



City of Bothell

**City of Bothell, Washington**  
**Comprehensive Annual Financial Report**  
For the Fiscal Year Ended December 31, 2011



City of Bothell™

**CITY OF BOTHELL, WASHINGTON**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended December 31, 2011**

PREPARED BY THE FINANCE DEPARTMENT

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**City of Bothell, Washington  
Comprehensive Annual Financial Report  
For The Fiscal Year Ended December 31, 2011**

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June 30, 2012

**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, 2011 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, 2011 was conducted between April and June of 2012, 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, 2011 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 2011, the City of Bothell had 303 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 drain 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 33,720. Located within the Seattle metropolitan area, the City straddles two counties (King and Snohomish) and comprises 12.6 square miles. In 2011, Bothell ranked number 30 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.

Dubbed "The Technology Corridor", Bothell's three business parks have proven to be a particularly appealing location for technology firms, wireless communications, medical device manufacturing, and ultrasound research. In 2007, the State of Washington named Bothell a Biomedical Device Innovation Zone. Major firms located in "The Technology Corridor" include: AT&T (the largest communications holding company in the world based on revenue generation), Ekos Corporation (pioneers of the development and clinical application of ultrasound accelerated thrombolysis), Halo Source (a clean water and antimicrobial technology company), 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), and T-Mobile (a national provider of wireless voice, messaging, and data services).

In 2011, the University of Washington-Bothell opened a 90 unit student housing complex to house 240 students, Safeway opened a 154,000 square foot shopping center and Google announced the company had entered into a long-term lease for a 60,000 square foot office building in Schnitzer North Creek Business Park to bring an estimated 800 jobs to Bothell.

## **Economic Condition**

Throughout the aftermath of the Great Recession, the City of Bothell, like most municipalities, has experienced significant revenue shortfalls. Bothell relies on three major revenue streams to fund City services: sales tax, property tax, and utility tax.

Sales tax, Bothell's largest revenue stream, continues to lag budget expectations due to development project delays, while property tax has remained stable. Utility tax shortfalls on the other hand, are permanent – resulting from the unexpected elimination of utility tax on broadband services. In mid-2011, City Council approved the use of General Fund operating reserves to fill an estimated \$1,500,000 budget gap created by the loss of long relied on revenue streams (street light fees and telephone/broadband utility tax). During 2011, a \$1,800,000 General Fund budget sustainability initiative was developed to correct the structural imbalance between future operating revenues and expenditures. Budget sustainability measures began to be implemented in January 2012 and will continue to be implemented throughout 2012.

Local economists continue to be optimistic about aerospace and software development jobs in Washington State. 2011 housing starts remained weak, although recent reports (Puget Sound Economic Forecaster, March 2012) strengthened projection figures for housing permits. The region's unemployment rate at the end of 2011 was 7.9%. By the end of March 2012, the Seattle-Bellevue-Everett unemployment rate had fallen to 7.3%.

### **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 Capital Facilities Plan (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 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 down operating reserves is necessary, City Management develops and implements a well-defined fiscal plan to replenish reserves.

### **Major Initiatives**

Two major capital road projects were completed in 2011. The Wayne Curve project was built to improve SR 522, relieve congestion, add dedicated lanes for mass transit, and create pedestrian walkways. The 240<sup>th</sup> Street SE Bridge project replaced a deteriorated bridge. Together, these projects represent approximately \$23.5 million in infrastructure improvements.

Bothell continues to invest in its ambitious 2011-2017 Capital Facilities Plan (CFP). The 2011-2012 biennial budget includes \$93,462,000 in Council-adopted CFP projects. 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. This revitalization includes major transportation improvements, redevelopment with a focus on mixed-use retail, and development of surplus City-owned parcels. The result will be a pedestrian-friendly downtown that reconnects Bothell to its riverfront roots.

## **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 2010, Moody's Investors Service (Moody's) recalibrated its municipal rating scale and assigned Global Scale Ratings (GSR) to all local governments in Washington State. The City of Bothell was upgraded from Aa3 to Aa2. According to the GSR listing at that time, only five Washington cities had a higher Moody's credit rating than Bothell.

The City's general government long-term debt currently consists of one voted General Obligation (GO) bond with an outstanding balance of \$3,805,000, and a Public Works Trust Fund loan with \$788,188 outstanding as of December 31, 2011.

In 2010, Bothell purchased eighteen acres in the City's historic downtown from the Northshore School District for \$21,000,000. This property was essential to the community's downtown revitalization plan. Outstanding debt related to this acquisition, as of December 31, 2011 was \$8,750,000, which is due and payable in August 2012.

In 2011, Bothell issued a \$30,000,000 Bond Anticipation Note (BAN) that fully paid down the City's 2010 \$20,000,000 BAN. The 2011 BAN is being retired in early 2014, through the issuance of Local Infrastructure Financing Tool (LIFT) general obligation bonds. 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 Capital Facilities Plan (CFP).

The City's legal debt capacity and future debt service liability is outlined in Note 13 of the Basic Financial Statements section on page 45.

### **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, 2010. This was the tenth 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 2011 CAFR to the GFOA to determine this report's eligibility for a certificate. Staff believes the City's 2011 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 2011-2012 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 2011 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

# 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, 2010

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



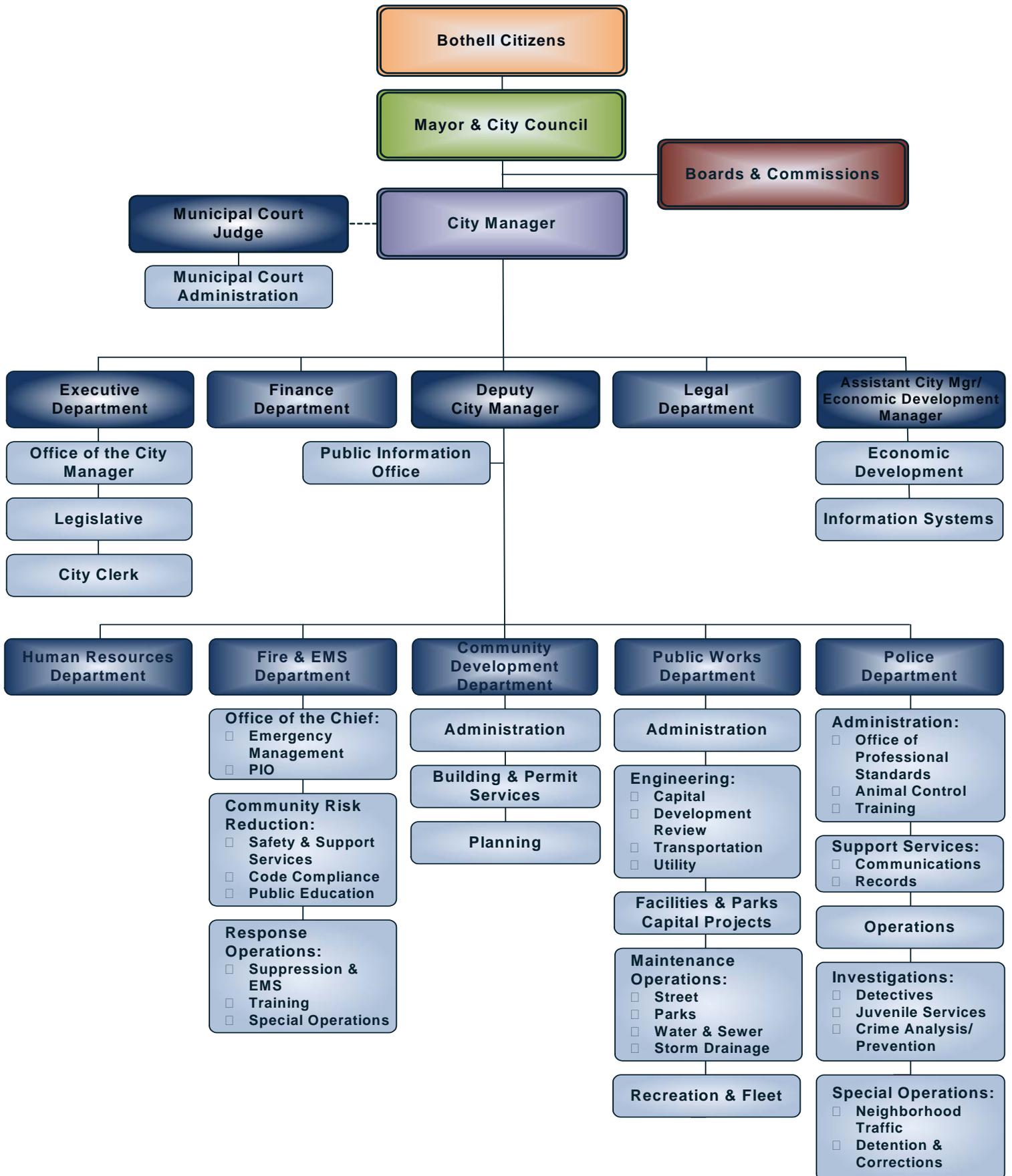
*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# City of Bothell Organizational Chart



