50%	5,953,936		5,953,936	45,582	5,908,354	328,242
<b>Subtotal</b>				<b>\$59,238,936</b>	<b>\$37,832,839</b>	<b>\$15,618,936</b>	<b>\$5,258,421</b>	<b>\$48,193,354</b>	<b>\$31,323,242</b>

#### Business-Type Activities

PWA Loan 98-791-007	10/15/1998	10/13/2018	1.00%	\$1,890,000	\$675,589		\$112,599	\$562,990	\$112,599
<b>Subtotal</b>				<b>\$1,890,000</b>	<b>\$675,589</b>	<b>-</b>	<b>\$112,599</b>	<b>\$562,990</b>	<b>\$112,599</b>

<b>Total</b>				<b>\$61,128,936</b>	<b>\$38,508,428</b>	<b>\$15,618,936</b>	<b>\$5,371,020</b>	<b>\$48,756,344</b>	<b>\$31,435,841</b>
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**NOTE 14**  
**Fund Restatements**

Two governmental funds require prior period adjustments for 2013.

\$11,035 was transferred to restricted fund balance in the General Fund.

In 2011 felony forfeiture proceeds received from the State were originally recorded as deferred revenue. RCW 10.105.010 states that this money may be used on expansion and improvement of law enforcement activity, but the money may not be used to supplant preexisting funding sources. In 2013

A prior period adjustment of \$175,679 was made in the Arterial Street Fund to properly record impact fee revenue.

The following chart reflects fund restatements accordingly.

<b>Fund Restatements</b>	
General Fund	\$11,035
Arterial Street Fund	175,679
<b>Total Adjustments</b>	<b>\$186,714</b>

## **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 revenue when the development commences.

Park impact fees held for reserve in the Park Cumulative Reserve Fund totaled \$1,945,408 as of December 31, 2013.

#### **Traffic Impact Fees**

Traffic impact fees are now recognized as revenue when the fee payments are received and no longer treated as deferred revenue.

Due to a change in revenue recognition, local governments have been directed to recognize impact fee revenue when an enforceable legal claim to the fee exists. The enforceable claim has been defined as when the local government receives the fee and development commences.

Traffic impact fees are held in the Arterial Street Fund. 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 held for reserve in the Arterial Street Fund totaled \$2,879,684 as of December 31, 2013.

## NOTE 16 Pollution Remediation Obligations

In 2010, the City implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement requires disclosure of “obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities”, and 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 Statement No. 49 and records those expenditures accordingly.

Pollution remediation outlays should be capitalized when goods and services are acquired to prepare property in anticipation of a sale, or to prepare property for use when the property was acquired with known or suspected pollution that was expected to be remediated.

Beginning in 2010, the City purchased properties for a downtown revitalization plan. As of December 31, 2013, the City has seven sites that constitute pollution remediation obligations. The seven sites are: Bothell Landing, Bothell Riverside, Bothell Paint, Hertz Rentals, Bothell Paint and Decorating, Northshore School District, and Bothell Ultra Custom Cleaners (aka Case). All seven sites are subject to capitalization, and all expenditures have been recorded according to GASB Statement 49.

Five of these parcels lie in the pathway of the new Crossroads roadway alignment and were acquired with known or suspected pollution that was expected to be remediated. The City is capitalizing those petroleum pollution remediation outlays expected to be necessary to place the asset into its intended location and condition for use.

The Northshore School District property was acquired in anticipation of a sale. The City is capitalizing the costs of petroleum remediation at the bus barn and central shops. City performed petroleum remediation in 2010 within the property boundaries; however, off-site impacts are unknown at this time.

The environmental site assessment for the Case property that was acquired for City Hall for pollution remediation determined that a contamination phase needs further remedial action.

Ground water monitoring is indicating solvents in the Crossroads roadway alignment. The source of the solvents is from dry cleaners. Private properties that are up-gradient of city properties have caused groundwater contamination impacts, and the City’s current agreements with Department of Ecology require the City to investigate the sources of these impacts and potentially perform interim remedial actions. It is the City’s responsibility, as the current owner, to clean up the source. Ecology grant funds have been secured for this work. Reimbursement is 90% of City incurred costs. In addition, estimates have also been derived from independent engineers and consultants.

The City has included in its estimated costs those portions of the environmental remediation work that are currently deemed to be reasonable estimable. These estimates are subject

to revision due to price increases or reductions, changes in technology, or changes in applicable laws or regulations, and estimated recoveries reducing the costs.

### Costs and Anticipated Future Remediation Costs

Crossroads Alignment	As of 12/31/2013	Future Petroleum	Future Solvents	Total
Bothell Landing	\$724,022	\$800,000	\$600,000	\$2,124,022
Bothell Riverside	500,341	50,000	600,000	1,150,341
Bothell Paint	800,698	50,000		850,698
Hertz Rentals	763,219	50,000	600,000	1,413,219
116th Partners Group - (Clean)	33,713			33,713
McDonalds - (Clean)	8,070			8,070
Northshore School District	1,735,122	600,000		2,335,122
Bothell City Hall - (Case Property)	100,153		3,200,000	3,300,153
Other Sites	149,403	1,000,000		1,149,403
Upgradient Solvent Sources			3,500,000	3,500,000

## NOTE 17 Leases

### Operating Leases

As of December 31, 2013, the City has two operating lease agreements:

- 1) Northshore School District Operational Facility Lease.

The City leases bay area from the Northshore School District's Operational Facility for the purpose of maintenance and repair of city-owned vehicles and equipment.

The lease agreement is \$6,667 per month for the first 60-months, and adjusted by CPI thereafter.

- 2) Public Works Office Space Lease – Dawson Subdivision Lots 13 and 14.

The City leases additional office space from Sockeye Investment to house capital project staff. Monthly lease terms are \$4,000 per month.

## NOTE 18 Fund Balance Reporting

In 2011 the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions. This statement defines and limits the number of funds to be used by a governmental entity.

Generally Accepted Accounting Principles (GAAP) emphasizes that the number of funds used by a governmental entity should be kept to a minimum to avoid the creation of an inefficient financial system. In general, the number of funds established must be just sufficient to meet operational needs and legal restrictions imposed on the organization.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that meet the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City Council approves which resources should be assigned to expenditures of particular purposes during the adoption of the biennial budget.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first.

When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources.

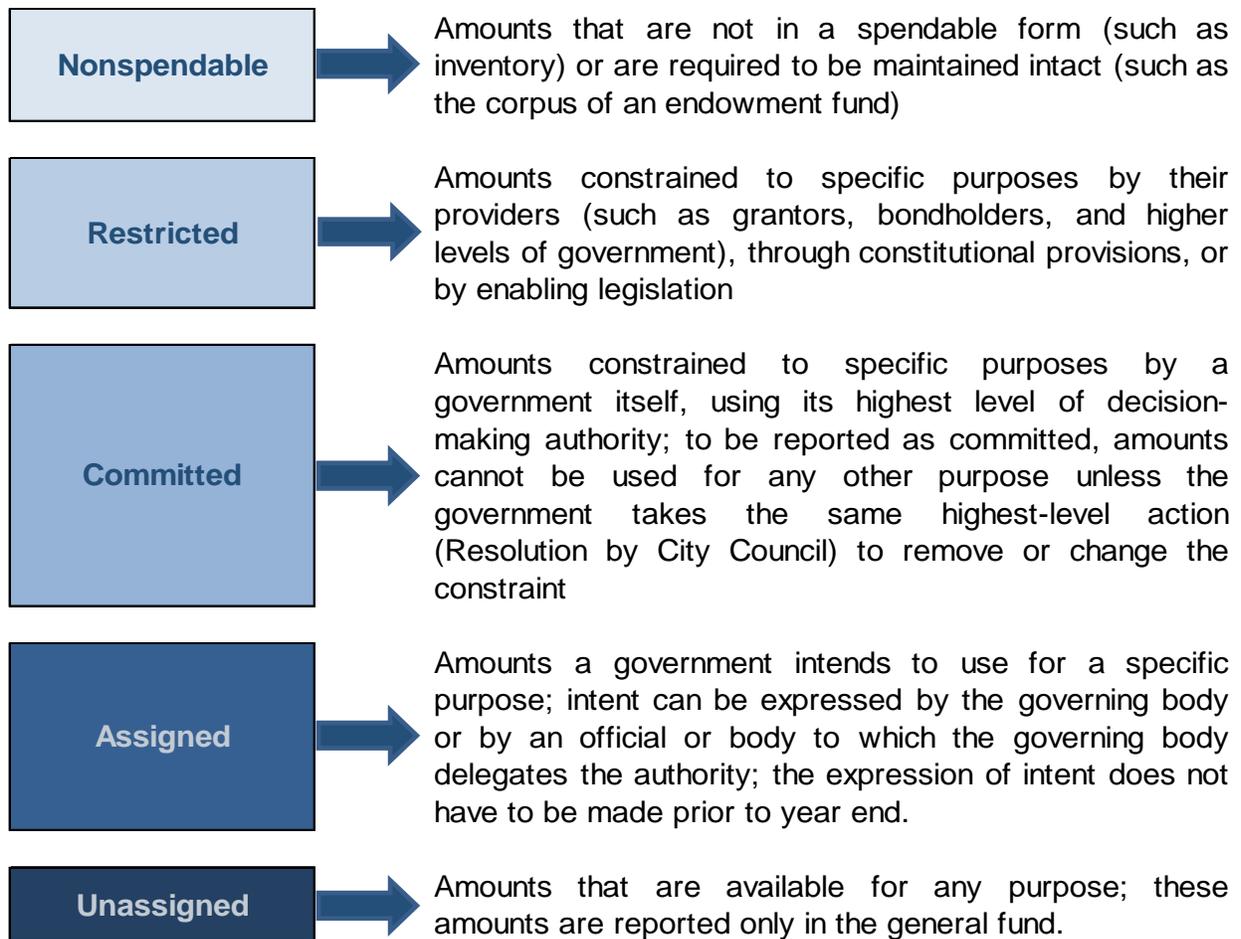
The highest level of decision-making authority to commit fund balances is the City Council. The City establishes minimum fund balance targets based on cash flow requirements. Minimum fund balances are attained and maintained through the management of revenues and expenditures and/or contributions from the General Fund. Spending reserve balances requires Council authorization.

The City strives to maintain an operating reserve equal to or greater than 15% of operating expenditures. Adequate reserves help ensure that a municipality's immediate operating and

capital obligations can be met without compromising the City's fiscal stability or impacting citizen services should unanticipated revenue shortfalls or expenditure outflows arise.

The Great Recession is a prime example of why adequate operating reserves are necessary and how the use of these monies is imperative to sustaining vital City services through extraordinary economic periods. When spending operating reserves becomes necessary, City Management promptly develops and implements a well-defined fiscal plan to replenish reserves.

Fund balance classifications from the most restrictive to no restrictions are as follows:



## 2013 Governmental Funds Ending Balance

	General	Special Revenue Fund		Capital	Other	Total
		Arterial Street	Park Cum Reserve	Projects Fund Capital Improvements		
<b>Fund Balances:</b>						
<b>*Restricted for:</b>						
Parks donations	\$23,253					\$23,253
Police donations	51,358					51,358
Fire donations	53,540					53,540
Comm. Dev. donations	2,469					2,469
Tourism	292,961					292,961
Tourism capital	179,291					179,291
Forfeited Proceeds	11,035					11,035
Transportation		2,879,684				2,879,684
Parks and recreation			1,945,408			1,945,408
Capital projects				6,917,958		6,917,958
Street maintenance					19,704	19,704
Drug forfeitures					40,664	40,664
Debt service					103,808	103,808
Cemetery services					16,321	16,321
<b>*Committed to:</b>						
Advance travel	15,000					15,000
Cemetery services					67,692	67,692
Imprest funds	1,750					1,750
<b>*Assigned to:</b>						
Capital projects	1,711,130					1,711,130
<b>*Unassigned:</b>	1,446,023					1,446,023
	<b>\$3,787,810</b>	<b>\$2,879,684</b>	<b>\$1,945,408</b>	<b>\$6,917,958</b>	<b>\$248,189</b>	<b>\$15,779,049</b>
<b>*New fund balance classifications</b>						

**NOTE 19**  
**Subsequent Events**

In January 2014, City Council approved issuance of a 25 year LIFT award General Obligation Bond which retired the 2011 \$30 million BAN. (Refer to Note 13)

Additional information on the State LIFT Program can be found at <http://apps.leg.wa.gov/rcw/default.aspx?cite=39.102&full=true>

On February 28, 2014, Bothell implemented nine King County annexations that added 6,790 residents to the City, along with approximately \$800 million in assessed property value.

<b>Estimated Debt Capacity as of February 28, 2014</b>					
Regular levy assessed value less annexations		\$6,910,047,166			
Item	Without a Vote	With a Vote of the People			Total Capacity
	1.5%	1.0%	2.5%	2.5%	7.5%
Legal limit	\$103,650,707	\$69,100,472	\$172,751,179	\$172,751,179	\$518,253,537
Outstanding net debt	45,573,354	2,620,000			48,193,354
<b>Margin available</b>	<b>\$58,077,353</b>	<b>\$66,480,472</b>	<b>\$172,751,179</b>	<b>\$172,751,179</b>	<b>\$470,060,183</b>

# Required Supplementary Information



**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**General Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes	\$56,110,165	\$56,550,895	\$26,481,734		\$26,481,734	(\$30,069,161)
Licenses and permits	4,687,080	4,810,290	2,876,067		2,876,067	(1,934,223)
Intergovernmental revenues	1,525,200	2,599,006	1,602,896		1,602,896	(996,110)
Charges for services	13,919,291	14,026,756	7,034,443		7,034,443	(6,992,313)
Fines and forfeitures	812,400	854,050	381,258		381,258	(472,792)
Interest earnings	572,000	572,000	162,427		162,427	(409,573)
Proceeds from sale of capital assets			(24)		(24)	
Contributions	58,400	58,400	135,392		135,392	76,992
Other revenue	466,075	466,075	308,407		308,407	(157,668)
Total revenues	78,150,611	79,937,472	38,982,600		38,982,600	(40,954,848)
<b>EXPENDITURES</b>						
Current						
General government	17,049,945	17,812,238	8,651,252		8,651,252	9,160,986
Security of persons and property	41,596,235	42,569,151	20,829,840		20,829,840	21,739,311
Physical environment	9,704,527	9,936,859	4,785,520		4,785,520	5,151,339
Economic environment	6,844,359	6,974,042	2,882,941		2,882,941	4,091,101
Debt service						
Debt service - interest						
Capital outlay	101,000	506,000	529,925		529,925	(23,925)
Total expenditures	75,296,066	77,798,290	37,679,478		37,679,478	40,118,812
Excess of revenue over (under) expenditures	2,854,545	2,139,182	1,303,122		1,303,122	(836,036)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(2,854,545)	(2,107,140)	(651,045)		(651,045)	1,456,095
Total other financing sources	(2,854,545)	(2,107,140)	(651,045)		(651,045)	1,456,095
Net change in fund balances		32,042	652,077		652,077	620,059
FUND BALANCES - JANUARY 1, 2013	3,750,357	3,750,357	3,124,698		3,124,698	(625,659)
Prior year adjustment			11,035		11,035	11,035
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$3,750,357</b>	<b>\$3,782,399</b>	<b>\$3,787,810</b>	<b>-</b>	<b>\$3,787,810</b>	<b>\$5,435</b>

GAAP serves as the budgetary basis of accounting

# Combining Financial Statements



## 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.

**Arterial Street Fund** - The Arterial Street Fund is a special revenue fund used to account for proceeds of restricted revenues dedicated to street construction and transportation improvement projects.

**Park Cumulative Reserve Fund** - The Park Cumulative Reserve Fund is used for the acquisition and development of parks.