# City of Bothell Elected Officials



Deputy Mayor  
Joshua Freed



Tom Agnew



Del Spivey



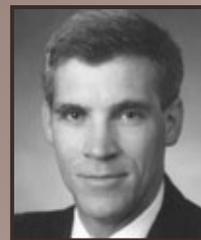
**MAYOR**  
Mark Lamb



Tris Samberg



Bill Evans



Patrick Ewing

## **EXECUTIVE STAFF**

(Officials as of December 31, 2011)

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City Manager	Robert S. Stowe
Deputy City Manager	Steve Anderson
Assistant City Manager/Econ Dev Mgr	Terrie Battuello
Finance Director	Tami Schackman
Human Resources Director	Jamie Marsden
City Attorney	Joe Beck
Community Development Director	Bill Wiselogle
Fire Chief	Bob VanHorne
Police Chief	Carol Cummings
Public Works Director	Erin Leonhart



City of Bothell™

# Financial Section



**Washington State Auditor  
Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 13, 2012

Mayor and City Council  
City of Bothell  
Bothell, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, King County, Washington, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, King County, Washington, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 5, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit

Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 through A14, budgetary comparison information on pages C1 through C3 and information on postemployment benefits other than pensions on page C4 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 the 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements on pages D2 through D15 and supplementary 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 Section and the Statistical Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR



## Management's Discussion and Analysis

The discussion and analysis section of 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, 2011. Users are encouraged to consider Management's Discussion and Analysis in conjunction with additional information furnished in the letter of transmittal (section I, pages i - vi) and the City's financial statements (section IIB, pages 1 - 54).

### 2011 Financial Highlights

- Net assets equaled \$821,937,596 at the end of 2011.
- Net assets decreased by \$25,030,862, or 2.95% compared to 2010.
- Unrestricted net assets amounted to \$6,650,489 (\$4,879,019 for governmental activities and \$1,771,470 for business-type activities).
- Change in long-term debt amounted to \$6,585,788.
- Total governmental fund balances at year-end totaled \$13,164,053.
- Total governmental fund revenues increased \$2,457,506, or 5.35%.
- Total governmental fund expenditures increased \$1,776,236, or 2.32%.
- Governmental fund expenditures, excluding interfund transfers, exceeded governmental fund revenue by \$29,940,884.
- Fund balance for the General Fund at year-end totaled \$3,706,999.
- Total General Fund revenues increased \$133,283 or 0.4%.
- Total General Fund expenditures increased \$7,553, or 0.02%.
- General Fund expenditures, excluding interfund transfers, exceeded General Fund revenues by \$1,962,928.

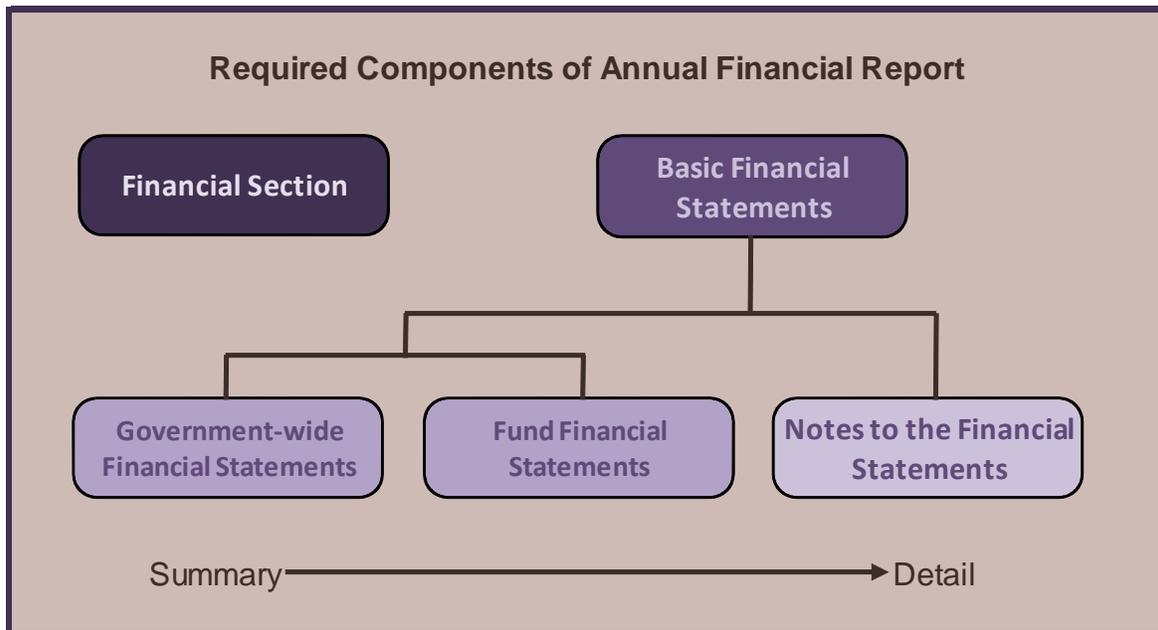
### Overview of the Financial Statements

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 Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement is similar to the balance sheet of a private-sector business, and increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned 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 drain.

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

### **Fund Financial Statements**

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

**Governmental Funds.** Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. 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 unreserved 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, Arterial Street, Capital Improvements, and Park Cumulative Reserve, which are considered the City's major governmental funds. Data for the other 7 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.

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

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

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

**Notes to the Financial Statements.** The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statement are presented in section IIB, on pages 13-54 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 Assets

The statement of net assets serves as a useful indicator of the City's financial position. As of December 31, 2011, the City's assets exceeded liabilities by \$821,937,596. Investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City's net assets (99.98%), 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 assets for 2011 compared to 2010.

### City of Bothell's Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$23,050,678	\$23,581,834	\$5,614,732	\$5,352,444	\$28,665,410	\$28,934,278
Capital assets	833,116,641	815,400,492	33,309,485	33,448,973	866,426,126	848,849,465
<b>Total assets</b>	<b>856,167,320</b>	<b>838,982,326</b>	<b>38,924,217</b>	<b>38,801,417</b>	<b>895,091,536</b>	<b>877,783,743</b>
Long-term debt	38,017,092	45,005,264	3,286,403	2,934,317	41,303,495	47,939,581
Other liabilities	6,248,651	6,471,720	570,932	1,434,846	6,819,583	7,906,566
<b>Total liabilities</b>	<b>44,265,743</b>	<b>51,476,984</b>	<b>3,857,335</b>	<b>4,369,163</b>	<b>48,123,078</b>	<b>55,846,147</b>
Net assets:						
Invested in capital, net of debt	797,260,030	772,845,492	32,408,696	32,660,784	829,668,726	805,506,276
Restricted	7,770,567	9,780,831			7,770,567	9,780,831
Unrestricted	6,870,979	4,879,019	2,658,185	1,771,470	9,529,164	6,650,490
<b>Total net assets</b>	<b>\$811,901,576</b>	<b>\$787,505,342</b>	<b>\$35,066,881</b>	<b>\$34,432,254</b>	<b>\$846,968,458</b>	<b>\$821,937,596</b>

The City's \$4,879,019 in unrestricted governmental net assets is available for appropriation in order to meet the needs of its citizens and to satisfy its creditors.

At the end of the 2011 fiscal year, all three categories of net assets for governmental activities reported positive balances. Business-type activities reported positive balances in all categories for water and sewer. Storm drain activities reported a positive balance in investment in capital assets, net of related debt, and a negative balance in unrestricted net assets of \$269,134.

## Changes in Net Assets

The following table reflects increases or decreases in net assets resulting from the City's operating activities. The table shows revenues, expenses, and related changes in net assets for the governmental activities separate from the business-type activities for 2010 and 2011. Bothell's net assets from operations decreased citywide by \$25,988,265 during 2011.

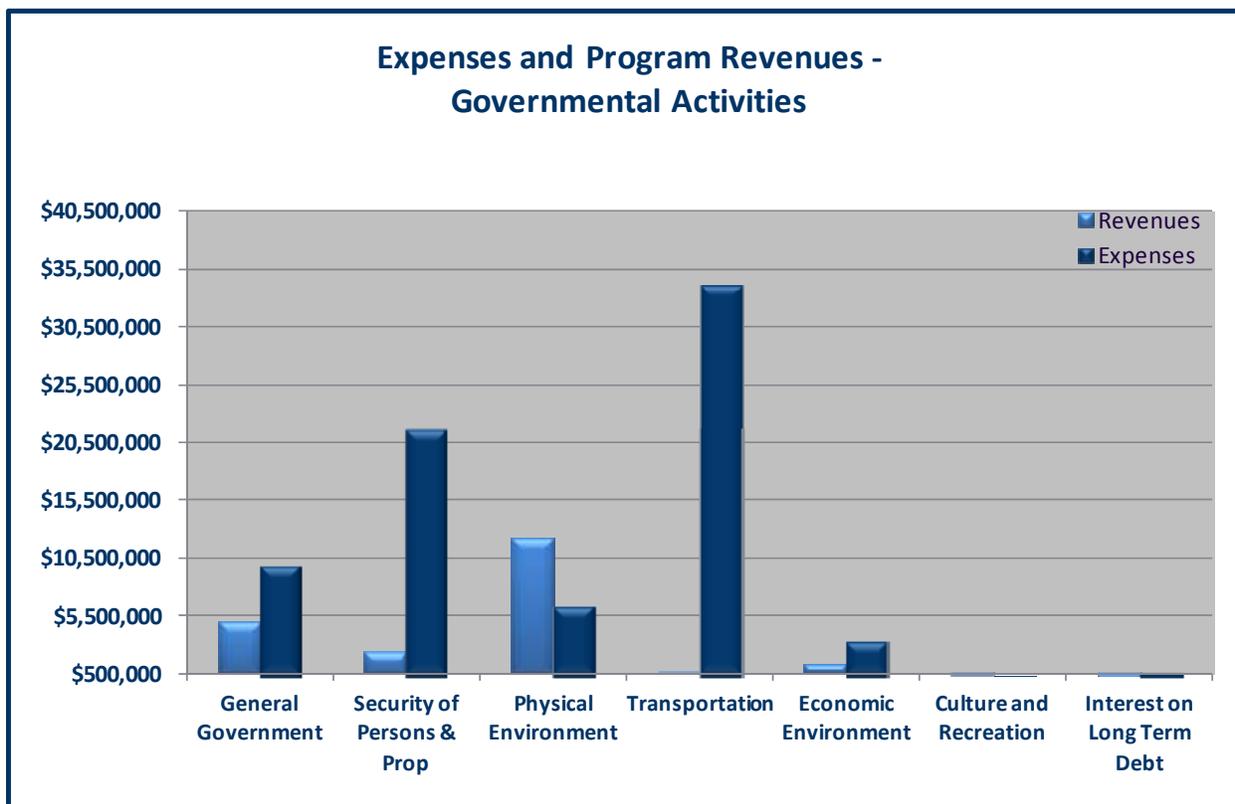
### Changes in Net Assets

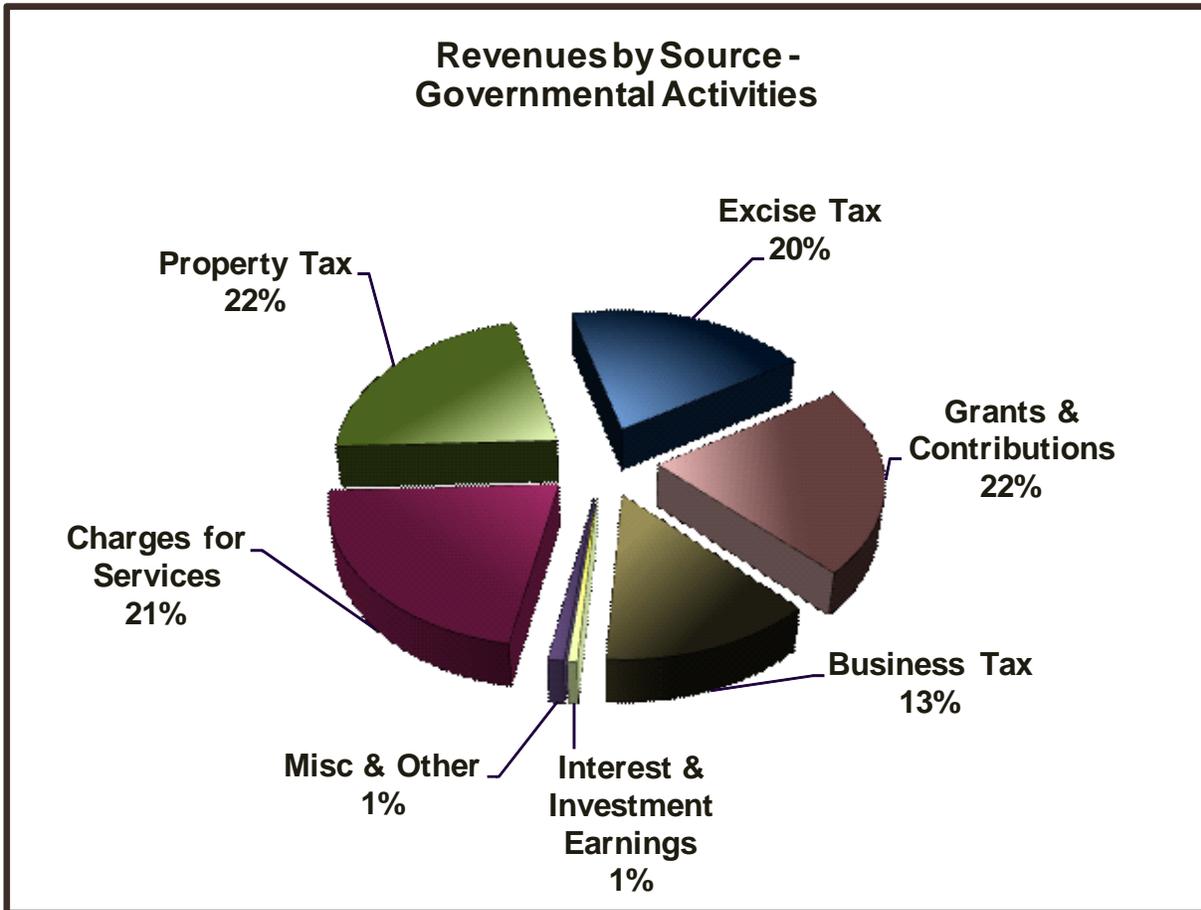
	2010			2011		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues						
Charges for services	\$12,106,018	\$10,125,717	\$22,231,735	\$10,865,532	\$11,149,883	\$22,015,415
Operating grants and contributions	383,325		383,325	360,152		360,152
Capital grants and contributions	8,068,251	757,700	8,825,951	10,650,614	241,500	10,892,114
General revenues						
Property tax	10,190,952		10,190,952	10,963,812		10,963,812
Excise tax	10,482,416		10,482,416	9,960,281		9,960,281
Business tax	6,832,556		6,832,556	6,795,259		6,795,259
Interest and investment earnings	123,457	4,259	127,716	310,195	1,350	311,545
Miscellaneous	454,842		454,842	516,090		516,090
Total revenues	<u>48,641,817</u>	<u>10,887,676</u>	<u>59,529,493</u>	<u>50,421,936</u>	<u>11,392,733</u>	<u>61,814,669</u>
Program expenses including indirect expenses						
General government	9,442,611		9,442,611	9,877,418		9,877,418
Security of persons and property	22,005,979		22,005,979	21,575,204		21,575,204
Physical environment	6,354,100		6,354,100	6,398,497		6,398,497
Transportation	39,919,102		39,919,102	34,044,668		34,044,668
Economic environment	3,347,504		3,347,504	3,298,490		3,298,490
Interest and fiscal charges	303,378		303,378	581,295		581,295
Water		3,234,985	3,234,985		3,708,205	3,708,205
Sewer		4,809,616	4,809,616		5,454,241	5,454,241
Storm drain		2,381,009	2,381,009		2,864,914	2,864,914
Total expenses	<u>81,372,673</u>	<u>10,425,610</u>	<u>91,798,284</u>	<u>75,775,571</u>	<u>12,027,360</u>	<u>87,802,932</u>
Excess (deficiency)	(32,730,856)	462,066	(32,268,791)	(25,353,638)	(634,627)	(25,988,265)
<b>Change in net assets</b>	<b><u>(\$32,730,857)</u></b>	<b><u>\$462,065</u></b>	<b><u>(\$32,268,791)</u></b>	<b><u>(\$25,353,638)</u></b>	<b><u>(\$634,627)</u></b>	<b><u>(\$25,988,265)</u></b>
Net assets beginning	\$844,632,433	\$34,604,815	\$879,237,248	\$811,901,576	\$35,066,881	\$846,968,458
Prior year adjustment				957,403		957,403
<b>Net assets ending</b>	<b><u>\$811,901,576</u></b>	<b><u>\$35,066,881</u></b>	<b><u>\$846,968,458</u></b>	<b><u>\$787,505,342</u></b>	<b><u>\$34,432,254</u></b>	<b><u>\$821,937,596</u></b>

**Governmental Activities.** Governmental activities decreased the City's net assets by \$25,353,638. Governmental activities account for 97% of the City's net assets.