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

### 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.

**City of Bothell**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**December 31, 2013**

	Special Revenue Funds				Total Special Revenue Funds	Permanent Fund Cemetery Endowment	Debt Service Fund			Total Debt Service Funds	Total Other Governmental Funds	
	Street	Arterial Street	Park Cumulative Reserve	Drug Forfeitures			2008 GO Refunding Bond	2013 GO Bond	Lift GO Bond			2008 GO Refunding Bond
<b>ASSETS</b>												
Current cash & cash equivalents	\$74,118	\$574,695	\$382,223	\$33,800	\$1,064,836	\$777	\$112,214	\$27,026		\$139,240	\$1,204,853	
Investments		2,420,314	1,563,185		3,983,500	83,237					4,066,736	
Receivables (net of allowances)												
Taxes							11,497			11,497	11,497	
Accounts receivable	4,500				4,500						4,500	
Due from other governmental units	78,051			6,864	84,915						84,915	
<b>TOTAL ASSETS</b>	<b>\$156,670</b>	<b>\$2,995,009</b>	<b>\$1,945,408</b>	<b>\$40,664</b>	<b>\$5,137,751</b>	<b>\$84,013</b>	<b>\$123,711</b>	<b>\$27,026</b>	<b>-</b>	<b>\$150,737</b>	<b>\$5,372,502</b>	
<b>LIABILITIES AND FUND BALANCE</b>												
Liabilities												
Accounts payable	\$82,095				\$82,095		\$8,406	\$27,026		\$35,432	\$117,528	
Compensated absences	27,698				27,698						27,698	
Payroll payable	27,173				27,173						27,173	
Unearned revenue		115,326			115,326		11,497			11,497	126,823	
Total liabilities	136,966	115,326			252,292		19,903	27,026		46,930	299,221	
Fund balances												
Restricted	19,704	2,879,684	1,945,408	40,664	4,885,460	16,321	103,808			103,808	5,005,588	
Committed						67,692					67,692	
Total fund balances	19,704	2,879,684	1,945,408	40,664	4,885,460	84,013	103,808			103,808	5,073,281	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$156,670</b>	<b>\$2,995,009</b>	<b>\$1,945,408</b>	<b>\$40,664</b>	<b>\$5,137,751</b>	<b>\$84,013</b>	<b>\$123,711</b>	<b>\$27,026</b>	<b>-</b>	<b>\$150,737</b>	<b>\$5,372,502</b>	

**City of Bothell**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended December 31, 2013**

	Special Revenue Funds				Total Special Revenue Funds	Permanent Fund Cemetery Endowment	Debt Service Funds			Total Debt Service Funds	Total Other Governmental Funds	
	Street	Arterial Street	Park Cumulative Reserve	Drug Forfeitures			2008	2013	Lift GO			Total
							GO Refunding Bond					
<b>REVENUES</b>												
Taxes	\$379,674		\$27,473		\$407,146		\$729,314		\$729,314		\$1,136,460	
Licenses and permits	77,445				77,445						77,445	
Intergovernmental revenue	754,937				754,937						754,937	
Interest earnings												
Charges for services	11,077	1,750,974	210,139	30,501	2,002,690						2,002,690	
Other revenue	18,158				18,158						18,158	
Total revenues	1,241,291	1,750,974	237,612	30,501	3,260,377		729,314		729,314		3,989,691	
<b>EXPENDITURES</b>												
Current												
Transportation	1,688,875				1,688,875						1,688,875	
Capital Outlay	60,307				60,307						60,307	
Other expenditures				10,173	10,173		301		301		10,474	
Debt service												
Principal retirement							605,000		605,000		605,000	
Interest		10,466			10,466		120,286	167,563	287,848		298,314	
Total expenditures	1,749,182	10,466		10,173	1,769,820		725,586	167,563	893,149		2,662,970	
Excess of revenue over (under) expenditures	(507,891)	1,740,508	237,612	20,328	1,490,557		3,728	(167,563)	(163,835)		1,326,722	
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	527,337				527,337			167,563	167,563		694,900	
Transfers out		(1,244,930)		(5,237)	(1,250,167)						(1,250,167)	
Total other financing sources	527,337	(1,244,930)		(5,237)	(722,830)			167,563	167,563		(555,267)	
Net change in fund balances	19,446	495,578	237,612	15,091	767,727		3,728		3,728		771,454	
FUND BALANCES - JANUARY 1, 2013	258	2,208,426	1,707,797	25,573	3,942,054	84,013	100,080		100,080		4,126,147	
Prior year adjustment		175,679			175,679						175,679	
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$19,704</b>	<b>\$2,879,684</b>	<b>\$1,945,408</b>	<b>\$40,664</b>	<b>\$4,885,460</b>	<b>\$84,013</b>	<b>\$103,808</b>	<b>-</b>	<b>-</b>	<b>\$103,808</b>	<b>\$5,073,281</b>	

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Street Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes	\$752,001	\$2,552,001	\$1,086,943		\$1,086,943	(\$1,465,058)
Licenses and permits	125,000	125,000	77,445		77,445	(47,555)
Charges for services	25,000	25,000	11,077		11,077	(13,923)
Intergovernmental revenue	1,589,362	1,704,066	47,668		47,668	(1,656,398)
Miscellaneous			18,158		18,158	18,158
Total revenues	2,491,363	4,406,067	1,241,291		1,241,291	(3,164,776)
<b>EXPENDITURES</b>						
Current						
Personnel services	1,774,868	1,908,096	735,695		735,695	1,172,401
Operating supplies	452,500	471,300	169,753		169,753	301,547
Taxes	2,000	2,000	173		173	1,827
Capital outlay		22,000	60,307		60,307	(38,307)
Other services and charges	1,893,640	1,955,140	783,253		783,253	1,171,887
Total expenditures	4,123,008	4,358,536	1,749,182		1,749,182	2,609,354
Excess of revenue over (under) expenditures	(1,631,645)	47,531	(507,891)		(507,891)	(555,422)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,631,645	804,240	527,337		527,337	(276,903)
Total other financing sources	1,631,645	804,240	527,337		527,337	(276,903)
Net change in fund balances		851,771	19,446		19,446	(832,325)
FUND BALANCES - JANUARY 1, 2013	271	271	258		258	(13)
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$271</b>	<b>\$852,042</b>	<b>\$19,704</b>	<b>-</b>	<b>\$19,704</b>	<b>(\$832,338)</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Arterial Street Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Intergovernmental revenues						
Charges for services	\$6,082,207	\$6,082,207	\$1,750,974		\$1,750,974	(\$4,331,233)
Interest earnings	50,113	50,113				(50,113)
Contributions						
Total revenues	6,132,320	6,132,320	1,750,974		1,750,974	(4,381,346)
<b>EXPENDITURES</b>						
Current						
Construction projects						
Debt Service - principal						
Debt Service - interest			10,466		10,466	(10,466)
Total expenditures			10,466		10,466	(10,466)
Excess of revenue over (under) expenditures	6,132,320	6,132,320	1,740,508		1,740,508	(4,391,812)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(6,937,054)	(6,937,054)	(1,244,930)		(1,244,930)	5,692,124
Total other financing sources	(6,937,054)	(6,937,054)	(1,244,930)		(1,244,930)	5,692,124
Net change in fund balances	(804,734)	(804,734)	495,578		495,578	1,300,312
FUND BALANCES - JANUARY 1, 2013	2,253,527	2,253,527	2,208,426		2,208,426	(45,101)
Prior year adjustment			175,679		175,679	175,679
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$1,448,793</b>	<b>\$1,448,793</b>	<b>\$2,879,684</b>	<b>-</b>	<b>\$2,879,684</b>	<b>\$1,430,891</b>

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, 2013**

	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
taxes	\$80,000	\$80,000	\$27,473		\$27,473	(\$52,527)
Charges for services	400,000	400,000	210,139		210,139	(189,861)
Interest earnings						
Contributions						
Total revenues	480,000	480,000	237,612		237,612	(242,388)
<b>EXPENDITURES</b>						
Current						
Construction projects						
Debt Service - principal						
Debt Service - interest						
Total expenditures						
Excess of revenue over (under) expenditures	480,000	480,000	237,612		237,612	(242,388)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(100,000)	(100,000)				100,000
Total other financing sources	(100,000)	(100,000)	-	-	-	100,000
Net change in fund balances	380,000	380,000	237,612		237,612	(142,388)
FUND BALANCES - JANUARY 1, 2013	1,726,510	1,726,510	1,707,797		1,707,797	(18,713)
Prior year adjustment						
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$2,106,510</b>	<b>\$2,106,510</b>	<b>\$1,945,408</b>	<b>-</b>	<b>\$1,945,408</b>	<b>(\$161,102)</b>

GAAP serves as the budgetary basis of accounting

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Drug Forfeitures Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Charges for services	\$44,000	\$44,000	\$30,501		\$30,501	(\$13,499)
Interest earnings						
Total revenues	44,000	44,000	30,501		30,501	(13,499)
<b>EXPENDITURES</b>						
Current						
Personnel services						
Operating supplies	8,000	8,000	7,232		7,232	768
Other services and charges	15,000	15,000	2,941		2,941	12,059
Total expenditures	23,000	23,000	10,173		10,173	12,827
Excess of revenue over (under) expenditures	21,000	21,000	20,328		20,328	(672)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out			(5,237)		(5,237)	(5,237)
Total other financing sources			(5,237)		(5,237)	(5,237)
Net change in fund balances	21,000	21,000	15,091		15,091	(5,909)
FUND BALANCES - JANUARY 1, 2013	29,537	29,537	25,573		25,573	(3,964)
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$50,537</b>	<b>\$50,537</b>	<b>\$40,664</b>	<b>-</b>	<b>\$40,664</b>	<b>(\$9,873)</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Cemetery Endowment Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Interest earnings	\$400	\$400				(\$400)
Total revenues	400	400				(400)
<b>EXPENDITURES</b>						
Other services and charges	18,000	18,000				18,000
Total expenditures	18,000	18,000				18,000
Excess of revenue over (under) expenditures	(17,600)	(17,600)				17,600
Net change in fund balances	(17,600)	(17,600)				17,600
FUND BALANCES - JANUARY 1, 2013	83,474	84,192	84,013		84,013	(179)
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$65,874</b>	<b>\$66,592</b>	<b>\$84,013</b>	<b>-</b>	<b>\$84,013</b>	<b>\$17,421</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**2008 General Obligation Refund Bond Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013 Actual Amounts Budgetary Basis	2014 Actual Amounts Budgetary Basis	Total 2013-2014 Actuals	Variance with Final Budget Positive (Negative)
	2013-2014					
	Original	Final				
<b>REVENUES</b>						
Taxes	\$1,435,000	\$1,435,000	\$729,314		\$729,314	(\$705,686)
Total revenues	1,435,000	1,435,000	729,314		729,314	(705,686)
<b>EXPENDITURES</b>						
Current						
Principal retirement	1,225,000	1,225,000	605,000		605,000	620,000
Interest	222,925	222,925	120,286		120,286	102,640
Miscellaneous	27,075	27,075	301		301	26,774
Total expenditures	1,475,000	1,475,000	725,586		725,586	749,414
Excess of revenue over (under) expenditures	(40,000)	(40,000)	3,728		3,728	43,728
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Total other financing sources						
Net change in fund balances	(40,000)	(40,000)	3,728		3,728	43,728
FUND BALANCES - JANUARY 1, 2013	82,645	82,645	100,080		100,080	17,435
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$42,645</b>	<b>\$42,645</b>	<b>\$103,808</b>	<b>-</b>	<b>\$103,808</b>	<b>\$61,163</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**LIFT General Obligation Bond Redemption Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes						
Total revenues						
<b>EXPENDITURES</b>						
Current						
Principal retirement	\$650,000	\$650,000				\$650,000
Interest	1,350,000	1,350,000				1,350,000
Miscellaneous						
Total expenditures	2,000,000	2,000,000				2,000,000
Excess of revenue over (under) expenditures	(2,000,000)	(2,000,000)				2,000,000
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	2,000,000	2,000,000				(2,000,000)
Total other financing sources	2,000,000	2,000,000				(2,000,000)
Net change in fund balances						
FUND BALANCES - JANUARY 1, 2013						
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**2013 General Obligation Bonds Fund**  
**For the Year Ended December 31, 2013**

	Budgeted Amounts		2013	2014	Total	Variance with
	2013-2014		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes						
Total revenues						
<b>EXPENDITURES</b>						
Current						
Principal retirement		\$375,000				\$375,000
Interest		465,000	167,563		167,563	297,437
Miscellaneous						
Total expenditures		840,000	167,563		167,563	672,437
Excess of revenue over (under) expenditures		(840,000)	(167,563)		(167,563)	(672,437)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in		840,000	167,563		167,563	672,437
Total other financing sources		840,000	167,563		167,563	672,437
Net change in fund balances						
FUND BALANCES - JANUARY 1, 2013						
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 Position**  
**Internal Service Funds**  
**December 31, 2013**

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$128,529	\$68,152	\$94,636	\$291,317
Investments	21,472		1,438,180	1,459,652
Accounts receivable		1,954		1,954
Due from other governments				
Advances receivable			250,000	250,000
Total current assets	<u>150,001</u>	<u>70,107</u>	<u>1,782,816</u>	<u>2,002,924</u>
Non-current assets				
Advances receivable			1,282,000	1,282,000
Capital assets, net of depreciation:				
Equipment - shop	4,489		208,981	213,470
Equipment - vehicles			2,500,192	2,500,192
Improvements	5,762		817,005	822,767
Total capital assets, net of depreciation	<u>10,251</u>		<u>3,526,178</u>	<u>3,536,429</u>
Total non-current assets	<u>10,251</u>	<u>-</u>	<u>4,808,178</u>	<u>4,818,429</u>
Total assets	<u>160,252</u>	<u>70,107</u>	<u>6,590,994</u>	<u>6,821,352</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	52,762	21,390	113,923	188,076
Payroll payable	12,511	8,023		20,534
Compensated absences	<u>13,272</u>	<u>11,470</u>		<u>24,742</u>
Total liabilities	<u>78,545</u>	<u>40,883</u>	<u>113,923</u>	<u>233,352</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,251		3,526,178	3,536,429
Unrestricted	<u>71,456</u>	<u>29,223</u>	<u>2,950,892</u>	<u>3,051,572</u>
<b>Total net position</b>	<b><u>\$81,707</u></b>	<b><u>\$29,223</u></b>	<b><u>\$6,477,070</u></b>	<b><u>\$6,588,001</u></b>

**City of Bothell**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2013**

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
Operating revenues				
Charges for services	\$1,542,756	\$877,057		\$2,419,813
Intergovernmental revenues	257			257
Total operating revenues	<u>1,543,013</u>	<u>877,057</u>	<u>-</u>	<u>2,420,070</u>
Operating expenses				
Maintenance and operations	190,649		39,805	230,454
Administration	599,685	1,005,040	88,975	1,693,700
Depreciation & amortization	3,342		733,903	737,245
Total operating expenses	<u>793,676</u>	<u>1,005,040</u>	<u>862,684</u>	<u>2,661,400</u>
Operating income (loss)	<u>749,337</u>	<u>(127,983)</u>	<u>(862,684)</u>	<u>(241,330)</u>
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets			97,603	97,603
Interest earnings			2,287	2,287
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>99,890</u>	<u>99,890</u>
Income (loss) before transfers	749,337	(127,983)	(762,794)	(141,440)
Transfers in		156,805	672,883	829,688
Transfers out	<u>(667,646)</u>			<u>(667,646)</u>
Change in net position	81,691	28,822	(89,911)	20,602
Net position - beginning	17	402	6,566,981	6,567,399
<b>Net position - ending</b>	<b><u>\$81,707</u></b>	<b><u>\$29,223</u></b>	<b><u>\$6,477,070</u></b>	<b><u>\$6,588,001</u></b>

**City of Bothell**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2013**

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$1,543,013	\$877,057		\$2,420,070
Cash paid to employees for services	(187,478)	(135,810)		(323,288)
Cash paid to suppliers for goods and services	(597,674)	(831,697)	208,475	(1,220,895)
Net cash provided (used) by operating activities	757,862	(90,450)	208,475	875,887
<b>CASH FLOWS FROM NON-OPERATING ACTIVITIES</b>				
Transfers out	(667,646)			(667,646)
Transfers in		156,805	672,883	829,688
Net cash provided (used) by non-operating activities	(667,646)	156,805	672,883	162,042
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets			(1,411,682)	(1,411,682)
Proceeds from sales of capital assets			97,603	97,603
Net cash provided (used) by capital and related financing activities	-	-	(1,314,079)	(1,314,079)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	(853)		500,000	499,147
Interest and dividends			2,287	2,287
Net cash provided by investing activities	(853)	-	502,287	501,433
Net increase (decrease) in cash and cash equivalents	89,362	66,355	69,567	225,284
Balances - beginning	39,167	1,797	25,069	66,033
<b>Balances - ending</b>	<b>\$128,529</b>	<b>\$68,152</b>	<b>\$94,636</b>	<b>\$291,317</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$749,337	(\$127,983)	(\$862,684)	(\$241,330)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	3,342		733,903	737,245
Change in assets and liabilities:				
Decrease (increase) in accounts receivable		22,109		22,109
Decrease (increase) in loan receivable			250,000	250,000
Decrease (increase) in due from other governments	72			72
Increase (decrease) in accounts payable	2,867	5,814	87,256	95,937
Increase (decrease) in compensated absences payable	2,250	6,222		8,472
Increase (decrease) in payroll payable	(6)	3,388		3,382
<b>Net cash provided by operating activities</b>	<b>\$757,862</b>	<b>(\$90,450)</b>	<b>\$208,475</b>	<b>\$875,887</b>
<b>Noncash investing, capital, and financing activities:</b>				
Increase (decrease) in fair value of investments	-	-	-	-

## **Agency Fund**

Agency funds are used to account for resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to the individuals, private organizations, or other governments.

**Agency Trust Fund** – This fund is used to account for deposits held by the City in a custodial capacity. Releases of fiduciary resources are made when all obligations and requirements have been met.