The key factors impacting the decrease in 2011 net assets are described below:

- (\$34,751,936) decrease related to the depreciation of infrastructure assets.
- \$16,982,124 increase for capital asset expenditures, which will be depreciated over their useful life.
- \$476,216 increase in fund balance.
- \$229,600 increase in donated assets, which will be depreciated over their useful life.
- \$23,301,611 increase attributable to bond principal payments that reduce long-term liabilities on the Statement of Net Assets.
- (\$30,000,000) increase in loan proceeds liability related to the issuance of a 2011 bond anticipation note (BAN), which retired the City's 2010 BAN (\$20,000,000) and provided an additional \$10,000,000 in interim financing for capital investment.
- (\$13,253) increase in compensated absences liability.
- (\$279,329) increase in long-term liabilities for other post-employment benefits.
- (\$1,298,673) decrease in internal service funds. Internal service funds track and distribute (bill) the actual costs incurred in providing specified services to other City funds. The net expense of the City's internal service funds is reported with governmental activities.
- \$957,403 increase in prior year adjustments transferred from Trust Fund deposits to appropriate Governmental funds.

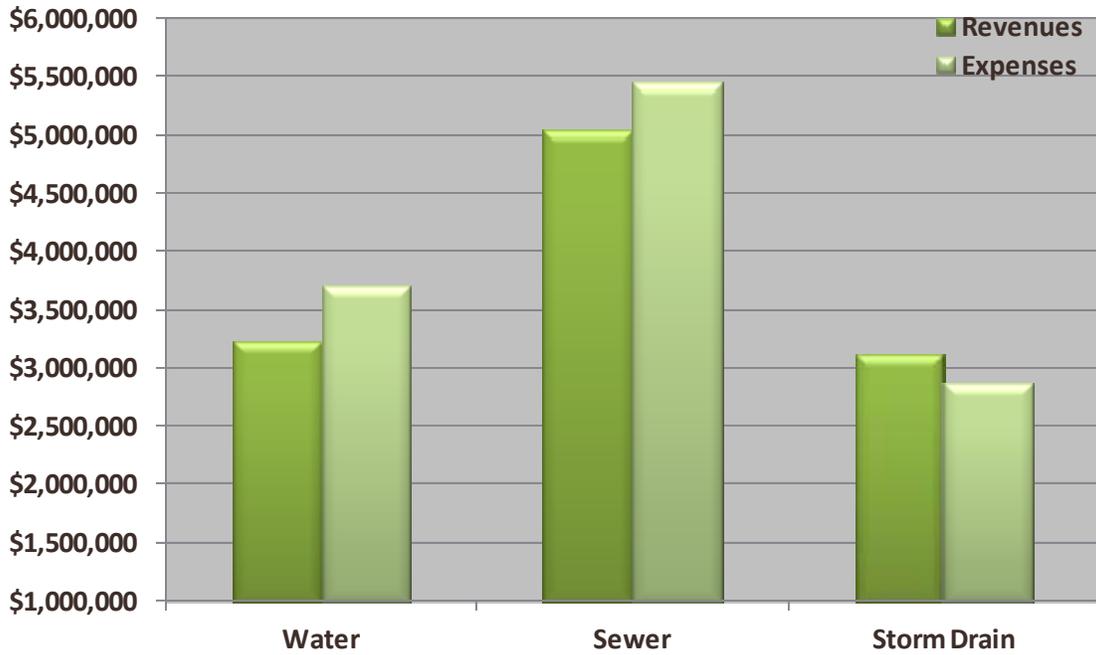




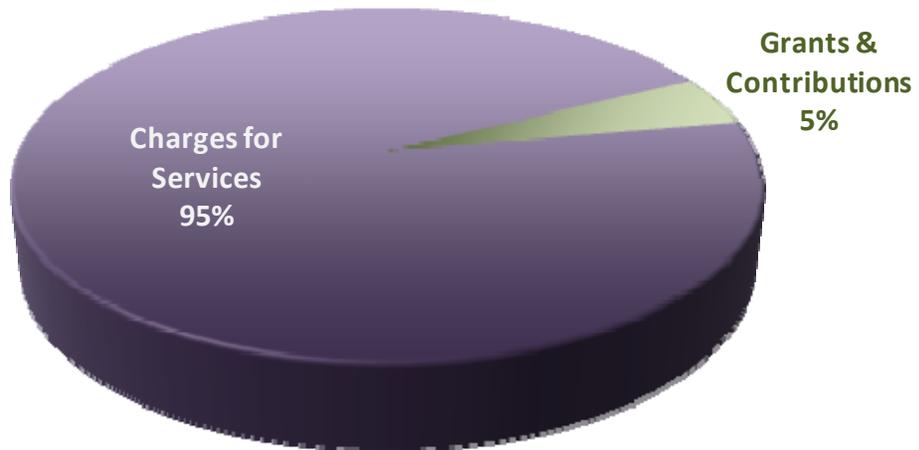
**Business-Type Activities.** Business-type activities decreased the City's net assets by \$634,627. Business-type activities account for 3% of the City's net assets. The key components of this decrease were reduced capital contributions from developers and increased depreciation expenses.

In 2011, the overall financial position of the City did not materially change. Following the City's Capital Facilities Plan (CFP), unrestricted net assets were exchanged for investments in capital assets.

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



### Revenues by Source - Business-Type Activities



## 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, unreserved fund balance may serve as a useful measure of a government's net resources available for appropriation at the end of the fiscal year.

Bothell's ongoing emphasis on downtown revitalization continued throughout 2011. The City invested another \$16,982,124 in capital infrastructure during 2011. At year-end, \$25,784,985 remained in construction in progress.

At December 31, 2011, the City's governmental funds reported a combined fund balance of \$13,164,053. Fund balance for Governmental funds increased by \$1,433,620, or 12.22%. The City's major governmental funds (General, Arterial Street, Park Cumulative Reserve, and Capital Improvements) experienced a combination of the following: General Fund decreased \$345,529 while Capital Improvements increased \$1,798,438 due to delays in major capital projects. The Arterial Street remained unchanged and Park Cumulative Reserve Funds showed slightly decrease of \$7,219. Other Governmental Funds declined slightly at \$12,011.

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 2011 fiscal year, the unrestricted fund balance in the General Fund amounted to \$3,315,069. 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 Page 4.)

In 2011, the General Fund expenditures, excluding interfund transfers, exceeded revenues by \$1,962,928. The following table reflects fund balance variances for the General Fund between 2011 and 2010:

	2011	2010	Variance Increase/ (Decrease)	% Variance
Revenue & Other Financing Sources	\$35,738,610	\$33,694,028	\$2,044,582	6.1%
Expenditures & Other Financing Uses	36,485,379	36,635,672	(150,293)	(0.4%)
<b>Revenue Over (Under) Expenditures</b>	<b>(746,770)</b>	<b>(2,941,645)</b>	<b>1,894,289</b>	
Beginning Fund Balance	4,052,528	6,994,173	(2,941,645)	
Prior Year Adjustment	401,241		401,241	
<b>Ending Fund Balance</b>	<b>\$3,706,999</b>	<b>\$4,052,528</b>	<b>(\$345,529)</b>	<b>(8.5%)</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 interfund transfers in accordance with fiscal policy; and 4) increases in appropriations necessary to maintain services.

During the 2011 fiscal year, the Council modified the City's adopted budget on one occasion. The 2011 budget amendment was adopted by ordinance on December 13, 2011. The impact on the General Fund was a net of \$20,169 in fund balance.

**The General Fund 2011 amended budgetary highlights are as follows:**

\$20,169 net increase in revenues due to the closing of two funds which transferred residual balances to the General Fund:

- \$11,334 increase due to closure of Cable TV Fund
- \$8,835 increase due to closure of Nuisance Abatement Fund

During the first year of the 2011-2012 biennium, General Fund outflows exceeded inflows by \$2,457,900, and inflows fell short of their projection by \$2,144,622, or 5.7%.

**Significant differences between the General Fund's amended 2011-2012 budget and actual inflows and outflows are as follows:**

- Retail sales tax finished \$1,000,000 less than projected.
- Construction sales tax receipts were \$566,212 under projection.
- Utility taxes were \$1.28 million below projections - mainly due to gas and telephone (broadband services) utility shortfalls.
- Interest earnings trailed behind projections by \$335,476.
- Salary and benefit expenditures were under projection by \$312,337.
- Maintenance and operating expenditures behind projections by \$682,659.
- Capital expenditures were \$173,553 less than projected.
- Interfund transfers-out ended \$506,859 under their projections because interfund transfers for vehicle asset replacement is taking place in 2012.
- In July 2011, Bothell's City Council approved the use of approximately \$1.5 million from the operating reserve to fill a budget gap that was primarily created by the unexpected loss of long relied on revenue streams (street light fee and telephone/broadband utility tax). In January 2012, staff began implementing a Council approved \$1,800,000 budget sustainability initiative to correct the structural imbalance between revenues and expenditures caused by the lost revenue streams.

**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 assets are as follows: Water \$1,056,015; Sewer \$984,589; and Storm Drain (\$269,134). The deficit in the City's Storm Drain is the result of an interfund loan from

the Asset Replacement Fund that is not included as investment in capital assets, net of related debt.

The overall change in net assets for each proprietary fund is as follows: Water decreased \$474,368; Sewer decreased \$410,809; and Storm Drain increased \$250,549. 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, 2011 totaled \$848,849,465 (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	
	2010	2011	2010	2011	2010	2011
Land and land improvements	\$65,567,526	\$67,260,870	\$285,302	\$285,302	\$65,852,828	\$67,546,172
Infrastructure rights-of-way	69,700,628	70,572,924	15,006	15,006	69,715,634	70,587,930
Buildings	17,345,913	17,181,504	7,593,851	7,788,832	24,939,765	24,970,336
Improvements	31,190,753	42,855,167	23,867,696	24,266,727	55,058,449	67,121,894
Infrastructure	620,080,835	588,592,976			620,080,835	588,592,976
Vehicles	2,329,039	2,260,083	50,174	30,100	2,379,213	2,290,183
Machinery & equipment	1,048,249	891,982	337,330	284,737	1,385,579	1,176,719
Construction in progress	25,853,697	25,784,985	1,160,126	778,270	27,013,824	26,563,255
<b>Total</b>	<b>\$833,116,641</b>	<b>\$815,400,492</b>	<b>\$33,309,485</b>	<b>\$33,448,974</b>	<b>\$866,426,126</b>	<b>\$848,849,465</b>

Additional information on the City's capital assets can be found in section IIB, Note 5, on pages 28-30 of the Basic Financial Statements.

**Long-Term Debt.** As of December 31, 2011, the City had total debt outstanding of \$43,343,188.

## Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
General obligation debt	\$4,365,000	\$3,805,000			\$4,365,000	\$3,805,000
Bond anticipation note	12,741,611	30,000,000			12,741,611	30,000,000
Other debt	18,750,000	8,750,000	900,789	788,188	19,650,789	9,538,188
<b>Total</b>	<b>\$35,856,611</b>	<b>\$42,555,000</b>	<b>\$900,789</b>	<b>\$788,188</b>	<b>\$36,757,400</b>	<b>\$43,343,188</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 \$475,342,081 as of January 1, 2012. The City had \$3,805,000 in voter approved bonds outstanding at December 31, 2011. Additional information regarding the City's long-term debt is located in section IIB, Note 13, on pages 45-47.

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

- Local economists, project taxable retail sales to increase 5.1% in 2012 and 6.1% in 2013. New construction has been slow to rebound from the Great Recession, but is expected to improve some in mid-to-late 2012 – beginning with City, higher education and commercial investments.
- Both the aerospace and software sectors in Washington continue to add jobs. Recent economic reports (March 2012) have strengthened their outlook for housing permits based on job projections.
- The unemployment rate was 7.9% at the end of 2011. Regional employment rose 1.9% in 2011 and is expected to increase 1.6% in 2012. As of March 2012, the Seattle-Bellevue-Everett unemployment rate was 7.3%.
- The City increases its fees annually on January 1 of each year, in line with the previous year's June-to-June Consumer Price Index (CPI), published by the Bureau of Labor Statistics. Based on the 2011 CPI, City fees increased 3.7% in 2012.

### Biennial Budget Highlights for the Period Ending December 31, 2011

#### 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 to consider in early 2012.

In addition to lost revenues, a deficit of nearly \$500,000 was anticipated and budgeted for in 2011, while an equal surplus was budgeted in 2012, therefore together resulting in a net zero impact on fund balance for the 2011-2012 biennium.

In January 2012, City management began to implement a Council approved \$1.8 million budget sustainability initiative to correct the structural imbalance between General Fund operating revenues and expenditures.

Fund balance in the City's General Fund amounted to 12% of operating expenditures at December 31, 2011.

As in the past biennium, the 2011-2012 biennium did not see an increase in property tax. The City is legally limited to a 1% annual property tax levy increase, which in 2011 dollars equates to approximately \$90,000 per year.

Total capital outlay expenditures in governmental funds amounted to \$16,982,124 in the first year of the 2011-2012 biennium.

**Business-Type Activities:**

The City's three utility funds (Water, Sewer, and Storm Drain) are fully supported through user fees. In 2010, Council approved a 4.5% rate increase in water to offset cost increases attributable primarily to Seattle water supply costs, and a 9.5% rate increase in sewer to offset cost increases attributable to King County treatment costs. These rate increases took effect on January 1, 2011. There was no rate increase in storm drain for 2011.

In 2011, a routine utility rate study was completed which evaluated the City's existing water, sewer and storm drain utility rates. Within the rate study, two additional tasks were added to the scope of work that triggered rate increases as well - recovery of costs related to fire hydrant maintenance and establishment of a storm drain capital facilities charge. In late 2011, Council approved the following utility rate changes: 3% increase in water, a 9.5% increase in sewer and a 15% increase in storm drain. These rate adjustments took effect on January 1, 2012.

**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 101<sup>st</sup> Avenue NE  
Bothell, WA 98011



**City of Bothell**  
**Statement of Net Assets**  
**December 31, 2011**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<b>ASSETS</b>			
Cash and cash equivalents	\$5,096,810	\$3,755,641	\$8,852,451
Investments	9,556,872	45,499	9,602,371
Receivables (net)	8,686,096	1,551,303	10,237,400
Taxes receivable	242,056		242,056
Capital assets:			
Non-depreciable	163,618,780	1,078,577	164,697,357
Depreciable, net	651,781,712	32,370,396	684,152,109
<b>Total assets</b>	<b>838,982,326</b>	<b>38,801,417</b>	<b>877,783,743</b>
<b>LIABILITIES</b>			
Accounts payable	4,029,572	1,434,845	5,464,417
Unearned revenue	2,442,147		2,442,147
Long-term liabilities (see Note 13)			
Due within one year	10,726,337	476,726	11,203,064
Due in more than one year	34,278,927	2,457,591	36,736,518
<b>Total liabilities</b>	<b>51,476,984</b>	<b>4,369,163</b>	<b>55,846,147</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	772,845,492	32,660,784	805,506,275
Restricted for:			
Transportation	1,563,501		1,563,501
Parks & Recreation	665,295		665,295
Capital projects	7,065,239		7,065,239
Street maintainance	19,714		19,714
Drug forfeitures	3,537		3,537
Debt service	55,295		55,295
Cemetery	16,321		16,321
Other purpose	391,930		391,930
Unrestricted (deficit)	4,879,019	1,771,470	6,650,489
<b>Total net assets</b>	<b>\$787,505,342</b>	<b>\$34,432,254</b>	<b>\$821,937,596</b>

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

**City of Bothell**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**

Functions/program	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Government activities:				
General government	\$9,877,418	\$4,810,917	\$154,357	
Security of persons and property	21,575,204	2,273,740	127,221	
Physical environment	6,398,497	1,376,855	78,574	10,650,614
Transportation	34,044,668	607,870		
Economic environment	3,298,490	1,338,169		
Culture and recreation		457,981		
Interest and fiscal charges	581,295			
<b>Total governmental activities</b>	<b><u>75,775,571</u></b>	<b><u>10,865,532</u></b>	<b><u>360,152</u></b>	<b><u>10,650,614</u></b>
Business-type activities:				
Water	3,708,205	3,210,573		23,000
Sewer	5,454,241	5,012,251		30,600
Storm drain	2,864,914	2,927,059		187,900
<b>Total business-type activities</b>	<b><u>12,027,360</u></b>	<b><u>11,149,883</u></b>	<b><u>-</u></b>	<b><u>241,500</u></b>
<b>Total primary government</b>	<b><u>\$87,802,932</u></b>	<b><u>\$22,015,415</u></b>	<b><u>\$360,152</u></b>	<b><u>\$10,892,114</u></b>