**City of Bothell**  
**Statement of Changes in Assets and Liabilities**  
**Agency Trust Fund**  
**For the Year Ended December 31, 2013**

	<u>Balance 1/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2013</u>
<b>ASSETS</b>				
Cash	\$183,105	\$882,021	\$895,804	\$169,322
<b>Total Assets</b>	<b><u>\$183,105</u></b>	<b><u>\$882,021</u></b>	<b><u>\$895,804</u></b>	<b><u>\$169,322</u></b>
<b>LIABILITIES</b>				
Accounts payable	\$33,419	\$445,035	\$412,616	\$1,000
Deposits payable	149,686	413,333	431,969	168,322
Other liabilities				
<b>Total Liabilities</b>	<b><u>\$183,105</u></b>	<b><u>\$858,368</u></b>	<b><u>\$844,585</u></b>	<b><u>\$169,322</u></b>

# Supplemental Information



**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Water Fund**  
**For the Year Ended December 31, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenues			\$4,146		\$4,146	\$4,146
Charges for services	8,624,378	8,624,378	4,367,235		4,367,235	(4,257,143)
Total operating revenues	8,624,378	8,624,378	4,371,380	-	4,371,380	(4,252,998)
<b>OPERATING EXPENSES</b>						
Administrative and general	1,302,701	1,302,701	585,250		585,250	717,451
Purchase water	2,775,349	2,775,349	1,504,942		1,504,942	1,270,407
Maintenance and operation	2,036,692	2,036,692	944,977		944,977	1,091,715
Customer accounts	265,292	265,292	141,400		141,400	123,892
Taxes	712,879	712,879	313,641		313,641	399,238
Capital outlay	3,142,280	3,142,280				3,142,280
Debt	325,200	325,200				325,200
Depreciation and amortization	971,000	971,000	451,268		451,268	519,732
Total operating expenses	11,531,393	11,531,393	3,941,477	-	3,941,477	7,589,916
OPERATING INCOME (LOSS)	(2,907,015)	(2,907,015)	429,903	-	429,903	3,336,918
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings						
Bond proceeds	2,000,000	2,000,000				
Interest expense	(148,886)	(148,886)	(6,193)		(6,193)	142,693
Total non-operating revenue (expense)	1,851,114	1,851,114	(6,193)	-	(6,193)	142,693
Income (loss) before contributions and transfers	(1,055,901)	(1,055,901)	423,710		423,710	3,479,611
Contributions			83,000		83,000	83,000
Net position - beginning, January 1, 2013	12,181,743	12,181,743	12,804,148		12,804,148	622,405
<b>Net position - ending, December 31, 2013</b>	<b>\$11,125,842</b>	<b>\$11,125,842</b>	<b>\$13,310,859</b>	<b>-</b>	<b>\$13,310,859</b>	<b>\$4,185,017</b>

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Sewer Fund**  
**For the Year Ended December 31, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenues			\$2,588		\$2,588	\$2,588
Charges for services	13,120,910	13,120,910	6,086,026		6,086,026	(7,034,884)
Total operating revenues	13,120,910	13,120,910	6,088,614	-	6,088,614	(7,032,296)
<b>OPERATING EXPENSES</b>						
Administrative and general	1,232,457	1,232,457	416,470		416,470	815,987
Metro service	8,245,045	8,245,045	3,167,714		3,167,714	5,077,331
Maintenance and operation	1,711,381	1,711,381	734,132		734,132	977,249
Customer accounts	264,355	264,355	141,614		141,614	122,741
Taxes	724,325	724,325	349,644		349,644	374,681
Capital outlay	2,694,000	2,694,000				2,694,000
Depreciation and amortization	646,600	646,600	327,280		327,280	319,320
Total operating expenses	15,518,163	15,518,163	5,136,854	-	5,136,854	10,381,309
OPERATING INCOME (LOSS)	(2,397,253)	(2,397,253)	951,760	-	951,760	3,349,013
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Investment earnings						
interest expense	(100,000)	(100,000)				100,000
Debt	(136,500)	(136,500)				136,500
Bond proceeds	2,000,000	2,000,000				(2,000,000)
Total non-operating revenue (expense)	1,763,500	1,763,500	-	-	-	(1,763,500)
Income (loss) before contributions and transfers	(633,753)	(633,753)	951,760		951,760	1,585,513
Contributions			180,000		180,000	180,000
Net position - beginning, January 1, 2013	10,718,461	10,718,461	11,439,699		11,439,699	721,238
<b>Net position - ending, December 31, 2013</b>	<b>\$10,084,708</b>	<b>\$10,084,708</b>	<b>\$12,571,458</b>	<b>-</b>	<b>\$12,571,458</b>	<b>\$2,486,750</b>

This schedule is presented as supplemental information  
Supplemental Information 2

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Storm & Surface Water Fund**  
**For the Year Ended December 31, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenues	\$243,901	\$356,401	\$152,043		\$152,043	(\$204,358)
Charges for services	8,611,468	8,892,690	4,086,198		4,086,198	(4,806,492)
Other			17,561		17,561	17,561
Total operating revenues	8,855,369	9,249,091	4,255,802	-	4,255,802	(4,993,289)
<b>OPERATING EXPENSES</b>						
Administrative and general	2,884,100	3,164,601	1,359,665		1,359,665	1,804,936
Maintenance and operation	3,041,830	3,125,051	1,140,193		1,140,193	1,984,858
Taxes	54,600	54,600	48,726		48,726	5,874
Capital outlay	13,274,168	13,304,168				13,304,168
Depreciation and amortization	900,200	900,200	434,169		434,169	466,031
Total operating expenses	20,154,898	20,548,620	2,982,754	-	2,982,754	17,565,866
OPERATING INCOME (LOSS)	(11,299,529)	(11,299,529)	1,273,049	-	1,273,049	12,572,578
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Loan	9,300,000	9,300,000				(9,300,000)
Loan payment	(500,000)	(500,000)				500,000
Revenue bond proceeds	4,000,000	4,000,000				(4,000,000)
Debt service	(705,000)	(705,000)				705,000
Transfers in			17,422		17,422	17,422
Investment earnings						
Interest expense	(314,140)	(314,140)	(2,287)		(2,287)	311,853
Total non-operating revenue (expense)	11,780,860	11,780,860	15,135	-	15,135	(11,765,725)
Income (loss) before contributions and transfers	481,331	481,331	1,288,184		1,288,184	806,853
Contributions			238,000		238,000	238,000
Net position - beginning, January 1, 2013	11,888,558	11,888,558	12,015,722		12,015,722	127,164
<b>Net position - ending, December 31, 2013</b>	<b>\$12,369,889</b>	<b>\$12,369,889</b>	<b>\$13,541,906</b>	<b>-</b>	<b>\$13,541,906</b>	<b>\$1,172,017</b>

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, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Charges for services	\$3,082,272	\$3,082,272	\$1,542,756		\$1,542,756	(\$1,539,516)
Proceeds from sale of capital assets						
Intergovernmental revenue			257		257	257
Total operating revenues	3,082,272	3,082,272	1,543,013	-	1,543,013	(1,539,259)
<b>OPERATING EXPENSES</b>						
Administrative and general	1,365,560	1,365,560	599,685		599,685	765,875
Maintenance and operation	369,259	391,634	190,649		190,649	200,985
Depreciation	7,000	7,000	3,342		3,342	3,658
Total operating expenses	1,741,819	1,764,194	793,676	-	793,676	970,518
OPERATING INCOME (LOSS)	1,340,453	1,318,078	749,337	-	749,337	(568,741)
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings						
Total non-operating revenue (expense)	-	-	-	-	-	-
Income (loss) before contributions and transfers	1,340,453	1,318,078	749,337		749,337	(568,741)
Transfers out	(1,335,292)	(1,335,292)	(667,646)		(667,646)	667,646
Transfers in						
Net position - beginning, January 1, 2013	17,999	17,999	17		17	(17,983)
<b>Net position - ending, December 31, 2013</b>	<b>\$23,160</b>	<b>\$785</b>	<b>\$81,707</b>	<b>-</b>	<b>\$81,707</b>	<b>\$80,922</b>

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Self Insurance Fund**  
**For the Year Ended December 31, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Insurance recovery	\$50,000	\$50,000	\$56,542		\$56,542	\$6,542
Intergovernmental revenues						
Charges for insurance premiums	1,679,124	1,679,124	820,515		820,515	(858,609)
Total operating revenues	1,729,124	1,729,124	877,057	-	877,057	(852,067)
<b>OPERATING EXPENSES</b>						
Administrative and general	1,677,413	1,677,413	843,162		843,162	834,251
Health insurance services	453,400	453,400	161,878		161,878	291,522
Total operating expenses	2,130,813	2,130,813	1,005,040	-	1,005,040	1,125,773
OPERATING INCOME (LOSS)	(401,689)	(401,689)	(127,983)	-	(127,983)	273,706
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings						
Total non-operating revenue (expense)	-	-	-	-	-	-
Income (loss) before contributions and transfers	(401,689)	(401,689)	(127,983)		(127,983)	273,706
Transfers in	453,400	453,400	156,805		156,805	(296,595)
Net position - beginning, January 1, 2013	41,126	41,126	402		402	(40,724)
<b>Net position - ending, December 31, 2013</b>	<b>\$92,837</b>	<b>\$92,837</b>	<b>\$29,223</b>	<b>-</b>	<b>\$29,223</b>	<b>(\$63,613)</b>

**City of Bothell**  
**Schedule of Operations - Budget to Actual**  
**Asset Replacement Fund**  
**For the Year Ended December 31, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenue						
Total operating revenues	-	-	-	-	-	-
<b>OPERATING EXPENSES</b>						
Capital outlay	\$4,481,556	\$4,481,556				\$4,481,556
Maintenance and operations	30,554	30,554	8,378		8,378	22,176
Administrative and general	414,162	414,162	120,403		120,403	293,759
Depreciation	1,400,000	1,400,000	733,903		733,903	666,097
Total operating expenses	6,326,272	6,326,272	862,684	-	862,684	5,463,588
OPERATING INCOME (LOSS)	(6,326,272)	(6,326,272)	(862,684)	-	(862,684)	5,463,588
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest earnings	58,936	58,936	2,287		2,287	(56,649)
Loan	500,000	500,000				(500,000)
Proceeds from the sale of capital assets	285,330	285,330	97,603		97,603	(187,727)
Total non-operating revenue (expense)	844,266	844,266	99,890	-	99,890	(744,376)
Income (loss) before contributions and transfers	(5,482,006)	(5,482,006)	(762,794)		(762,794)	4,719,212
Transfers in	2,105,292	2,105,292	672,883		672,883	(1,432,409)
Transfers out						
Net position - beginning, January 1, 2013	4,577,978	4,577,978	6,566,981		6,566,981	1,989,003
<b>Net position - ending, December 31, 2013</b>	<b>\$1,201,264</b>	<b>\$1,201,264</b>	<b>\$6,477,070</b>	<b>-</b>	<b>\$6,477,070</b>	<b>\$5,275,806</b>

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, 2013**

Grantor/Pass Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenditures		
			Direct	Pass-Through	Total
Department of Homeland Security/Pierce County Emergency Management <u>National Urban Search and Rescue (US&amp;R) Response System (97.025)</u>					
Enhanced Operations in a Contaminated Environment	97.025	12-041		\$422	\$422
Department of Homeland Security/Washington State Military Department <u>Emergency Management Performance Grant (97.042)</u>					
Emergency Management Performance Grant	97.042	E12-314		1,056	1,056
Emergency Management Performance Grant	97.042	E14-087		11,169	11,169
Emergency Management Performance Grant	97.042	E14-162		7,180	7,180
		Subtotal	-	19,404	19,404
Department of Homeland Security/Washington State Military Department/City of Seattle <u>Homeland Security Grant Program (97.067)</u>					
Chlorine MCI Drill Training Grant	97.067	E13-014		2,665	2,665
Structure Collapse Training Grant	97.067	E13-014		4,659	4,659
Structure Collapse Training Grant	97.067	E13-165		3,944	3,944
Urban Area Security Initiative (UASI)	97.067	E12-190		522	522
		Subtotal	-	11,790	11,790
		<b>Dept of Homeland Security Total</b>	-	<b>31,616</b>	<b>31,616</b>
Department of the Interior/Washington State Recreation & Conservation Office <u>Land &amp; Water Conservation (15.916)</u>					
North Creek Forest Phase 1	15.916	11-1359A		109,000	109,000
		<b>Dept of the Interior Total</b>	-	<b>109,000</b>	<b>109,000</b>
Department of Transportation/Washington State DOT <u>Highway Planning &amp; Construction (20.205)</u>					
228th Street SE & SR527 Improvements	20.205	HSIP-2570 (008)		283,737	283,737
228th Street SE Corridor Improvements	20.205	HSIP-2570 (009)		59,303	59,303
240th Street Bridge Replacement	20.205	BRM-2459 (001)		9,449	9,449
Citywide ITS Improvements	20.205	CM-0110 (006)		41,696	41,696
Citywide Safety Improvements	20.205	HSIP-000S (346)		51,955	51,955
NE 195th Street Bridge Seismic Retrofit	20.205	BHM-2458 (001)		214	214
North Creek Trail Section 3	20.205	CM-STPE-0110 (011)		151,309	151,309
SR522 - Widening & Realign @ Wayne Curve	20.205	STPF-STPUL-0522 (032)		57,324	57,324
SR522 Multi-Modal Corridor - Stage 2	20.205	STPF-STPUL-0522 (051)		2,460,679	2,460,679
SR522 Multi-Modal Corridor - Stage 3	20.205	STPUL-0522 (057)		3,200	3,200
SR527 Improvements, 240th St - 228th St SE	20.205	HPP-STPUL-0527 (006)		1,692,141	1,692,141
		Subtotal	-	4,811,006	4,811,006
Department of Transportation/Washington Traffic Safety Commission <u>Alcohol Impaired Driving Countermeasures Incentive (20.601)</u>					
DUI Emphasis Patrols	20.601	NA		1,563	1,563
Department of Transportation/Washington Traffic Safety Commission <u>Safety Belt Performance Grants (20.609)</u>					
Target Zero Emphasis Patrols	20.609	NA		3,426	3,426
		<b>Dept of Transportation Total</b>	-	<b>4,815,995</b>	<b>4,815,995</b>
Environmental Protection Agency/Washington State Department of Ecology/King County <u>Puget Sound Watershed Management Assistance (66.120)</u>					
Transfer of Dev Rights to Protect/Restore Puget Sound Watersheds	66.120	D4055D		20,000	20,000
Environmental Protection Agency/Washington State Department of Ecology <u>Puget Sound Action Agenda: Tech Investigations/Implementation Assistance Program (66.123)</u>					
Nearshore Estuary Program Watershed Protection/Restoration	66.123	C1200179		77,246	77,246
		<b>Environmental Protection Agency Total</b>	-	<b>97,246</b>	<b>97,246</b>
		<b>Total Federal Assistance for 2013</b>	-	<b>\$5,053,857</b>	<b>\$5,053,857</b>

**Note 1 - Basis of Accounting**

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

**Note 2 - Program Costs**

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

**City of Bothell**  
**Schedule 16**  
**Schedule of State and Local Financial Assistance**  
**For the Year Ended December 31, 2013**

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
<b>King County</b>			
Blyth Park Hill Slope Stream Restoration	337.07.00	NA	\$26,555
Conservation Futures Levy - Fries Family LLC (North Creek)	337.09.01	NA	129,856
Fall Safety Prevention Program	337.09.01	EMS2832	710
Project RAMPART	337.09.01	EMS3049	3,000
Local Hazardous Waste Management Program	337.07.00	EHS2838	12,540
Waste Reduction & Recycling	337.07.00	529821	34,747
<b>King County Total</b>			<b>207,408</b>
<b>Washington State Department of Commerce</b>			
Innovation Partnership Zone Grant - Discovery Center	334.04.20	S13-97205-013	432,710
Innovation Partnership Zone Grant - Mercury Incubator	334.04.20	S13-97205-008	301,296
<b>Washington State Dept of Commerce Total</b>			<b>734,006</b>
<b>Washington State Department of Ecology</b>			
Bothell Crossroads Contamination	334.03.10	G1100263	44,938
Bothell Crossroads Contamination	334.03.10	G1400464	234,247
Coordinated Prevention Grant	334.03.10	G1200293	12,982
Coordinated Prevention Grant	334.03.10	G1400143	227
Municipal Stormwater Capacity Grant	334.03.10	G1100021	21,878
<b>Washington State Dept of Ecology Total</b>			<b>314,271</b>
<b>Washington State Department of Health</b>			
EMS Prehospital Participation Grant	334.04.90	SFY13	1,208
<b>Washington State Dept of Health Total</b>			<b>1,208</b>
<b>Washington State Department of Transportation (WSDOT)</b>			
SR 522 - Hall Rd to 102nd Ave NE Paving	334.03.20	GCA-6409	500,000
SR 522 - Stage 2A Improvements	334.03.20	GCA-6509	1,128,551
<b>Washington State Dept of Transportation Total</b>			<b>1,628,551</b>
<b>Washington State - Recreation &amp; Conservation Office (RCO)</b>			
Sammamish River Side Channel Restoration	334.02.70	11-1517P	22,006
<b>Washington State - Recreation &amp; Conservation Office Total</b>			<b>22,006</b>
<b>Washington State Traffic Safety Commission</b>			
School Zone Flashing Beacon Grant	334.03.50	NA	13,000
<b>Washington State Traffic Safety Commission Total</b>			<b>13,000</b>
<b>Washington State Transportation Improvement Board</b>			
SR 522 - Hall Rd to 102nd St NE (Crossroads)	334.03.80	9-P-114 (005)-1	1,434,961
SR 522 - West City Limits to Wayne Curve	334.03.80	9-P-114 (004)-2	325,298
SR 527 - 228th St SE to 240th St SE	334.03.80	9-P-114 (006)-1	299,700
<b>Washington State Transportation Improvement Board Total</b>			<b>2,059,958</b>
<b>Total State &amp; Local Financial Assistance for 2013</b>			<b>\$4,980,409</b>

**Note 1 - Basis of Accounting**

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

**Note 2 - Program Costs**

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

**City of Bothell**  
**General Obligation Bonds**  
**Refunding 2008**  
**December 31, 2013**

<u>Year Ended</u> <u>December 31, 2013</u>	<u>Interest</u> <u>Rate Range</u>	<u>Interest</u> <u>June 1</u>	<u>Interest</u> <u>December 1</u>	<u>Principal</u> <u>December 1</u>	<u>Total Debt</u> <u>Service</u>
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
	<b>Total</b>	<b>\$130,738</b>	<b>\$130,738</b>	<b>\$2,620,000</b>	<b>\$2,881,475</b>

**City of Bothell**  
**Bond Anticipation Note #1**  
**December 31, 2013**

<u>Year Ended</u> <u>December 31, 2012</u>	<u>Interest</u> <u>Rate Range</u>	<u>Interest</u>	<u>Principal</u> <u>December 31</u>	<u>Total Debt</u> <u>Service</u>
2014	1.180%	\$29,500	\$30,000,000	\$30,029,500
	<b>Total</b>	<b>\$29,500</b>	<b>\$30,000,000</b>	<b>\$30,029,500</b>