**City of Bothell**  
**Statement of Activities**  
**For the Year Ended December 31, 2011**

Functions/program	Net (Expense) Revenues and Changes in Net Assets		
	Assets	Primary Government	
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Government activities:			
General government	(\$4,912,144)		(\$4,912,144)
Security of persons and property	(19,174,244)		(19,174,244)
Physical environment	5,707,546		5,707,546
Transportation	(33,436,797)		(33,436,797)
Economic environment	(1,960,321)		(1,960,321)
Culture and recreation	457,981		457,981
Interest and fiscal charges	(581,295)		(581,295)
<b>Total governmental activities</b>	<b>(53,899,274)</b>		
Business-type activities:			
Water		(474,632)	(474,632)
Sewer		(411,390)	(411,390)
Storm drain		250,045	250,045
<b>Total business-type activities</b>		<b>(635,977)</b>	
<b>Total primary government</b>	<b>(53,899,274)</b>	<b>(635,977)</b>	<b>(\$54,535,251)</b>
General Revenues:			
Property tax	\$10,963,812		\$10,963,812
Excise tax	9,960,281		9,960,281
Business tax	6,795,259		6,795,259
Interest and investment earnings	310,195	1,350	311,545
Miscellaneous	516,090		516,090
<b>Total general revenues</b>	<b>28,545,636</b>	<b>1,350</b>	<b>28,546,986</b>
Change in net assets	(25,353,638)	(634,627)	(25,988,265)
Net assets - beginning	811,901,576	35,066,881	846,968,458
Prior year adjustment	957,403		957,403
Net assets - ending	<b>\$787,505,342</b>	<b>\$34,432,254</b>	<b>\$821,937,596</b>

**City of Bothell**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2011**

	General	Special Revenue Fund Arterial Street	Special Revenue Fund Park Cum Reserve	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current cash & cash equivalents	\$1,383,815	\$962,027	\$1,085,697	\$1,258,278	\$80,085	\$4,769,902
Investments	893,223	1,520,266	400,813	5,000,000	83,892	7,898,194
Receivables (net of allowances)						
Taxes	223,493				18,562	242,056
Accounts receivable	1,265,495			23,317		1,288,811
Due from other governmental units	2,461,565			2,712,161	133,405	5,307,130
Due from employees	58,155					58,155
<b>TOTAL ASSETS</b>	<b>\$6,285,745</b>	<b>\$2,482,294</b>	<b>\$1,486,510</b>	<b>\$8,993,755</b>	<b>\$315,943</b>	<b>\$19,564,247</b>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accounts payable	\$407,970			\$1,928,517	\$72,576	\$2,409,063
Unearned revenue	683,577	918,793	821,215		18,562	2,442,147
Deposits payable	58,169					58,169
Compensated absences					30,639	30,639
Payroll payable	1,429,030				31,146	1,460,176
Total liabilities	2,578,747	918,793	821,215	1,928,517	152,923	6,400,194
Fund balances						
Nonspendable	16,750					16,750
Restricted	391,930	1,563,501	665,295	7,065,239	94,867	9,780,832
Committed					68,153	68,153
Assigned	1,711,130					1,711,130
Unassigned	1,587,189					1,587,189
Total fund balances	3,706,999	1,563,501	665,295	7,065,239	163,020	13,164,053
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$6,285,745</b>	<b>\$2,482,294</b>	<b>\$1,486,510</b>	<b>\$8,993,755</b>	<b>\$315,943</b>	<b>\$19,564,247</b>

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

**City of Bothell**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Assets**  
**December 31, 2011**

Total fund balances for the governmental funds \$13,164,053

Amounts reported for governmental activities in the statement of net assets are different because:

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

Non-depreciable assets	163,618,780	
Depreciable assets (net)	<u>651,781,712</u>	815,400,492

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets are: 3,915,423

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	(1,365,699)	
Other post-employment benefits payable	(1,053,927)	
Bonds and notes payable	<u>(42,555,000)</u>	<u>(44,974,626)</u>

**Total net assets of governmental activities** **\$787,505,342**

**City of Bothell**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2011**

	General	Special Revenue Fund Arterial Street	Special Revenue Fund Park Cum Reserve	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$25,079,355		\$41,704	\$1,823,048	\$775,244	\$27,719,352
Licenses and permits	1,028,825				52,724	1,081,549
Intergovernmental revenues	2,502,089	1,785		10,419,229	777,027	13,700,129
Charges for services	4,072,037	607,870			23,096	4,703,004
Fines and forfeitures	387,550					387,550
Interest earnings	304,260	1,597	411		243	306,511
Contributions	50,930					50,930
Other revenue	402,265			39,750	3,383	445,398
<b>Total revenue</b>	<b>33,827,311</b>	<b>611,252</b>	<b>42,116</b>	<b>12,282,028</b>	<b>1,631,717</b>	<b>48,394,423</b>
<b>EXPENDITURES</b>						
Current						
General government	8,702,807					8,702,807
Security of persons and property	19,958,652					19,958,652
Transportation					1,732,338	1,732,338
Physical environment	4,183,070					4,183,070
Economic environment	2,864,765					2,864,765
Other expenditures					28,645	28,645
Debt service						
Debt service - principal				22,741,611	560,000	23,301,611
Debt issue costs				41,603		41,603
Debt service - interest				379,375	160,317	539,692
Capital outlay						
Capital outlay	80,945	1,073		16,900,106		16,982,124
<b>Total expenditures</b>	<b>35,790,239</b>	<b>1,073</b>	<b>-</b>	<b>40,062,695</b>	<b>2,481,300</b>	<b>78,335,307</b>
Excess of revenue over (under) expenditures	(1,962,928)	610,179	42,116	(27,780,667)	(849,582)	(29,940,884)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond anticipation note - issuance of debt	1,711,130			28,288,870		30,000,000
Transfer in	200,169			1,290,235	857,740	2,348,144
Transfer out	(695,140)	(1,166,401)	(49,334)		(20,169)	(1,931,044)
<b>Total other financing sources</b>	<b>1,216,159</b>	<b>(1,166,401)</b>	<b>(49,334)</b>	<b>29,579,105</b>	<b>837,571</b>	<b>30,417,100</b>
Net change in fund balances	(746,770)	(556,222)	(7,219)	1,798,438	(12,011)	476,216
FUND BALANCES - JANUARY 1, 2011	4,052,527	1,563,560	672,514	5,266,801	175,031	11,730,433
Prior Year Adjustment	401,241	556,163				957,403
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$3,706,999</b>	<b>\$1,563,501</b>	<b>\$665,295</b>	<b>\$7,065,239</b>	<b>\$163,020</b>	<b>\$13,164,053</b>

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

**City of Bothell**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds \$476,216

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

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

Donated capital assets	229,600
Expenditures for capital assets	16,982,124
Capital construction in progress written off	(4,000)
Depreciation	(34,747,935)

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

Principal payments	23,301,611
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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 assets.

Bond anticipation note proceed	(30,000,000)
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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	(13,253)
Change in other post-employment benefits payable	(279,329)

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.

(1,298,673)

**Change in net assets of governmental activities**

**(\$25,353,638)**

**City of Bothell**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2011**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		Funds
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$1,401,290	\$477,979	\$1,876,372	\$3,755,641	\$326,908
Investments	5,876	6,624	32,998	45,499	1,658,679
Accounts receivable	454,230	971,507	768	1,426,506	
Due from other governments	18,080	375	103,790	122,245	
Advances receivable					250,000
Special assessments receivable		2,552		2,552	
Total current assets	<u>1,879,477</u>	<u>1,459,038</u>	<u>2,013,928</u>	<u>5,352,444</u>	<u>2,235,587</u>
Non-current assets:					
Advances receivable					1,782,000
Capital assets, net of depreciation					
Land	122,175	163,126		285,302	
Right of way			15,006	15,006	
Buildings	2,595,225	2,957,534	2,236,073	7,788,832	
Improvements other than buildings	9,510,042	6,246,185	8,510,501	24,266,727	835,218
Equipment		169,650	115,087	284,737	174,422
Vehicles			30,100	30,100	2,232,597
Construction in progress	21,623	188,445	568,202	778,270	
Total capital assets, net of depreciation	<u>12,249,064</u>	<u>9,724,940</u>	<u>11,474,969</u>	<u>33,448,974</u>	<u>3,242,237</u>
Total non-current assets	<u>12,249,064</u>	<u>9,724,940</u>	<u>11,474,969</u>	<u>33,448,974</u>	<u>5,024,237</u>
Total assets	<u>14,128,542</u>	<u>11,183,978</u>	<u>13,488,897</u>	<u>38,801,417</u>	<u>7,259,824</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	750,675	404,343	128,968	1,283,986	85,704
Payroll payable	41,184	39,290	70,385	150,859	16,460
Compensated absences	31,603	30,816	51,709	114,128	19,854
Current portion of loans payable	112,599			112,599	
Current portion of advances payable			250,000	250,000	
Total current liabilities	936,061	474,449	501,062	1,911,572	122,019
Non-current liabilities					
Loans payable	675,591			675,591	
Advances payable			1,782,000	1,782,000	
Total non-current liabilities	<u>675,591</u>	<u>-</u>	<u>1,782,000</u>	<u>2,457,591</u>	<u>-</u>
Total liabilities	<u>1,611,652</u>	<u>474,449</u>	<u>2,283,062</u>	<u>4,369,163</u>	<u>122,019</u>
<b>NET ASSETS</b>					
Investment in capital assets, net of related debt	11,460,874	9,724,940	11,474,969	32,660,784	3,242,237
Unrestricted	1,056,015	984,589	(269,134)	1,771,470	3,895,568
Total net assets	<u>\$12,516,889</u>	<u>\$10,709,530</u>	<u>\$11,205,835</u>	<u>\$34,432,254</u>	<u>\$7,137,805</u>

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

**City of Bothell**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
<b>OPERATING REVENUES</b>					
Charges for services	\$3,196,598	\$5,012,251	\$2,657,831	\$10,866,681	\$1,766,457
Intergovernmental revenues	13,975		269,228	283,202	8,008
Total operating revenue	<u>3,210,573</u>	<u>5,012,251</u>	<u>2,927,059</u>	<u>11,149,883</u>	<u>1,774,465</u>
<b>OPERATING EXPENSES</b>					
Administrative and general	482,451	462,479	1,178,118	2,123,047	1,153,556
Purchased water	1,497,612			1,497,612	
Metro service		3,546,825		3,546,825	
Maintenance and operations	838,385	710,267	1,201,030	2,749,682	746,746
Customer accounts	136,144	133,835		269,979	
Taxes	279,158	282,287	41,953	603,398	
Depreciation and amortization	466,010	318,549	440,355	1,224,915	779,181
Total operating expenses	<u>3,699,760</u>	<u>5,454,241</u>	<u>2,861,456</u>	<u>12,015,458</u>	<u>2,679,483</u>
OPERATING INCOME (LOSS)	<u>(489,187)</u>	<u>(441,990)</u>	<u>65,603</u>	<u>(865,575)</u>	<u>(905,018)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	264	582	505	1,350	3,684
Gain (loss) on disposition of capital assets					19,762
Interest expense	(8,445)		(3,458)	(11,903)	
Total non-operating revenue (expense)	<u>(8,181)</u>	<u>582</u>	<u>(2,953)</u>	<u>(10,553)</u>	<u>23,446</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>					
	<b>(497,368)</b>	<b>(441,409)</b>	<b>62,649</b>	<b>(876,127)</b>	<b>(881,573)</b>
Transfers in					315,422
Transfers out					(732,522)
Capital contributions from developers	23,000	30,600	187,900	241,500	
CHANGES IN NET ASSETS	(474,368)	(410,809)	250,549	(634,627)	(1,298,673)
NET ASSETS - BEGINNING	12,991,258	11,120,338	10,955,286	35,066,881	8,436,478
NET ASSETS - ENDING	<u>\$12,516,889</u>	<u>\$10,709,530</u>	<u>\$11,205,835</u>	<u>\$34,432,254</u>	<u>\$7,137,805</u>

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

**City of Bothell**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2011**

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$3,210,573	\$5,012,251	\$2,707,879	\$10,930,703	\$1,885,132
Cash paid to employees	(601,783)	(580,078)	(970,033)	(2,151,894)	(234,363)
Cash paid to suppliers for goods and services	(2,042,507)	(3,955,259)	(1,335,329)	(7,333,095)	(1,588,134)
Cash paid for taxes	(279,158)	(282,287)	(41,953)	(603,398)	
Net cash provided by operating activities	<u>287,126</u>	<u>194,626</u>	<u>360,564</u>	<u>842,316</u>	<u>62,635</u>
<b>CASH FLOW FROM NON-CAPITAL ACTIVITIES</b>					
Transfers out					(732,522)
Transfers in					315,422
Net cash provided from non-capital activities	-	-	-	-	<u>(417,100)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(305,129)	(350,719)	(708,555)	(1,364,403)	(603,242)
Interest paid on capital debt	(8,445)		(3,458)	(11,903)	
Proceeds from the sale of capital assets					19,762
Capital contributions	23,000	30,600	187,900	241,500	
Net cash (used) by capital and related activities	<u>(290,574)</u>	<u>(320,119)</u>	<u>(524,113)</u>	<u>(1,134,806)</u>	<u>(583,480)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	119,736	119,734	199,495	438,966	(1,482,226)
Interest and dividends	264	582	505	1,350	3,684
Net cash provided by investing activities	<u>120,000</u>	<u>120,316</u>	<u>200,000</u>	<u>440,316</u>	<u>(1,478,542)</u>
Net increase (decrease) in cash and cash equivalents	<u>116,551</u>	<u>(5,176)</u>	<u>36,450</u>	<u>147,825</u>	<u>(2,416,486)</u>
Balances - January 1	1,284,739	483,155	1,839,922	3,607,816	2,743,395
<b>Balances - December 31</b>	<b><u>\$1,401,290</u></b>	<b><u>\$477,979</u></b>	<b><u>\$1,876,372</u></b>	<b><u>\$3,755,641</u></b>	<b><u>\$326,908</u></b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(\$489,187)	(\$441,990)	\$65,603	(\$865,575)	(\$905,018)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	466,010	318,549	440,355	1,224,915	779,181
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	12,944	(47,136)	(768)	(34,960)	2,679
Decrease (increase) in due from other governments	(17,580)	(375)	20,841	2,886	
Decrease (increase) in special assessments deferred		3,222		3,222	
Decrease (increase) in loan receivable					250,000
Increase (decrease) in non-capital accounts payable	427,643	359,292	69,499	856,434	(64,497)
Increase (decrease) in interfund loan payable			(250,000)	(250,000)	
Increase (decrease) in interest payable	(563)			(563)	
Increase (decrease) in compensated absences payable	(1,712)	1,936	10,289	10,513	(939)
Increase (decrease) in payroll payable	2,169	1,128	4,745	8,042	1,230
Increase (decrease) in contracts payable	(112,599)			(112,599)	
<b>Net cash provided by operating activities</b>	<b><u>\$287,126</u></b>	<b><u>\$194,626</u></b>	<b><u>\$360,564</u></b>	<b><u>\$842,316</u></b>	<b><u>\$62,635</u></b>
Noncash investing, capital and financing activities					
increase (decrease) in fair value of investments	-	-	-	-	-

**City of Bothell**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2011**

	<b>Pension Trust</b>	<b>Agency</b>
	<b>Firemen's Pension Reserve</b>	<b>Trust</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$68,875	\$179,079
Total receivables	68,875	179,079
Investments, at fair value		
State investment pool	217,892	
Total investments	217,892	-
Total assets	\$286,767	\$179,079
<b>LIABILITIES</b>		
Refunds payable and others		\$149,167
Accounts payable		29,911
Total liabilities	-	\$179,079
<b>NET ASSETS</b>		
Held in trust for pension benefits and other purposes	\$286,767	-

**City of Bothell**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2011**

	<b>Pension Trust</b>
	<b>Firemen's Pension Reserve</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$50,443
Total contributions	50,443
Investment earnings:	
Interest	616
Total investment earnings	616
Total additions	51,059
<b>DEDUCTIONS</b>	
Benefits	36,822
Total deductions	36,822
Change in net assets	14,238
Net assets - beginning	272,529
<b>Net assets - ending</b>	<b>\$286,767</b>

## Notes to Financial Statements December 31, 2011

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# City of Bothell

## Notes to Financial Statements January 1, 2011 through December 31, 2011

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

The City has implemented all applicable GASB statements through Statement 54.