**City of Bothell**  
**General Obligation Bonds - 2013 A & B**  
**December 31, 2013**

Year Ended December 31, 2013	2013A				2013B				Total Debt Service
	Interest Rate Range	Interest June 1	Interest December 1	Principal December 1	Interest Rate Range	Interest June 1	Interest December 1	Principal December 1	
2014	0.6 to 1.65%	\$8,576	\$8,576	\$375,000	3 to 4.5%	\$153,581	\$153,581		\$699,315
2015	.1 to 1.65%	7,451	7,451	380,000	3 to 4.5%	153,581	153,581		702,065
2016	1.25 to 1.65%	5,551	5,551	380,000	3 to 4.5%	153,581	153,581		698,265
2017	1.65%	3,176	3,176	385,000	3 to 4.5%	153,581	153,581		698,515
2018					3 to 4.5%	153,581	153,581	390,000	697,163
2019					3 to 4.5%	147,731	147,731	400,000	695,463
2020					3 to 4.5%	141,731	141,731	415,000	698,463
2021					3 to 4.5%	135,506	135,506	425,000	696,013
2022					3 to 4.5%	129,131	129,131	440,000	698,263
2023					3.75 to 4.5%	122,531	122,531	450,000	695,063
2024					3.75 to 4.5%	113,531	113,531	470,000	697,063
2025					3.75 to 4.5%	104,131	104,131	490,000	698,263
2025					3.75 to 4.5%	94,331	94,331	510,000	698,663
2057					3.75 to 4.5%	84,131	84,131	530,000	698,263
2028					3.75 to 4.5%	73,531	73,531	550,000	697,063
2029					3.75 to 4.5%	62,531	62,531	570,000	695,063
2030					3.75 to 4.5%	51,844	51,844	590,000	693,688
2031					3.75 to 4.5%	40,781	40,781	615,000	696,563
2032					4.5%	29,000	29,000	635,000	693,000
2033					4.5%	14,963	14,963	665,000	694,925
<b>Total</b>		<b>\$24,755</b>	<b>\$24,755</b>	<b>\$1,520,000</b>		<b>\$2,113,313</b>	<b>\$2,113,313</b>	<b>\$8,145,000</b>	<b>\$13,941,135</b>

**City of Bothell**  
**Public Works Trust Fund Loan**  
**PC12-951-022**  
**December 31, 2013**

<u>Year Ended December 31, 2013</u>	<u>Interest Rate</u>	<u>Interest June 1</u>	<u>Principal June 1</u>	<u>Total Debt Service</u>
2014	0.5%	\$18,732	\$328,242	\$346,974
2015	0.5%	27,969	328,242	356,211
2016	0.5%	26,323	328,242	354,565
2017	0.5%	24,678	328,242	352,920
2018	0.5%	23,033	328,242	351,275
2019	0.5%	21,388	328,242	349,630
2020	0.5%	19,743	328,242	347,985
2021	0.5%	18,097	328,242	346,339
2022	0.5%	16,452	328,242	344,694
2023	0.5%	14,807	328,242	343,049
2024	0.5%	13,162	328,242	341,404
2025	0.5%	11,517	328,242	339,759
2026	0.5%	9,871	328,242	338,113
2027	0.5%	8,226	328,242	336,468
2028	0.5%	6,581	328,242	334,823
2029	0.5%	4,936	328,242	333,178
2030	0.5%	3,290	328,242	331,532
2031	0.5%	1,645	328,242	329,887
	<b>Total</b>	<b>\$270,450</b>	<b>\$5,908,356</b>	<b>\$6,178,806</b>

**City of Bothell**  
**Public Works Trust Fund Loan**  
**PW98-791-007**  
**December 31, 2013**

<u>Year Ended</u> <u>December 31, 2013</u>	<u>Interest</u> <u>Rate</u>	<u>Interest</u> <u>July 1</u>	<u>Principal</u> <u>July 1</u>	<u>Total Debt</u> <u>Service</u>
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
	<b>Total</b>	<b>\$16,890</b>	<b>\$562,993</b>	<b>\$579,883</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget to Actual**  
**Capital Improvements Fund**  
**For the Year Ended December 31, 2013**

	2013-2014		2013	2014	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2013-2014	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes	\$4,900,000	\$4,900,000	\$2,794,919		\$2,794,919	(\$2,105,081)
Intergovernmental revenues	21,489,000	24,894,750	9,289,326		9,289,326	(15,605,424)
Charges for services						
Investment interest	58,833	58,833				(58,833)
Proceeds from sale of capital assets	2,100,000	2,100,000	15,113		15,113	(2,084,887)
Rents	150,000	150,000	1,207		1,207	(148,793)
Miscellaneous revenue			2,533		2,533	2,533
Contributions	334,000	334,000	755,470		755,470	421,470
Total revenues	29,031,833	32,437,583	12,858,568	-	12,858,568	(19,579,015)
<b>EXPENDITURES</b>						
Current:						
Capital outlay	45,115,340	48,521,090	20,851,148		20,851,148	27,669,942
Debt Issue costs			125,039		125,039	(125,039)
Debt principle	30,625,000	30,625,000	4,653,421		4,653,421	25,971,579
Interest expense	614,000	614,000	388,387		388,387	225,613
Total expenditures	76,354,340	79,760,090	26,017,995	-	26,017,995	53,742,095
Excess of revenue over (under) expenditures	(47,322,507)	(47,322,507)	(13,159,427)		(13,159,427)	34,163,080
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond anticipation note	30,000,000	30,000,000	9,665,000		9,665,000	(20,335,000)
GO Bond premiums			455,236		455,236	455,236
Loan	12,500,000	12,500,000	5,953,936		5,953,936	(6,546,064)
Transfers in	7,037,054	7,037,054	1,194,411		1,194,411	(5,842,643)
Transfers out	(2,000,000)	(2,840,000)	(167,563)		(167,563)	2,672,437
Total other financing sources	47,537,054	46,697,054	17,101,020	-	17,101,020	(29,596,034)
Net change in fund balances	214,547	(625,453)	3,941,594		3,941,594	4,567,047
FUND BALANCES - JANUARY 1, 2013	2,167,673	2,167,673	2,976,365		2,976,365	808,692
<b>FUND BALANCES - DECEMBER 31, 2013</b>	<b>\$2,382,220</b>	<b>\$1,542,220</b>	<b>\$6,917,958</b>	<b>-</b>	<b>\$6,917,958</b>	<b>\$5,375,738</b>



City of Bothell™

# Statistical Section





City of Bothell™

# Statistical Section

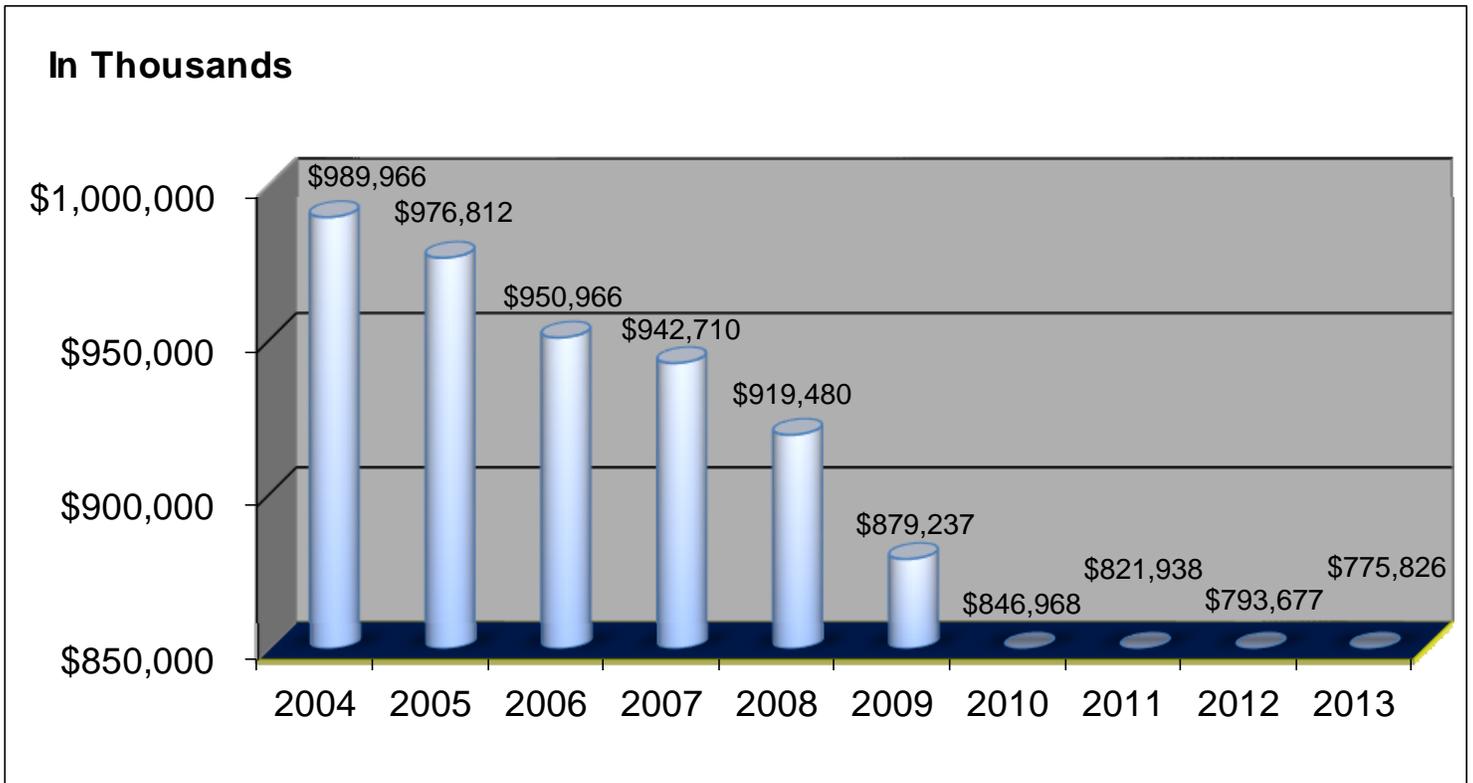
This part of the City of Bothell’s comprehensive annual financial report presents detailed data as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	<b>1</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.	<b>9</b>
<b>Debt Capacity</b> 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.	<b>17</b>
<b>Demographic and Economic Information</b> 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.	<b>25</b>
<b>Operating Information</b> 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.	<b>27</b>

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2002; schedules presenting government-wide information include information beginning in that year.

**City of Bothell**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2004	2005	2006	2007	2008
Governmental activities					
Invested in capital assets, net of related debt	\$926,564,388	\$908,007,883	\$872,520,256	\$851,902,746	\$841,148,841
Restricted	536,635	515,178			
Unrestricted	35,923,716	39,434,906	46,594,330	56,832,220	44,506,169
<b>Total governmental activities net position</b>	<b>963,024,739</b>	<b>947,957,967</b>	<b>919,114,586</b>	<b>908,734,966</b>	<b>885,655,008</b>
Business-type activities					
Invested in capital assets, net of related debt	19,505,269	20,160,168	22,312,164	22,148,994	22,894,341
Restricted	45,950	45,960	45,960	45,960	45,960
Unrestricted	7,390,151	8,648,183	9,493,206	11,780,119	10,884,406
<b>Total business-type activities net position</b>	<b>26,941,370</b>	<b>28,854,311</b>	<b>31,851,330</b>	<b>33,975,073</b>	<b>33,824,706</b>
Primary government					
Net investment in capital assets	946,069,657	928,168,051	894,832,420	874,051,740	864,043,182
Restricted	582,585	561,138	45,960	45,960	45,960
Unrestricted	43,313,867	48,083,089	56,087,536	68,612,339	55,390,573
<b>Total primary government net position</b>	<b>\$989,966,109</b>	<b>\$976,812,278</b>	<b>\$950,965,916</b>	<b>\$942,710,039</b>	<b>\$919,479,714</b>



**City of Bothell**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities					
Invested in capital assets, net of related debt	\$829,995,723	\$797,260,030	\$772,845,492	\$746,225,080	\$720,584,679
Restricted		7,754,246	9,780,831	7,578,092	12,554,203
Unrestricted	14,636,710	6,887,300	4,879,019	3,614,460	3,262,857
<b>Total governmental activities net position</b>	<b>844,632,433</b>	<b>811,901,576</b>	<b>787,505,342</b>	<b>757,417,631</b>	<b>736,401,739</b>
Business-type activities					
Invested in capital assets, net of related debt	25,684,286	32,408,696	32,660,784	33,185,063	34,892,575
Restricted					
Unrestricted	8,920,530	2,658,185	1,771,470	3,074,506	4,531,648
<b>Total business-type activities net position</b>	<b>34,604,816</b>	<b>35,066,881</b>	<b>34,432,254</b>	<b>36,259,569</b>	<b>39,424,223</b>
Primary government					
Net investment in capital assets	855,680,009	829,668,726	805,506,276	779,410,143	755,477,254
Restricted		7,754,246	9,780,831	7,578,092	12,554,203
Unrestricted	23,557,239	9,545,485	6,650,489	6,688,966	7,794,505
<b>Total primary government net position</b>	<b>\$879,237,248</b>	<b>\$846,968,458</b>	<b>\$821,937,596</b>	<b>\$793,677,200</b>	<b>\$775,825,961</b>

**City of Bothell**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Expenses - Governmental activities</b>					
General government	\$6,459,084	\$6,795,788	\$7,286,832	\$7,590,440	\$9,462,780
Security of persons and property	16,513,236	16,624,606	16,716,844	18,356,633	19,342,241
Physical environment	4,706,457	3,127,375	5,680,934	3,466,656	4,626,024
Transportation	34,035,627	24,857,528	34,309,036	38,300,146	38,946,938
Economic environment	2,184,275	2,100,999	2,583,146	3,808,101	3,413,764
Culture and recreation					
Interest on long-term debt	551,882	511,467	362,317	327,703	229,262
<b>Total governmental activities</b>	<b>64,450,561</b>	<b>54,017,763</b>	<b>66,939,110</b>	<b>71,849,679</b>	<b>76,021,008</b>
<b>Business-type activities</b>					
Water	3,031,706	2,291,688	2,944,338	2,878,560	3,150,986
Sewer	3,179,756	3,473,410	3,318,782	3,965,202	4,099,024
Storm Drain	1,181,700	1,141,388	1,229,997	1,323,861	1,645,670
<b>Total business-type activities</b>	<b>7,393,162</b>	<b>6,906,486</b>	<b>7,493,117</b>	<b>8,167,623</b>	<b>8,895,680</b>
<b>Total primary government expenses</b>	<b>\$71,843,723</b>	<b>\$60,924,249</b>	<b>\$74,432,227</b>	<b>\$80,017,302</b>	<b>\$84,916,688</b>
<b>Program Revenues - Governmental activities</b>					
<b>Charges for services</b>					
General government	\$1,255,310	\$1,369,104	\$2,109,872	\$2,063,843	\$1,686,890
Security of persons and property	2,637,365	1,301,166	1,634,128	1,652,887	2,084,447
Physical environment	834,657	1,132,053	1,425,625	1,544,277	1,420,714
Transportation	630,191	923,975	858,310	1,932,005	1,764,671
Economic environment	925,573	1,193,016	1,582,638	1,806,077	1,713,091
Culture and recreation	122,515	144,427	157,648	143,191	149,021
Operating grants and contributions	872,463	1,106,751	402,018	846,560	525,398
Capital grants and contributions	333,556	652,446	5,642,460	12,983,232	12,229,943
<b>Total governmental activities program revenues</b>	<b>7,611,630</b>	<b>7,822,938</b>	<b>13,812,699</b>	<b>22,972,072</b>	<b>21,574,175</b>
<b>Business-type activities</b>					
<b>Charges for services</b>					
Water	3,259,509	3,004,837	3,995,496	3,786,422	3,377,642
Sewer	3,564,534	4,092,654	4,257,167	4,607,172	4,448,313
Storm Drain	1,733,226	1,806,901	1,837,048	1,730,963	1,753,920
Operating grants and contributions					
Capital grants and contributions		306,945	649,239	729,022	787,526
<b>Total business-type activities program revenue</b>	<b>8,557,269</b>	<b>9,211,337</b>	<b>10,738,950</b>	<b>10,853,579</b>	<b>10,367,401</b>
<b>Total primary government program revenues</b>	<b>\$16,168,899</b>	<b>\$17,034,275</b>	<b>\$24,551,649</b>	<b>\$33,825,651</b>	<b>\$31,941,576</b>
<b>Net (Expense)/Revenue</b>					
Government activities	(\$56,838,931)	(\$46,194,825)	(\$53,126,411)	(\$48,877,607)	(\$54,446,834)
Business-type activities	1,164,107	2,304,851	3,245,833	2,685,956	1,471,721
<b>Total primary government net expense</b>	<b>(55,674,824)</b>	<b>(43,889,974)</b>	<b>(49,880,577)</b>	<b>(46,191,650)</b>	<b>(52,975,113)</b>
<b>General Revenue and Other Changes in Net Position</b>					
<b>Governmental activities</b>					
<b>Taxes</b>					
Property tax	9,363,115	9,792,823	11,294,149	13,745,959	9,979,056
Excise tax	9,355,346	11,040,881	13,035,096	12,875,394	11,731,999
Business tax	6,433,375	6,689,465	6,971,731	7,105,751	7,085,015
Unrestricted grants and contributions					
Investment earnings	391,823	1,103,359	2,340,709	2,766,765	1,627,957
Miscellaneous	1,414,231	1,953,704	737,447	1,010,077	1,020,245
Transfers	521,153	547,823	797,483	899,556	959,111
<b>Total governmental activities</b>	<b>27,479,043</b>	<b>31,128,055</b>	<b>35,176,613</b>	<b>38,403,500</b>	<b>32,403,383</b>
<b>Business-type activities</b>					
Investment earnings	53,708	155,914	256,904	337,341	180,799
Miscellaneous					
Transfers	(521,153)	(547,823)	(797,483)	(899,556)	(959,111)
<b>Total business-type activities</b>	<b>(467,445)</b>	<b>(391,909)</b>	<b>(540,579)</b>	<b>(562,215)</b>	<b>(778,311)</b>
<b>Total primary government</b>	<b>\$27,011,598</b>	<b>\$30,736,146</b>	<b>\$34,636,035</b>	<b>\$37,841,286</b>	<b>\$31,625,072</b>
<b>Change in Net Position</b>					
Government activities	(\$29,359,888)	(\$15,066,770)	(\$17,949,797)	(\$10,474,106)	(\$22,043,451)
Business-type activities	696,662	1,912,942	2,705,255	2,123,742	693,410
<b>Total primary government</b>	<b>(\$28,663,226)</b>	<b>(\$13,153,828)</b>	<b>(\$15,244,543)</b>	<b>(\$8,350,365)</b>	<b>(\$21,350,042)</b>

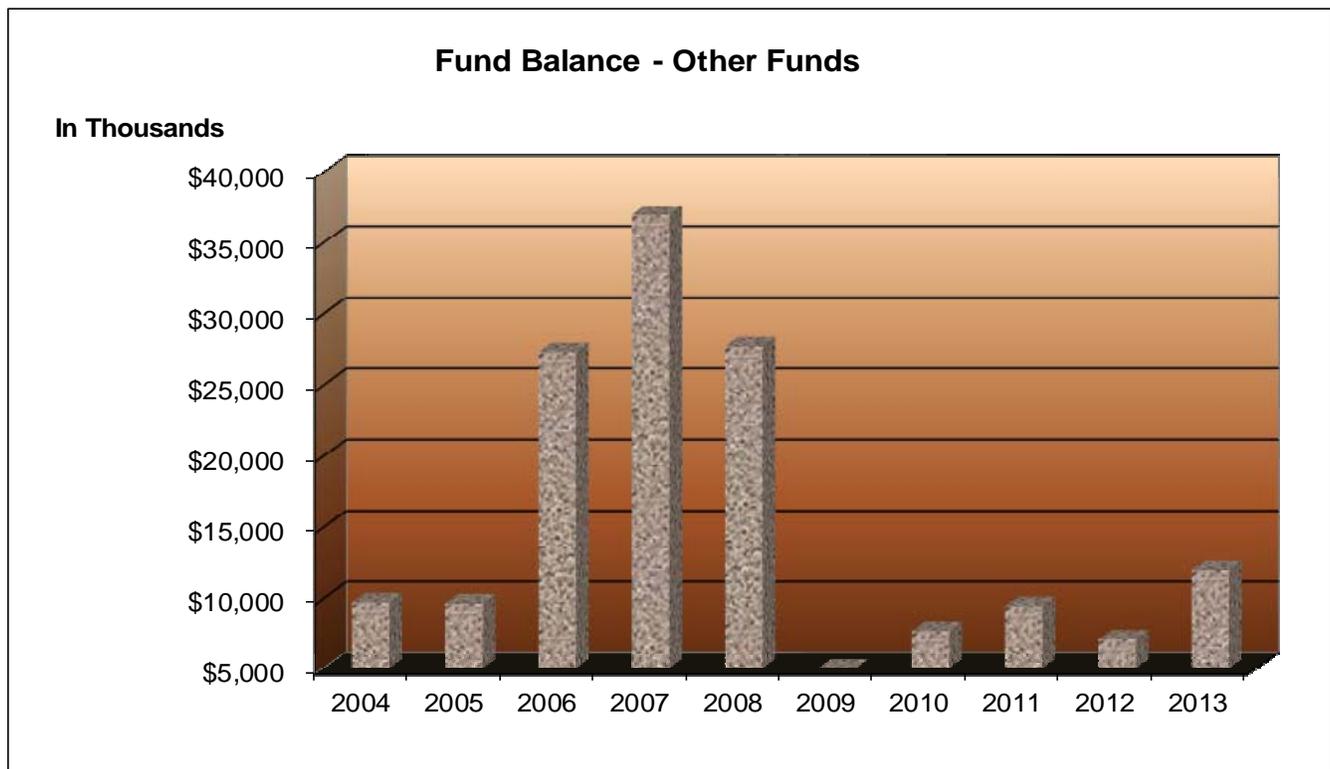
**City of Bothell**  
**Change in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Expenses - Governmental activities</b>					
General government	\$9,413,427	\$9,442,611	\$9,877,418	\$10,969,744	\$10,073,570
Security of persons and property	20,646,387	22,005,979	21,575,204	22,078,983	23,098,903
Physical environment	6,262,903	6,354,100	6,398,497	4,914,790	5,972,811
Transportation	42,394,908	39,919,102	34,044,668	36,833,751	35,896,052
Economic environment	3,026,618	3,347,504	3,298,490	2,860,182	2,882,941
Culture and recreation				1,613,519	2,005,064
Interest on long-term debt	213,348	303,378	581,295	517,471	686,700
<b>Total governmental activities</b>	<b>81,957,592</b>	<b>81,372,674</b>	<b>75,775,571</b>	<b>79,788,440</b>	<b>80,616,039</b>
<b>Business-type activities</b>					
Water	3,188,527	3,234,985	3,708,205	3,369,337	3,947,670
Sewer	4,436,576	4,809,616	5,454,241	4,976,045	5,136,854
Storm Drain	2,094,509	2,381,009	2,864,914	2,938,653	2,985,040
<b>Total business-type activities</b>	<b>9,719,612</b>	<b>10,425,610</b>	<b>12,027,360</b>	<b>11,284,035</b>	<b>12,069,565</b>
<b>Total primary government expenses</b>	<b>\$91,677,203</b>	<b>\$91,798,284</b>	<b>\$87,802,932</b>	<b>\$91,072,475</b>	<b>\$92,685,604</b>
<b>Program Revenues - Governmental activities</b>					
<b>Charges for services</b>					
General government	\$1,858,979	\$2,687,935	\$4,810,917	\$4,841,692	\$5,795,890
Security of persons and property	1,901,973	2,743,162	2,273,740	2,663,755	3,243,837
Physical environment	2,330,963	3,566,661	1,376,855	2,078,244	1,352,480
Transportation	79,707	1,185,102	607,870	1,818,764	349,447
Economic environment	1,390,869	1,594,278	1,338,169	1,961,284	4,218,724
Culture and recreation	225,350	328,879	457,981	268,711	266,648
Operating grants and contributions	357,367	383,325	360,152	969,659	1,566,336
Capital grants and contributions	3,064,379	8,068,251	10,650,614	4,324,101	11,102,307
<b>Total governmental activities program revenues</b>	<b>11,209,588</b>	<b>20,557,594</b>	<b>21,876,297</b>	<b>18,926,210</b>	<b>27,895,669</b>
<b>Business-type activities</b>					
<b>Charges for services</b>					
Water	3,731,390	3,098,581	3,210,573	3,656,582	4,371,380
Sewer	4,913,071	4,421,861	5,012,251	5,639,707	6,088,614
Storm Drain	2,478,439	2,605,276	2,927,059	3,645,575	4,255,802
Operating grants and contributions					
Capital grants and contributions	411,475	757,700	241,500	164,800	501,000
<b>Total business-type activities program revenue</b>	<b>11,534,375</b>	<b>10,883,418</b>	<b>11,391,383</b>	<b>13,106,664</b>	<b>15,216,797</b>
<b>Total primary government program revenues</b>	<b>\$22,743,963</b>	<b>\$31,441,012</b>	<b>\$33,267,680</b>	<b>\$32,032,874</b>	<b>\$43,112,466</b>
<b>Net (Expense)/Revenue</b>					
Government activities	(\$70,748,004)	(\$60,815,080)	(\$53,899,274)	(\$60,862,229)	(\$52,720,370)
Business-type activities	1,814,763	457,808	(635,977)	1,822,629	3,147,232
<b>Total primary government net expense</b>	<b>(68,933,241)</b>	<b>(60,357,272)</b>	<b>(54,535,251)</b>	<b>(59,039,600)</b>	<b>(49,573,138)</b>
<b>General Revenue and Other Changes in Net Position</b>					
<b>Governmental activities</b>					
<b>Taxes</b>					
Property tax	9,480,272	10,190,952	10,963,812	11,128,474	12,506,112
Excise tax	9,842,288	10,482,416	9,960,281	10,341,621	11,071,149
Business tax	7,312,792	6,832,556	6,795,259	6,972,159	6,759,484
Unrestricted grants and contributions					
Investment earnings	1,055,739	123,457	310,195	512,991	164,714
Miscellaneous	915,788	454,842	516,090	540,813	1,033,726
Transfers	1,118,550				(17,422)
<b>Total governmental activities</b>	<b>29,725,430</b>	<b>28,084,224</b>	<b>28,545,636</b>	<b>29,496,058</b>	<b>31,517,764</b>
<b>Business-type activities</b>					
Investment earnings	62,247	4,259	1,350	4,685	
Miscellaneous	21,650				
Transfers	(1,118,550)				17,422
<b>Total business-type activities</b>	<b>(1,034,652)</b>	<b>4,260</b>	<b>1,350</b>	<b>4,685</b>	<b>17,422</b>
<b>Total primary government</b>	<b>\$28,690,778</b>	<b>\$28,088,483</b>	<b>\$28,546,986</b>	<b>\$29,500,743</b>	<b>\$31,535,186</b>
<b>Change in Net Position</b>					
Government activities	(\$41,022,574)	(\$32,730,857)	(\$25,353,638)	(\$31,366,171)	(\$21,202,606)
Business-type activities	780,109	462,066	(634,627)	1,827,315	3,164,654
<b>Total primary government</b>	<b>(\$40,242,465)</b>	<b>(\$32,268,791)</b>	<b>(\$25,988,265)</b>	<b>(\$29,538,856)</b>	<b>(\$18,037,952)</b>

**City of Bothell**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

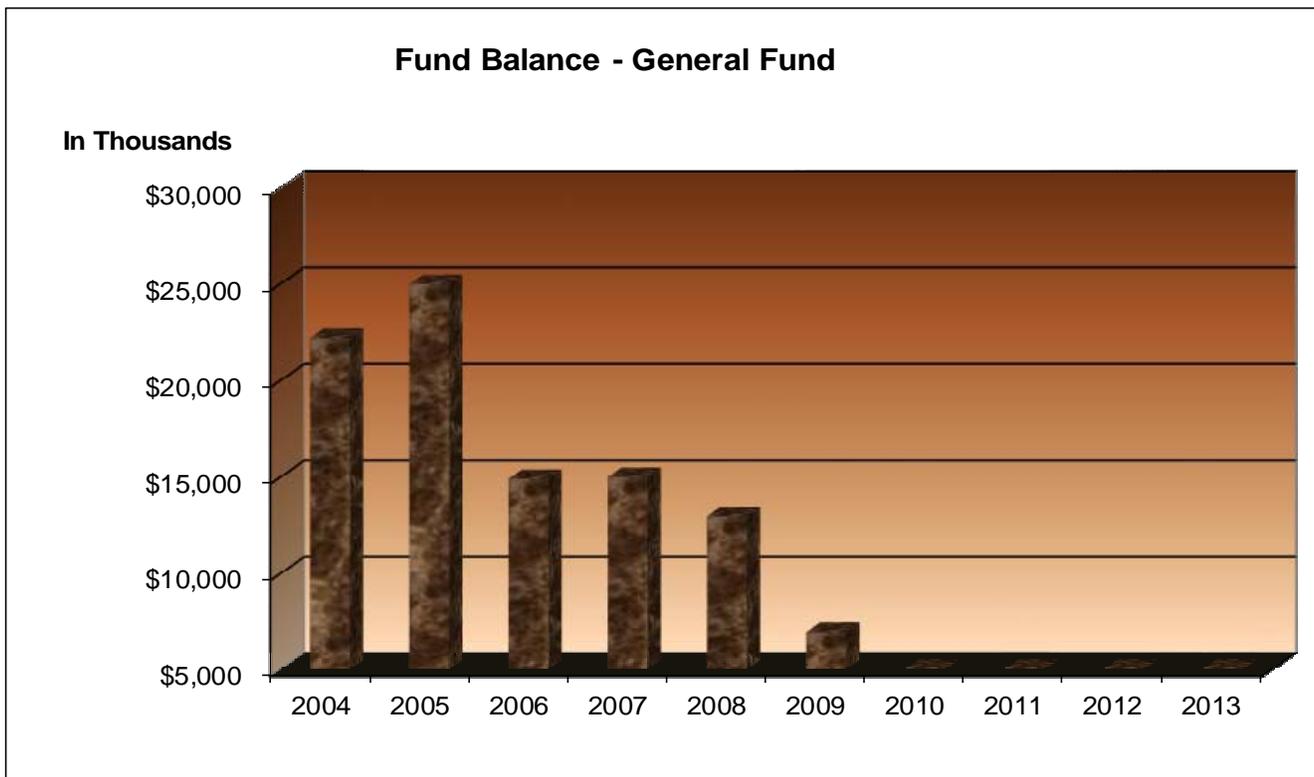
	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Reserved	\$536,635	\$515,178			
Unreserved	21,684,097	24,488,474	14,911,218	15,014,982	12,955,076
Committed					
Restricted					
Assigned					
Unassigned					
<b>Total general fund</b>	<b>\$22,220,732</b>	<b>\$25,003,652</b>	<b>\$14,911,218</b>	<b>\$15,014,982</b>	<b>\$12,955,076</b>
All Other Governmental Funds					
Unreserved					
Special revenue funds	\$3,324,460	\$3,717,526	\$3,866,507	\$4,693,599	\$2,320,927
Debt service funds	549,539	436,662	249,682	474,567	690,991
Capital projects funds	5,826,040	5,478,620	23,179,317	31,767,467	24,686,299
Restricted					
Committed					
<b>Total all other governmental funds</b>	<b>\$9,700,039</b>	<b>\$9,632,808</b>	<b>\$27,295,506</b>	<b>\$36,935,634</b>	<b>\$27,698,218</b>

**Note:** The change in the classification of fund balance amounts in 2011 is discussed in Management's Discussion and Analysis.  
Prior year amounts have not been restated for the implementation of Statement 54.



**City of Bothell**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund					
Reserved					
Unreserved	6,994,173	4,052,527			
Committed			16,750	16,750	16,750
Restricted			391,930	526,522	613,906
Assigned			1,711,130	1,711,130	1,711,130
Unassigned			1,587,189	870,296	1,446,023
<b>Total general fund</b>	<b>\$6,994,173</b>	<b>\$4,052,527</b>	<b>\$3,706,999</b>	<b>\$3,124,698</b>	<b>\$3,787,810</b>
All Other Governmental Funds					
Unreserved					
Special revenue funds	\$2,124,745	\$2,410,436	\$2,268,368	\$3,916,223	\$4,885,460
Debt service funds	2,012	669	55,295	142,231	120,129
Capital projects funds	2,077,727	5,266,801	7,065,239	2,976,365	6,917,958
Restricted			9,388,902	7,034,819	11,923,547
Committed			68,153	67,692	67,692
<b>Total all other governmental funds</b>	<b>\$4,204,485</b>	<b>\$7,677,906</b>	<b>\$9,457,054</b>	<b>\$7,102,511</b>	<b>\$11,991,239</b>



**City of Bothell**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year				
	2004	2005	2006	2007	2008
<b>Revenues</b>					
Taxes	\$24,512,757	\$26,853,571	\$30,572,126	\$32,970,598	\$28,070,855
Licenses and permits	784,012	1,086,365	1,819,235	1,600,669	1,280,479
Intergovernmental	4,011,325	3,782,791	7,281,784	15,525,563	14,260,853
Charges for services	3,299,441	3,432,694	4,362,883	5,877,417	5,438,718
Fines and forfeitures	447,781	322,144	343,486	443,007	396,602
Interest earnings	398,759	993,181	2,107,757	2,590,040	1,555,854
Proceeds from the sale of capital assets	12,420	47,289	1,064	750	12,399
Contributions				471,276	132,230
Other revenue	441,708	622,453	403,877	416,493	802,892
<b>Total revenues</b>	<b>33,908,203</b>	<b>37,140,488</b>	<b>46,892,211</b>	<b>59,895,814</b>	<b>51,950,883</b>
<b>Expenditures</b>					
General government	5,913,630	6,075,203	6,306,333	6,919,113	8,102,794
Security of persons and property	14,923,213	14,939,138	15,344,949	16,837,363	17,894,731
Transportation	1,379,542	1,371,919	1,639,542	1,463,468	1,601,855
Physical environment	1,880,697	2,245,469	2,914,337	3,179,940	3,614,666
Cultural Environment					
Economic environment	2,039,339	1,942,086	2,433,653	2,749,084	3,203,110
Bond issue costs					73,595
Debt service					
Interest	551,882	511,467	362,317	327,703	117,539
Principal	860,871	2,843,862	768,862	483,862	668,862
Other expenditures	1,453	569		18,264	80,743
Capital outlay	3,864,122	3,856,465	8,059,038	16,441,760	25,199,063
<b>Total expenditures</b>	<b>31,414,749</b>	<b>33,786,178</b>	<b>37,829,031</b>	<b>48,420,557</b>	<b>60,556,958</b>
Excess of revenue over (under) expenditures	2,493,454	3,354,310	9,063,180	11,475,257	(8,606,075)
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued					6,070,000
Premium on refunding bonds					123,226
Proceeds from sales of capital assets					
Payment to refunded bond escrow agent					(6,116,354)
Bond anticipation note					
Loan proceeds					
Transfers in	1,927,746	1,643,955	18,343,405	4,067,571	1,992,268
Transfers out	(3,180,191)	(2,282,575)	(19,836,319)	(5,893,424)	(3,720,477)
<b>Total other financing sources uses</b>	<b>(1,252,445)</b>	<b>(638,620)</b>	<b>(1,492,914)</b>	<b>(1,825,853)</b>	<b>(1,651,337)</b>
<b>Net change in fund balances</b>	<b>\$1,241,009</b>	<b>\$2,715,690</b>	<b>\$7,570,266</b>	<b>\$9,649,404</b>	<b>(\$10,257,412)</b>
Debt service as a percentage of noncapital expenditures	5.1%	11.2%	3.8%	2.5%	2.2%

**City of Bothell**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Revenues</b>					
Taxes	\$26,635,353	\$27,505,967	\$27,719,352	\$28,442,253	\$30,413,113
Licenses and permits	989,656	1,128,293	1,081,549	1,761,220	2,953,512
Intergovernmental	5,766,032	10,748,505	13,700,129	8,015,234	11,647,160
Charges for services	3,617,008	5,587,104	4,703,004	6,467,279	9,037,134
Fines and forfeitures	436,520	431,188	387,550	421,304	381,258
Interest earnings	1,033,628	120,261	306,511	509,634	162,427
Proceeds from the sale of capital assets	501				
Contributions	30,706	68,260	50,930	45,605	890,862
Other revenue	805,466	347,338	445,398	435,486	330,305
<b>Total revenues</b>	<b>39,314,871</b>	<b>45,936,917</b>	<b>48,394,423</b>	<b>46,098,016</b>	<b>55,815,771</b>
<b>Expenditures</b>					
General government	8,074,767	8,248,773	8,702,807	8,248,283	8,651,252
Security of persons and property	18,984,021	20,223,188	19,958,652	20,292,352	20,829,840
Transportation	1,574,859	1,567,865	1,732,338	1,725,232	1,688,875
Physical environment	3,675,595	3,984,208	4,183,070	4,185,398	3,450,807
Cultural Environment					1,334,713
Economic environment	2,853,133	3,129,153	2,864,765	2,860,182	2,882,941
Bond issue costs		79,488	41,603	170,753	125,039
Debt service					
Interest	213,348	223,890	539,692	517,471	686,700
Principal	558,862	545,000	23,301,611	11,272,161	5,258,421
Other expenditures	27,872	15,777	28,645	2,436	10,474
Capital outlay	31,859,238	38,541,728	16,982,124	12,124,363	21,441,381
<b>Total expenditures</b>	<b>67,821,695</b>	<b>76,559,071</b>	<b>78,335,307</b>	<b>61,398,630</b>	<b>66,360,442</b>
Excess of revenue over (under) expenditures	(28,506,824)	(30,622,154)	(29,940,884)	(15,300,615)	(10,544,671)
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued					
Premium on bonds					455,236
Proceeds from sales of capital assets				4,607,525	15,088
Payment to refunded bond escrow agent					
Bond anticipation note		12,741,611	30,000,000	6,550,000	9,665,000
Loan proceeds		18,750,000			5,953,936
Transfers in	5,880,761	1,880,598	2,348,144	2,406,488	1,889,311
Transfers out	(6,828,573)	(2,218,278)	(1,931,044)	(2,478,701)	(2,068,775)
<b>Total other financing sources uses</b>	<b>(947,812)</b>	<b>31,153,931</b>	<b>30,417,100</b>	<b>11,085,311</b>	<b>15,909,796</b>
<b>Net change in fund balances</b>	<b>(\$29,454,636)</b>	<b>\$531,776</b>	<b>\$476,216</b>	<b>(\$4,215,304)</b>	<b>\$5,365,125</b>
Debt service as a percentage of noncapital expenditures	2.1%	2.0%	38.9%	23.9%	13.2%

## City of Bothell

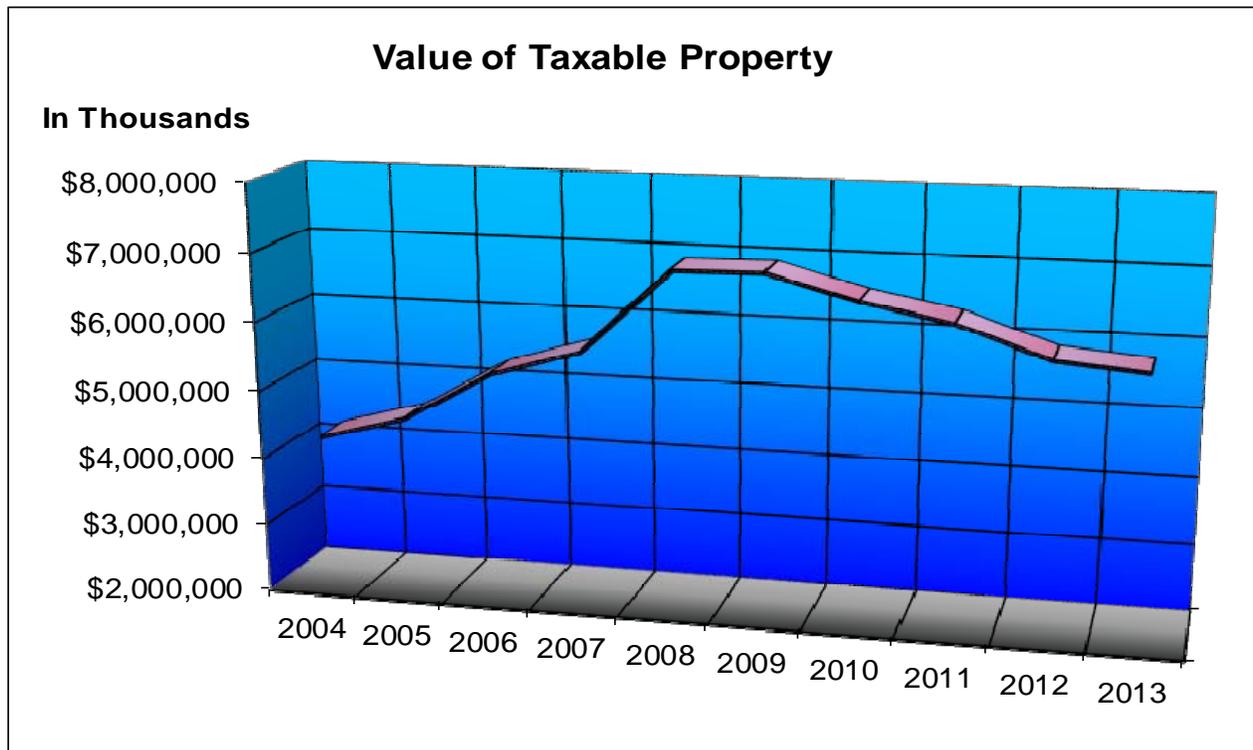
### Assessed Value of Taxable Property Last Ten Fiscal Years

Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate*
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
2010	5,448,364,635	1,135,077,757	6,583,442,392	1.40
2011	5,170,948,110	1,166,946,298	6,337,894,408	1.49
2012	4,765,234,231	1,142,409,091	5,907,643,322	1.62
2013	4,788,399,900	1,016,236,063	5,804,635,963	1.67

Source: King and Snohomish County Assessors Office

Note: \*Tax rate is per \$1,000 of assessed value

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



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

Year	City Direct Rates			Overlapping Tax Rates - King County											Total Direct & Overlapping Rate
	Regular Levy	GO Bond	Total Direct Rate	WA State	King County	School District	County Port	Hospital District	Library District	Emergency Medical Services	Park/ Rec District	Flood District	Ferry District		
2004	1.52	0.19	1.71	2.76	1.43	4.69	.25	.34	.54	.24	.05			12.01	
2005	1.51	0.18	1.69	2.69	1.38	4.34	.25	.59	.53	.23	.04			11.74	
2006	1.39	0.15	1.54	2.50	1.33	4.07	.23	.54	.53	.25	.04			11.03	
2007	1.35	0.14	1.50	2.33	1.29	3.88	.23	.50	.50	.21	.04			10.48	
2008	1.24	0.12	1.36	2.13	1.21	3.62	.22	.45	.45	.30	.03			9.76	
2009	1.18	0.09	1.27	1.96	1.10	3.48	.20	.40	.42	.27	.01			9.11	
2010	1.29	0.11	1.40	2.20	1.28	4.04	.22	.46	.49	.30	.02	.11	.01	10.53	
2011	1.37	0.12	1.49	2.28	1.34	4.60	.22	.48	.57	.30	.15	.11	.00	11.55	
2012	1.48	0.13	1.62	2.42	1.42	4.75	.23	.49	.57	.30	.02	.12	.00	11.94	
2013	1.54	0.13	1.67	2.57	1.54	5.30	.23	.52	.57	.30	.02	.13	.00	12.85	

Year	City Direct Rates			Overlapping Tax Rates - Snohomish County											Total Direct & Overlapping Rate
	Regular Levy	GO Bond	Total Direct Rate	WA State	Snohomish County	School District	County Port	Stevens Hospital	Library District	Emergency Medical Services	Park/ Rec District	Flood District	Ferry District		
2004	1.52	0.19	1.71	3.16	1.26	4.69		.27	.54		.05			11.68	
2005	1.51	0.18	1.69	2.79	1.10	4.34		.24	.53		.04			10.73	
2006	1.39	0.15	1.54	2.53	1.00	4.07		.22	.53	.25	.04			10.18	
2007	1.35	0.14	1.50	2.16	0.84	3.88		.18	.50	.21	.04			9.31	
2008	1.24	0.12	1.36	1.91	0.72	3.62		.16	.45	.19	.03			8.43	
2009	1.18	0.09	1.27	1.91	0.72	3.48		.16	.42	.19	.01			8.16	
2010	1.29	0.11	1.40	1.99	0.78	4.04		.18	.49	.20	.02			9.10	
2011	1.37	0.12	1.49	2.21	0.87	4.60		.15	.57	.21	.02			10.11	
2012	1.48	0.13	1.62	2.38	0.98	4.75		.11	.50	.30	.02			10.65	
2013	1.54	0.13	1.67	2.43	1.08	5.30		.11	.57	.30	.02			11.47	

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	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Arden Realty Inc/Thompson Prop Tax Svc	\$120,647,500	1	4.34%			
Teachers Insurance & Annuity Assn	116,771,600	2	4.20%	76,800,600	1	3.66%
T-Mobile USA Inc	95,000,917	3	3.41%			0.00%
Phillips Ultrasound Inc	79,547,521	4	2.86%	71,553,599	2	
AT&T Mobility LLC	53,446,093	5	1.92%			
Microsoft	41,865,582	6	1.50%			
BRE Properties	38,592,000	7	1.39%	27,182,200	7	1.30%
Monte Villa Farms LLC	35,077,593	8	1.26%			0.00%
TRC Canyon Park Place LLD	33,156,500	9	1.19%			0.00%
LBA Realty Fund II-WPB III LLC	29,288,000	10	1.05%			
Carr America				68,154,724	3	3.25%
Immunex Mfg Corp				41,636,065	4	
Verizon Northwest				35,337,589	5	1.68%
Essex Canyon Pointe, LP				32,394,700	6	1.54%
Riggs Bank				26,574,500	8	1.27%
Benaroya Capital Co LLC				26,293,000	9	1.25%
RREEF				23,892,000	10	1.14%
Total Assessed Valuation - Largest Taxpayers	643,393,306		23.13%	429,818,977		20.49%
Total Assessed Valuation - All Other	2,138,778,067		76.87%	1,668,107,446		79.51%
<b>Total Assessed Value</b>	<b>\$2,782,171,373</b>		<b>100.00%</b>	<b>\$2,097,926,423</b>		<b>100.00%</b>

King County Taxpayers	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
AT&T Mobility LLC	\$402,974,503	1	13.33%			
T-Mobile USA Inc	148,538,225	2	4.91%			
Schnitzer Northwest	129,072,000	3	4.27%	105,831,200	1	4.30%
GS Canyon Creek (Tishman Speyer Archstone-SM)	87,359,000	4	2.89%			0.00%
North Creek Facility LLC	51,694,500	5	1.71%	81,550,640	2	3.31%
Arden Realty Inc	31,283,000	6	1.03%			0.00%
KBS Realty	30,295,100	7	1.00%			
Essex Property Trust	29,955,000	8	0.99%	17,848,900	7	
Puget Sound Energy/Electric	28,320,607	9	0.94%	21,154,648	6	0.86%
S/I North Creek VIII LLC	19,858,417	10	0.66%	13,799,788	9	0.56%
Bel Cascadia Holdings LLC	17,199,000		0.57%			
Canyon Plaza Bothell LLC	14,768,000		0.49%			
Home Depot USA Inc	12,222,630		0.40%	15,775,119	8	0.64%
Archstone Communities Trust				40,596,000	3	
EPropertyTax Inc				29,331,800	4	
Allstate Insurance				27,937,494	5	
Verizon Northwest Inc				7,414,049	10	0.30%
Total Assessed Valuation - Largest Taxpayers	1,003,539,982		33.20%	361,239,638		14.67%
Total Assessed Valuation - All Other	2,019,124,608		66.80%	2,101,822,261		85.33%
<b>Total Assessed Value</b>	<b>\$3,022,664,590</b>		<b>100.00%</b>	<b>\$2,463,061,899</b>		<b>100.00%</b>

Sources: Snohomish County Assessor  
King County Levy Administration

City of Bothell is split between Snohomish and King Counties

**City of Bothell**  
**Property Tax Levies and Collections**  
**Last Ten 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
2004	3,405,007	3,341,998	98.15%	62,906	3,404,904	100.00%
2005	3,510,873	3,461,610	98.60%	49,185	3,510,795	100.00%
2006	4,102,892	4,048,230	98.67%	54,780	4,103,010	100.00%
2007	4,224,254	4,158,655	98.45%	65,599	4,224,254	100.00%
2008	4,366,603	4,280,026	98.02%	85,117	4,365,143	99.97%
2009	4,942,927	4,816,176	97.44%	110,766	4,816,176	97.44%
2010	5,214,713	5,124,092	98.26%	32,480	5,156,572	98.89%
2011	5,234,385	5,159,574	98.57%	31,875	5,191,449	99.18%
2012	5,331,158	5,260,360	98.67%	67,696	5,328,056	99.94%
2013	5,470,860	5,416,398	99.00%		5,416,398	99.00%

**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
2004	4,018,105	3,937,236	97.99%	80,975	4,018,212	100.00%
2005	4,371,465	4,294,086	98.23%	77,230	4,371,316	100.00%
2006	4,870,776	4,799,153	98.53%	71,689	4,870,842	100.00%
2007	4,251,857	4,160,404	97.85%	91,453	4,251,857	100.00%
2008	4,414,782	4,323,657	97.94%	39,386	4,363,043	98.83%
2009	4,470,381	4,363,474	97.61%	145,816	4,363,474	97.61%
2010	4,639,863	4,498,804	96.96%	96,257	4,595,061	99.03%
2011	4,837,689	4,738,381	97.95%	38,193	4,583,732	94.75%
2012	5,015,207	4,850,830	96.72%	43,267	4,894,097	97.59%
2013	5,006,353	4,928,974	98.45%		4,928,974	98.45%

Source: King and Snohomish County Assessors Office

## City of Bothell

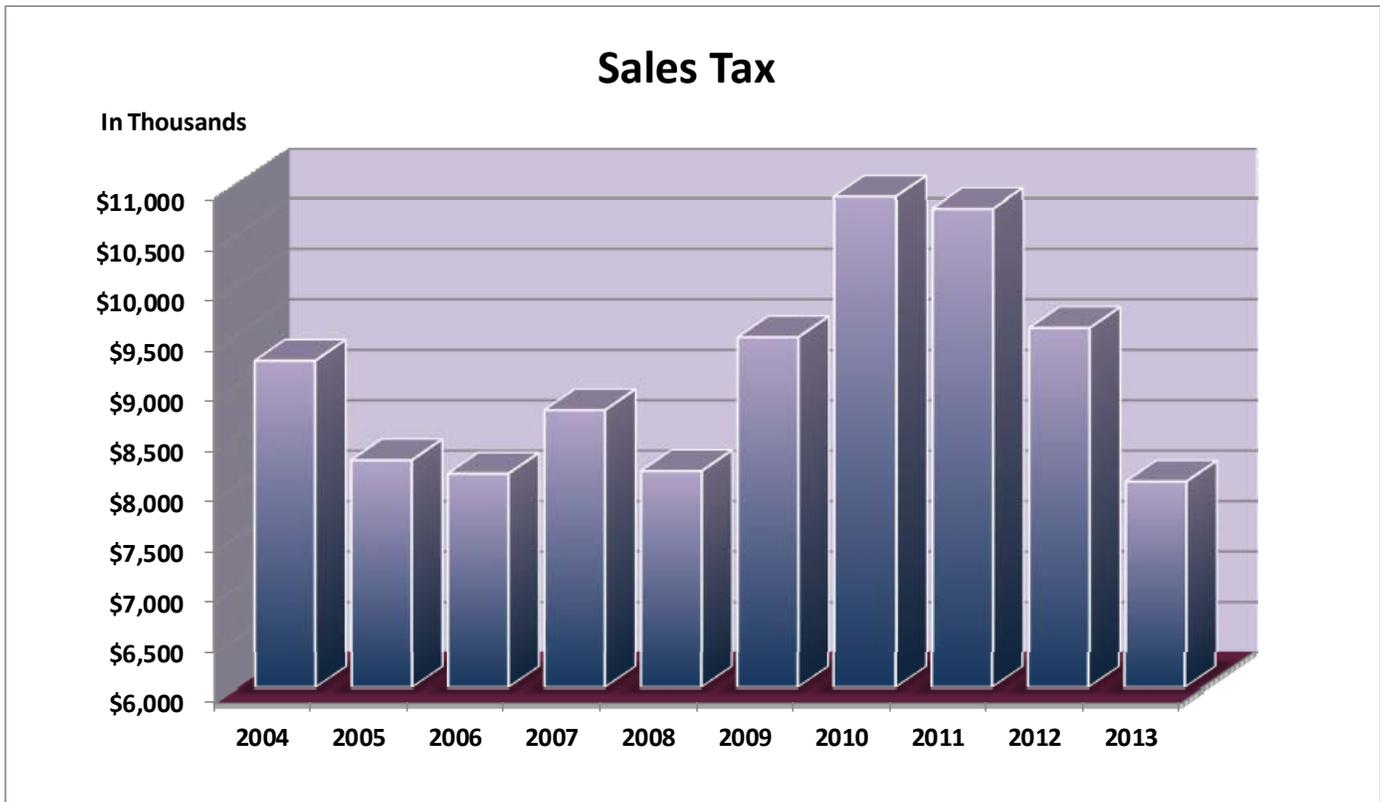
### Sales Tax Revenue by Category Last Ten Fiscal Years

	2004	2005	2006	2007	2008
Retail trade	\$2,847,436	\$2,412,099	\$2,508,233	\$2,693,069	\$2,862,393
Wholesale trade	1,404,602	2,038,824	1,916,152	1,372,642	1,306,267
Construction	1,207,882	1,442,939	1,775,214	2,532,150	1,922,867
Information	997,429	1,073,011	1,885,562	1,254,407	554,324
Professional, scientific, technical services		957,186	953,927	635,885	432,359
Accommodation and food services	1,157,533	576,178	626,006	685,535	678,197
Real estate, rental, leasing	112,232	202,931	209,753	228,520	230,538
Manufacturing	210,371	378,300	339,856	424,598	377,019
Admin, supp, remed services		187,007	220,482	266,664	253,074
Other services		129,175	134,319	150,918	133,389
Other	116,669	178,357	186,182	633,155	733,565
<b>Total</b>	<b><u>\$8,054,154</u></b>	<b><u>\$9,576,007</u></b>	<b><u>\$10,755,686</u></b>	<b><u>\$10,877,543</u></b>	<b><u>\$9,483,992</u></b>

City direct sales tax rate is 0.85%

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

Source: Washington State Department of Revenue



**City of Bothell**  
**Sales Tax Revenue by Category**  
**Last Ten Fiscal Years**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Retail trade	\$2,636,007	\$2,660,629	\$2,679,046	\$2,483,071	\$2,285,820
Wholesale trade	911,702	1,057,129	914,654	1,247,453	1,133,400
Construction	1,883,587	2,038,018	1,433,788	1,370,608	2,176,732
Information	492,863	403,623	344,136	545,752	704,458
Professional, scientific, technical services	326,240	561,669	534,827	533,135	302,826
Accommodation and food services	647,083	697,014	724,495	779,264	820,289
Real estate, rental, leasing	188,787	179,855	171,944	166,304	199,154
Manufacturing	211,566	149,227	187,089	267,381	260,679
Admin, supp, remed services	200,105	233,155	233,104	228,612	240,316
Other services	148,760	223,163	278,395	413,643	459,074
Other	512,235	558,650	630,764	230,837	668,765
<b>Total</b>	<b><u>\$8,158,935</u></b>	<b><u>\$8,762,132</u></b>	<b><u>\$8,132,242</u></b>	<b><u>\$8,266,060</u></b>	<b><u>\$9,251,513</u></b>

City direct sales tax rate is 0.85%

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

**City of Bothell**  
**Direct and Overlapping Sales Tax Rates**  
**Last Ten Fiscal Years**

**King County**

<b>Year</b>	<b>Local</b>	<b>State</b>	<b>Rapid Transit</b>	<b>Total Sales Tax</b>
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	1.9%	6.5%	.4%	8.8%
2008	2.0%	6.5%	.4%	8.9%
2009	2.5%	6.5%	.4%	9.4%
2010	2.5%	6.5%	.5%	9.5%
2011	2.5%	6.5%	.5%	9.5%
2012	2.5%	6.5%	.5%	9.5%
2013	2.5%	6.5%	.5%	9.5%

**Snohomish County**

<b>Year</b>	<b>Local</b>	<b>State</b>	<b>Rapid Transit</b>	<b>Total Sales Tax</b>
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	2.0%	6.5%	.4%	8.9%
2009	2.4%	6.5%	.4%	9.3%
2010	2.5%	6.5%	.5%	9.5%
2011	2.5%	6.5%	.5%	9.5%
2012	2.5%	6.5%	.5%	9.5%
2013	2.5%	6.5%	.5%	9.5%

**Source: Washington State Department of Revenue**

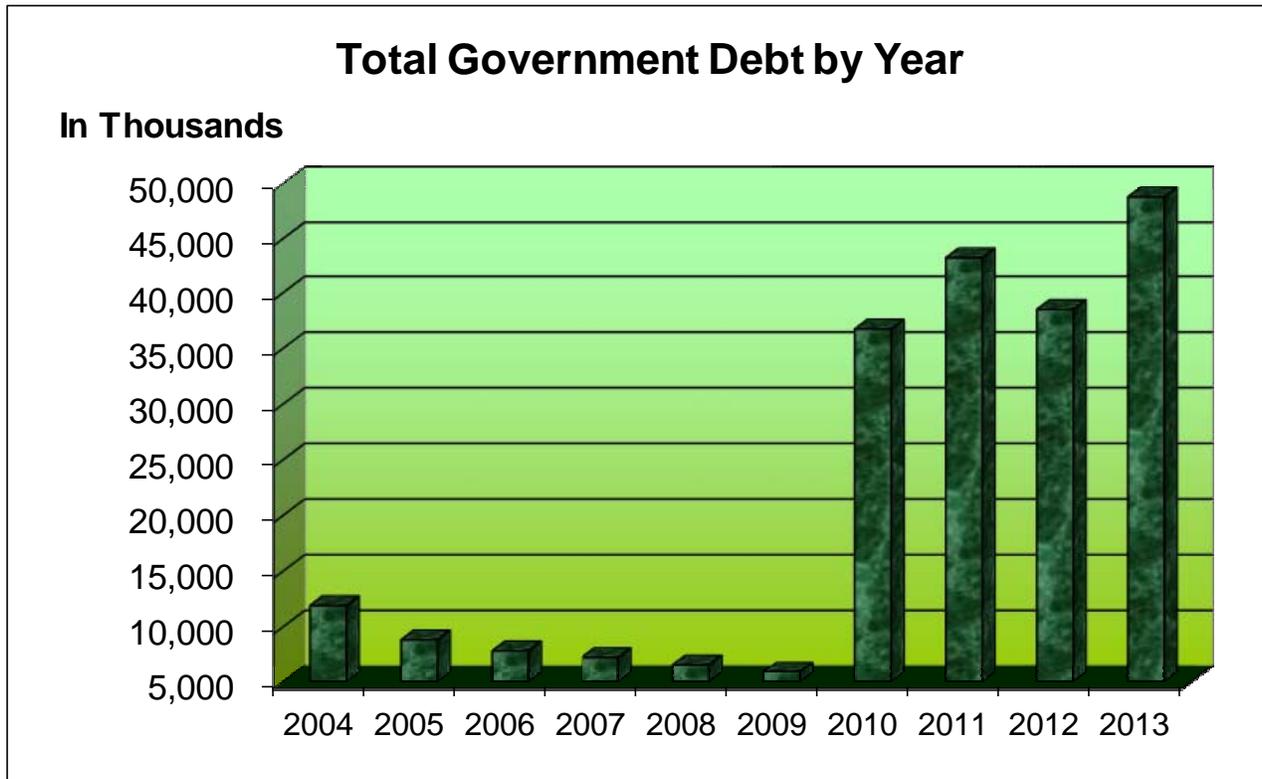


# City of Bothell™

# City of Bothell

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

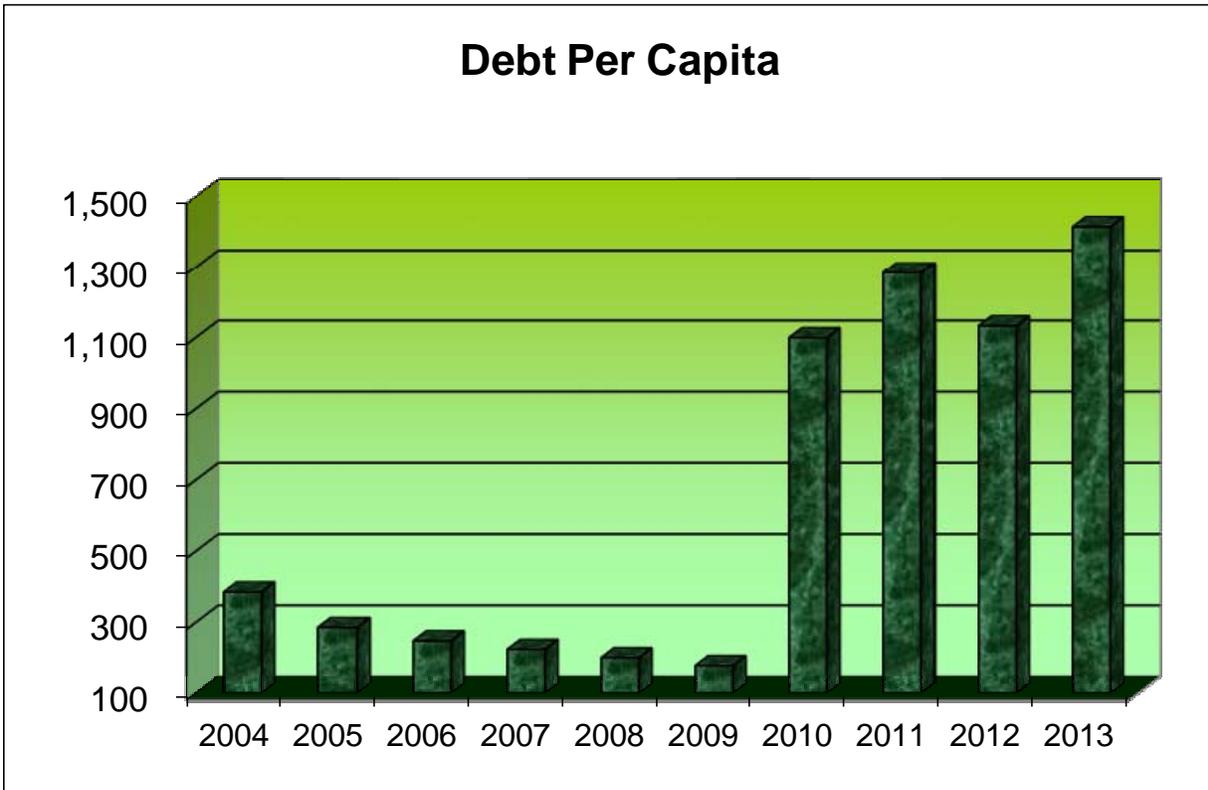
Year	Government Activities			Business-Type Activities		
	General Obligation	Special Assessment	Term Loan Payable	Water Bonds	Sewer Bonds	Term Loan Payable
2004	9,305,000	645,000	169,312	230,000		1,576,380
2005	6,835,000	305,000	135,450	115,000		1,463,781
2006	6,405,000		101,588			1,351,183
2007	5,955,000		67,726			1,238,584
2008	5,435,000		33,864			1,125,985
2009	4,910,000					1,013,388
2010	17,106,611		18,750,000			900,787
2011	33,749,705		8,750,000			788,188
2012	37,832,839					675,589
2013	48,193,354					562,992



# City of Bothell

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

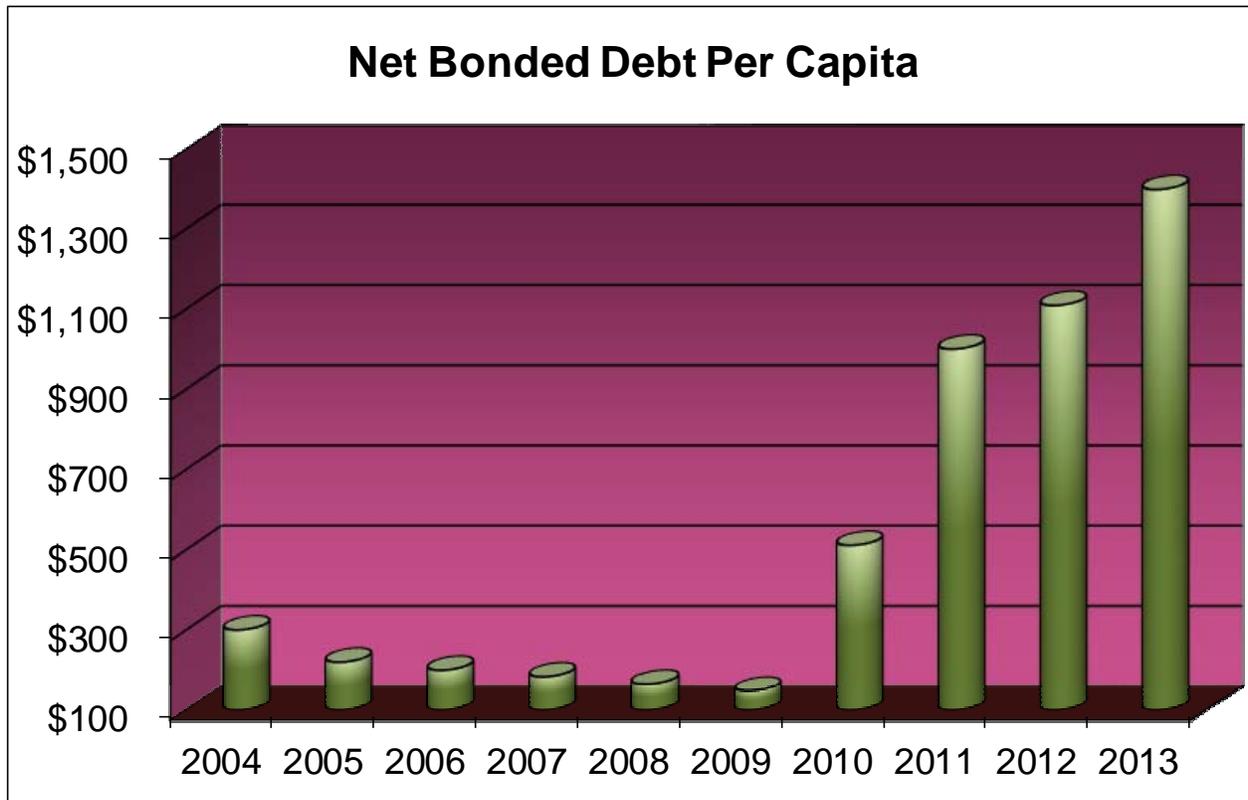
Total Primary Government	Per Capita Income	Percentage of Personal Income	Population	Debt Per Capita	Year
11,925,692	49,286	0.78	30,930	386	2004
8,854,231	48,789	0.59	31,000	286	2005
7,857,771	52,655	0.47	31,690	248	2006
7,261,310	57,710	0.39	32,400	224	2007
6,594,849	58,141	0.35	32,860	201	2008
5,923,388	59,198	0.30	33,240	178	2009
36,757,398	59,198	1.86	33,430	1,100	2010
43,287,893	49,115	2.61	33,720	1,284	2011
38,508,428	50,559	2.24	34,000	1,133	2012
48,756,346	52,943	2.67	34,460	1,415	2013



## 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
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
2010	17,106,611	6,583,442,392	0.26	33,430	512
2011	33,749,705	6,337,894,408	0.53	33,720	1,001
2012	37,732,759	5,907,643,322	0.64	34,000	1,110
2013	48,193,354	5,804,635,963	0.83	34,460	1,399



**City of Bothell**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2013**

**Overlapping Debt**

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
King County	\$813,680,000	1.86%	\$15,156,693
Snohomish County	456,899,374	8.07%	36,886,372
Northshore School District	298,201,322	48.33%	144,114,767
Evergreen Hospital	189,248,783	11.85%	22,429,736
Port of Seattle	283,815,000	1.86%	5,286,718
Northshore Parks & Rec	1,866,402	0.48%	8,941
King County Library System	127,607,269	0.04%	56,757
<b>Total overlapping debt</b>	<b><u><u>\$2,171,318,150</u></u></b>		<b><u><u>\$223,939,985</u></u></b>

**Direct Debt**

City of Bothell	<u>\$47,138,230</u>	100.00%	<u>\$47,138,230</u>
<b>Total direct and overlapping debt</b>	<b><u><u>\$2,218,456,380</u></u></b>		<b><u><u>\$271,078,215</u></u></b>

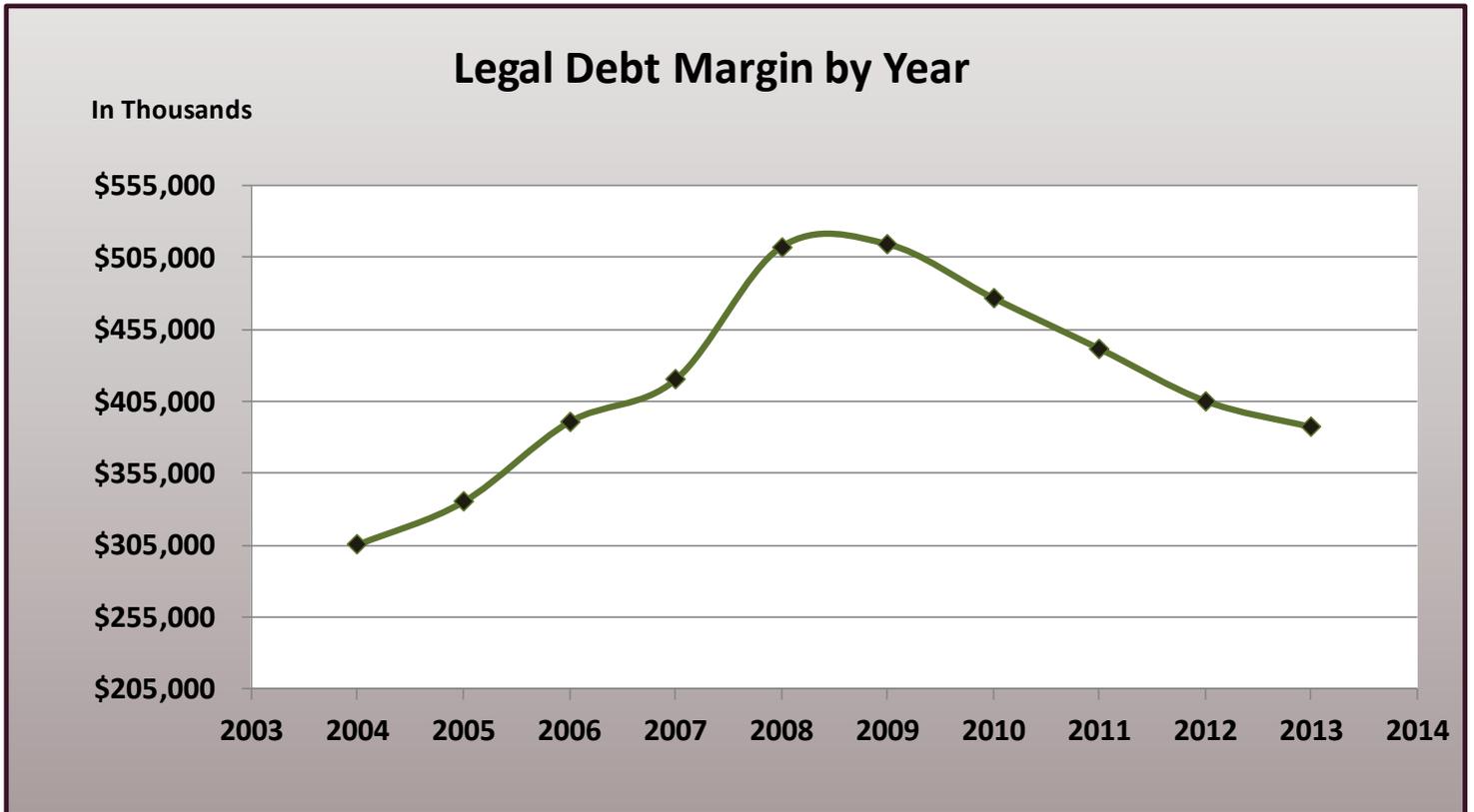
**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Bothell. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government. The information shown above regarding outstanding debt of various governmental units and estimated percentage overlap has been provided by King County and Snohomish County and has not been independently verified by the City.

# City of Bothell

## Legal Debt Margin Information

### Last Ten Fiscal Years

	2004	2005	2006	2007	2008
Assessed value	\$4,195,825,835	\$4,560,988,322	\$5,294,124,779	\$5,677,353,475	\$6,899,208,239
Debt limit (7.5% of assessed value)	314,686,938	342,074,124	397,059,358	425,801,511	517,440,618
Debt applicable to limit					
General obligation bonds	9,305,000	6,835,000	6,405,000	5,955,000	5,435,000
Less: amount set aside for repayment	156,038	165,957	89,748	104,488	124,082
Total net debt applicable to limit	9,148,962	6,669,043	6,315,252	5,850,512	5,310,918
<b>Legal debt margin</b>	<b>\$305,537,976</b>	<b>\$335,405,081</b>	<b>\$390,744,106</b>	<b>\$419,950,999</b>	<b>\$512,129,700</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	2.91%	1.95%	1.59%	1.37%	1.03%



**City of Bothell**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Assessed value	\$6,921,004,324	\$6,583,442,392	\$6,337,894,408	\$5,907,643,322	\$5,804,635,963
Debt limit (7.5% of assessed value)	519,075,324	493,758,179	475,342,081	443,073,249	435,347,697
Debt applicable to limit					
General obligation bonds	4,910,000	17,106,611	33,805,000	37,832,839	48,193,354
Less: amount set aside for repayment	16,204	669	55,295	100,080	103,808
Total net debt applicable to limit	4,893,796	17,105,942	33,749,705	37,732,759	48,089,546
<b>Legal debt margin</b>	<b>\$514,181,529</b>	<b>\$476,652,237</b>	<b>\$441,592,376</b>	<b>\$405,340,490</b>	<b>\$387,258,151</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	0.94%	3.46%	7.10%	8.52%	11.05%

**City of Bothell**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

<b>Water Revenue Bonds</b>						
<b>Year</b>	<b>Utility Service Charges</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
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			
2010	3,093,581	2,808,274	285,307			
2011	3,196,598	3,233,750	(37,152)			
2012	3,636,582	2,888,416	748,166			
2013	4,367,235	3,490,209	877,026			

**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
- There are no outstanding bonds for which revenue is pledged. Schedule is for historical purpose only to reflect coverage for the last ten years.

**City of Bothell**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

<b>Special Assessment Bonds</b>						
<b>Utility Service Charges</b>	<b>Less Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>	<b>Year</b>
			<b>Principal</b>	<b>Interest</b>		
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
						2010
						2011
						2012
						2013

# City of Bothell

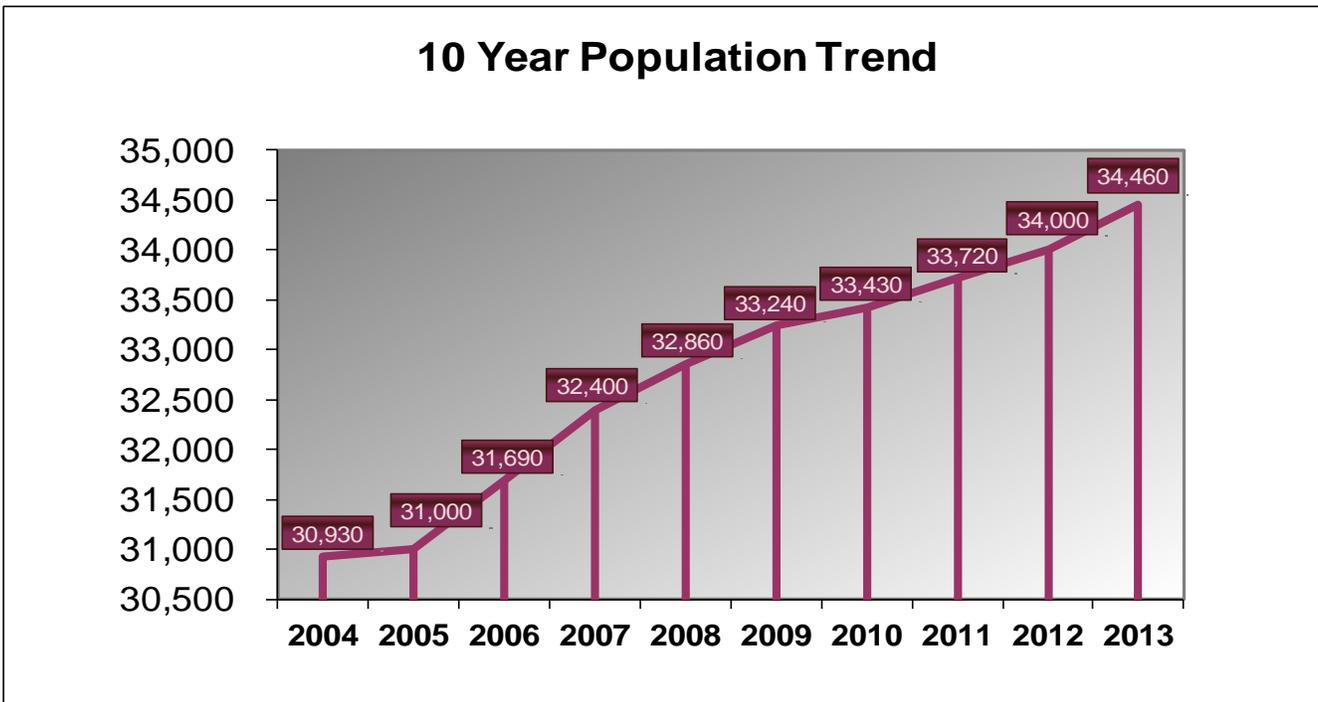
## Demographic and Economic Statistics

### Last Ten Fiscal Years

Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2004	30,930	1,524,416	49,286	36	13.1	24,244	5.70%
2005	31,000	1,512,459	48,789	36	13.1	23,430	4.70%
2006	31,690	1,668,637	52,655	36	13.1	23,912	4.30%
2007	32,400	1,869,804	57,710	36	13.1	24,112	4.00%
2008	32,860	1,910,513	58,141	36	13.7	22,846	6.30%
2009	33,240	1,967,742	59,198	37	13.7	23,730	8.90%
2010	33,430	1,641,914	49,115	38	13.7	27,521	9.10%
2011	33,720	1,704,849	50,559	38	13.7	27,598	7.90%
2012	34,000	1,800,062	52,943	38	13.7	28,390	6.50%
2013	34,460	NA	NA	38	13.7	25,548	0.00%

**Sources:**

- Washington State - Office of Financial Management (OFM)
  - US Department of Labor - Bureau of Labor Statistics (BLS)
  - (3)US Department of Commerce - Bureau of Economic Analysis (BEA)
  - Northshore School District (NSSD), University of Washington-Bothell (UW-B), Cascadia Community College
  - (4)US Census Bureau 2010 Demographic Profile Data
  - (5)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	Product or Service	2013			2004		
		Rank	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment
Northshore School District	Education	1	2,100	8.99%			
AT&T Mobile	Telecommunications	2	2,030	8.69%	1	2,475	NA
Phillips Ultrasound	Diagnostic imaging manufacturer	3	1,182	5.06%	2	1,745	NA
University of Washington-Bothell	Education	4	660	2.83%			
T-Mobile	Telecommunications	5	655	2.80%			
Vertafore Inc	Insurance software systems	6	450	1.93%			
Seattle Genetics Inc	Genetic research	7	441	1.89%			
Panasonic (Matsushita) Avionics	Aviation manufacturer	8	434	1.86%	4	564	NA
Puget Sound Energy	Utility services - electric/gas	9	433	1.85%	7	420	NA
Sonosite	Ultrasound manufacturer	10	422	1.81%	10	235	NA
Allstate	Insurance				5	450	NA
Washington Mutual	Banking				3	1,130	NA
Icos	Biotechnology research				6	420	NA
Allstate Insurance	Insurance				8	339	NA
Home Depot	Retail				9	290	NA
<b>Total</b>			<b>6,707</b>	<b>28.72%</b>		<b>8,068</b>	<b>NA</b>

**Sources:**

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

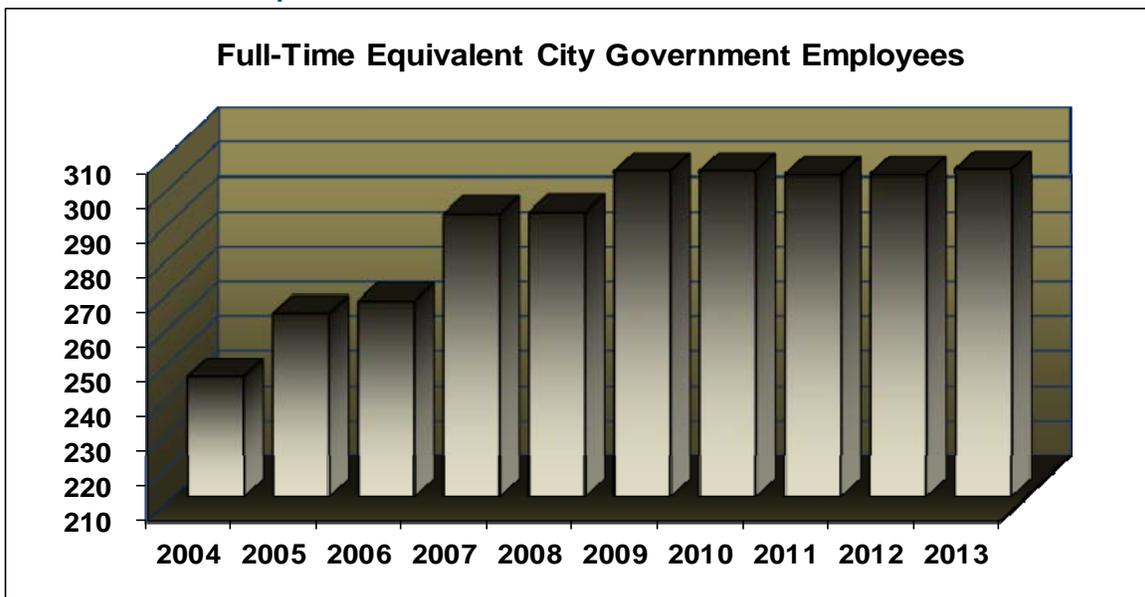
NA = Not Available

# 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				
	2004	2005	2006	2007	2008
Executive					
Legislative	7.00	7.00	7.00	7.00	7.00
Judicial	3.00	3.00	3.50	4.00	4.00
City Manager	5.00	6.00	7.00	7.00	7.00
City Clerk	3.75	3.25	3.25	2.75	2.75
Information Technology	6.91	6.50	6.00	7.00	7.00
Non-Dept/Tourism			0.50	0.50	1.00
Finance	7.91	6.80	6.80	7.80	7.80
Legal	3.00	2.56	2.56	2.56	2.56
Human Resources	4.93	5.50	5.00	5.00	5.00
Police					
Officers	54.00	54.00	54.00	57.00	57.00
Civilians	25.25	26.75	26.75	26.75	26.75
Fire					
Firefighters and officers	54.00	54.00	54.00	57.00	57.00
Civilians	5.50	5.50	6.50	6.75	6.75
Community Development	21.75	20.00	20.00	24.00	24.00
Public Works					
Facilities	1.00	1.33	1.33	1.33	1.33
Engineering	11.00	16.75	17.75	23.80	23.80
Parks & Recreation	8.00	9.53	10.19	10.79	10.79
Street	6.33	8.05	8.05	7.54	7.54
Water	5.81	6.86	6.86	8.78	8.78
Sewer	3.76	6.66	6.66	8.38	8.38
Storm Drain	4.69	9.79	9.79	12.82	12.82
Fleet	2.41	2.48	2.48	2.33	2.33
Self-Insurance/Risk Mgmt		.70	.70	.70	.70
<b>Totals</b>	<b>245.00</b>	<b>263.01</b>	<b>266.67</b>	<b>291.58</b>	<b>292.08</b>

Source: Human Resources Department



**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				
	2009	2010	2011	2012	2013
Executive					
Legislative	7.00	7.00	7.00	7.00	7.00
Judicial	4.00	4.00	4.50	4.50	4.50
City Manager	7.00	7.00	7.00	7.00	7.00
City Clerk	2.75	2.75	2.75	2.75	2.75
Information Technology	10.00	10.00	10.00	10.00	10.00
Non-Dept/Tourism	1.00	1.00	1.00	1.00	1.00
Finance	8.25	8.25	8.25	8.25	8.65
Legal	3.56	3.56	3.56	3.56	4.15
Human Resources	6.00	6.00	6.00	6.00	6.00
Police					
Officers	58.00	58.00	58.00	58.00	58.00
Civilians	25.75	25.75	25.75	25.75	26.75
Fire					
Firefighters and officers	57.00	57.00	57.00	57.00	57.00
Civilians	7.75	7.75	7.75	7.75	7.75
Community Development	22.50	22.50	21.00	21.00	21.00
Public Works					
Facilities	4.71	4.71	4.71	4.71	4.55
Engineering	26.27	26.27	26.27	26.27	25.20
Parks & Recreation	10.42	10.42	10.42	10.42	9.45
Street	7.80	7.80	7.80	7.80	7.30
Water	8.83	8.83	8.83	8.83	8.81
Sewer	8.41	8.41	8.41	8.41	8.43
Storm Drain	13.31	13.31	13.31	13.31	15.06
Fleet	2.72	2.72	2.72	2.72	2.55
Self-Insurance/Risk Mgmt	.70	.70	.70	.70	1.35
<b>Totals</b>	<b>303.73</b>	<b>303.73</b>	<b>302.73</b>	<b>302.73</b>	<b>304.25</b>

**City of Bothell**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	2004	2005	2006	2007	2008
Police					
Calls for service	20,575	26,984	27,628	23,214	25,650
Physical arrests	NA	1,733	2,288	2,203	2,298
Traffic violations	NA	4,212	4,584	5,081	3,928
Fire					
Emergency alarms	4,480	4,333	4,961	4,432	4,261
Inspections	1,698	1,465	1,413	1,523	1,133
Community Development					
Building permits issued	703	824	896	1,472	1,142
Building inspections	3,710	3,920	6,073	7,254	4,342
Parks and Recreation					
Field & shelter bookings	NA	NA	996	1,471	1,644
Water					
Units served	NA	NA	NA	3,803	3,868
Water main breaks				3	3
Average daily consumption (thousands of gallons)	1,490	NA	1,488	2,010	1,538

**Sources: City Departments**

**NA = Not Available**

**City of Bothell**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Police</b>					
Calls for service	25,678	26,909	25,071	26,417	25,188
Physical arrests	1,969	1,975	1,568	1,565	NA
Traffic violations	4,272	5,188	3,828	3,625	2,472
<b>Fire</b>					
Emergency alarms	4,378	4,788	4,975	4,946	5,300
Inspections	1,043	1,231	1,193	1,422	1,324
<b>Community Development</b>					
Building permits issued	408	392	464	529	633
Building inspections	2,922	3,772	3,132	3,177	4,223
<b>Parks and Recreation</b>					
Field & shelter bookings	2,288	2,437	2,332	2,444	2,703
<b>Water</b>					
Units served	3,874	3,945	3,950	3,944	3,950
Water main breaks	3	5	2		
Average daily consumption (thousands of gallons)	1,591	1,376	1,287	1,324	1,360

**Sources: City Departments**

**City of Bothell**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Public Safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Public Works - Streets					
Streets (miles)	322	322	322	322	325
Street lights	1,907	1,907	1,907	1,907	1,907
Parks and Recreation					
Acreage	201.64	200.84	200.84	200.84	200.84
Parks	26	25	25	25	25
Water					
Water mains (miles)	71	71	71.5	71.5	71.5
Sewer/Storm Drain					
Sanitary sewers (miles)	57	57	57.3	57.4	57.4
Storm sewers (miles)	108	108	109.4	109.7	109.7

**Sources: City Departments**

**City of Bothell**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Public Safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Public Works - Streets					
Streets (miles)	326	326	326	326	262.7*
Street lights	1,957	1,957	1,957	1,957	2,100
Parks and Recreation					
Acreage	201.02	201.02	237.23	237.23	247.62
Parks	23	23	23	23	23
Water					
Water mains (miles)	72.5	72.5	72.5	79.5	94.9
Sewer/Storm Drain					
Sanitary sewers (miles)	58.2	58.2	58.6	62.4	62.8
Storm sewers (miles)	110	110	110	119.9	119.9

**Sources: City Departments**



City of Bothell™