#### REPORTING ENTITY

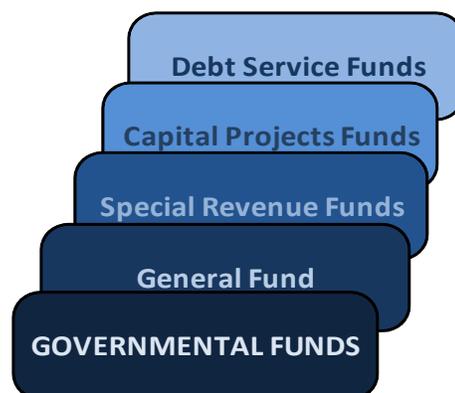
As required by GAAP, the City's financial statements present the City of Bothell, the primary government. There are no component units included in these statements.

#### 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, fund equity, revenues, and expenditures/expenses.

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

The City uses the following fund types:

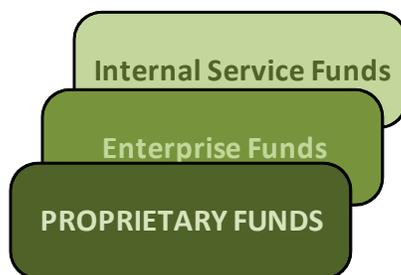


### **Governmental Funds:**

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:**

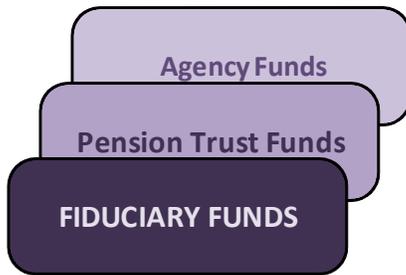
Proprietary fund measurement focuses on determining operating income, changes in net assets, financial position, and cash flows. Proprietary funds distinguish operating revenues and

expenses from non-operating items. Operating revenues and expenses generally result from providing services, and from producing and delivering goods in connection with a proprietary fund's principle ongoing operation. The principal operating revenues of the City's Water, Sewer, and Storm Drain Funds are derived from charges to customers for sales and services.

The Water, Sewer, and Storm Drain Funds also recognize fees (operating revenue) intended to recover the cost of connecting new customers to the City's utility systems. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and overhead, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The applicable, generally accepted accounting principles are similar to those used by businesses in the private sector. The following is a description of the proprietary funds of the City:

- 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 assets, 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 Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The City’s net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities. Fiduciary funds are excluded from government-wide statements.

The government-wide Statement of Activities reports both the gross and net cost of each of the City’s functions and business-type activities - general government, security of persons and property, physical environment, transportation, economic environment, mental and physical health, culture and recreation, water, sewer (wastewater), and storm drain (storm water).

General government revenues (property taxes, retail sales & use taxes, business taxes, excise taxes, and other taxes) also support these functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues must be directly associated with the functions or a business-type activity.

Program revenues are reported in three categories:

- 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 assets resulting from the current year's activities.

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.

#### **Arterial Street Fund**

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

#### **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.

#### **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.

### **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 and Surface Water Drain Fund**

This fund is used to account for the provision of storm and surface water drain services throughout the City. This utility was established to promote public health, safety, and welfare with a comprehensive approach to surface and storm water problems.

This comprehensive approach includes basin planning, land use regulation, facility construction, maintenance, and public education. Because the most cost-effective and beneficial approach to surface and storm water management is through preventative actions and protection of the natural drainage system, the utility gives priority to methods which provide protection or enhancement of the natural surface water drainage system over means primarily involving construction of new drainage facilities or systems.

Funding for these activities comes from charges to real property within the service area. The amount of each charge is based on the degree to which the property contributes to an increase in surface and storm water runoff.

### **NON-MAJOR FUNDS**

#### **Other Governmental Funds**

#### **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.

#### **Cable TV Fund**

The Cable TV Fund is responsible for televising Council meetings for the citizens of Bothell. Funding comes from franchise agreements. This fund was closed in 2011 to comply with GASB Statement No. 54.

#### **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.

#### **Nuisance Abatement Fund**

This fund is used for removal of abandoned property. This fund was closed in 2011 to comply with GASB Statement No. 54.

#### **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.

### **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 assets 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.

**Deferred 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 Assets. 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 Assets and budget to actual statements and schedules.

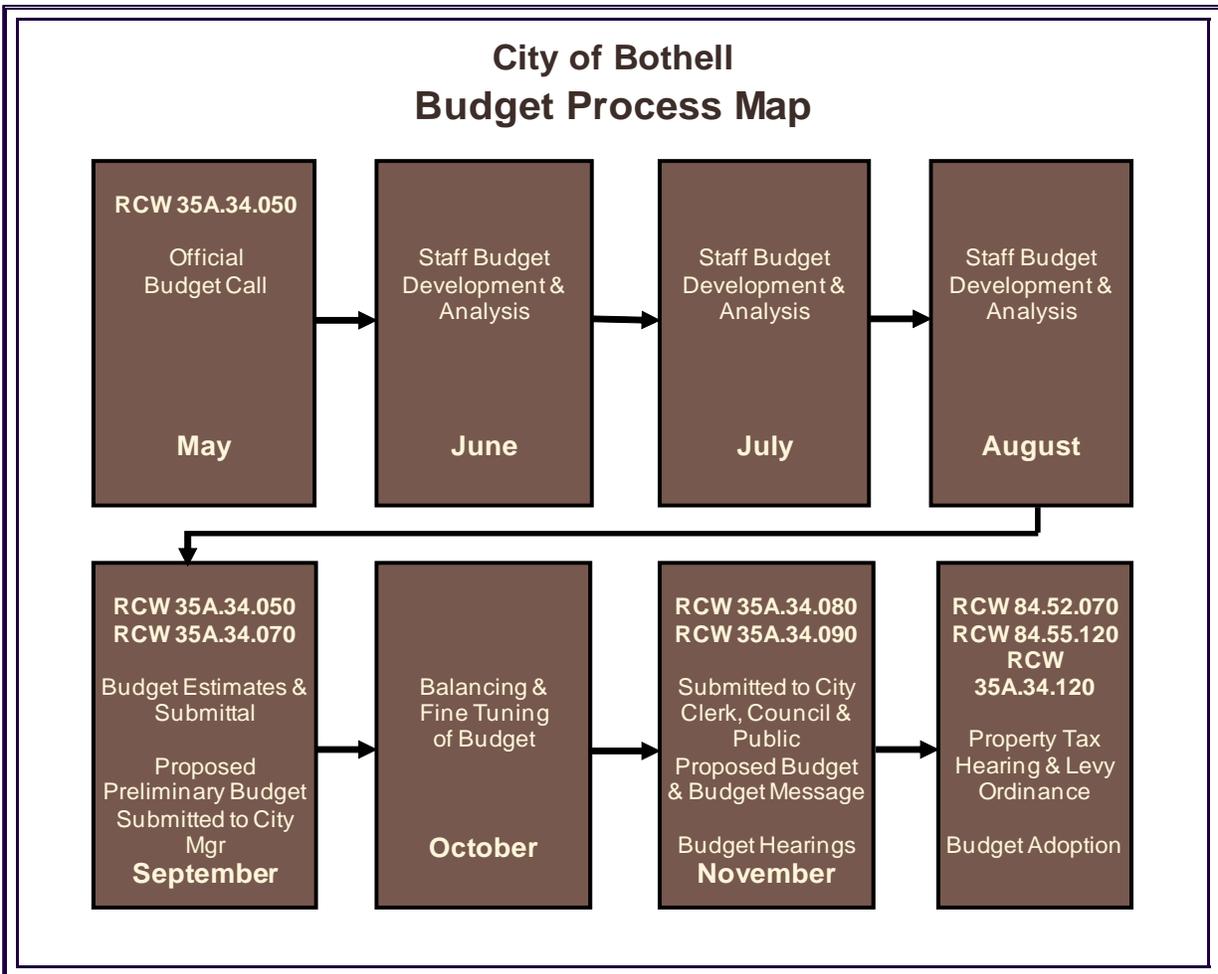
**NOTE 2**  
**Compliance and Accountability**

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

**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 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.

## 2011-2012 Final Budget Inflows and Outflows

### Budget Information as follows:

Fund	Original Inflows	Original Outflows	Final Inflows	Final Outflows
General Fund	\$78,106,380	\$78,106,380	\$78,126,549	\$78,106,380
Street Fund	3,684,507	3,624,334	3,684,507	3,624,334
Arterial Street Fund	5,168,016	5,203,000	5,168,016	5,203,000
Cable TV Fund				11,334
Park Cumulative Reserve Fund	480,000		480,000	50,000
Drug Seizure Fund	44,000	43,400	44,000	43,400
Nuisance Abatement Fund				8,835
2008 GO Bond Redemption Fund	1,500,000	1,470,000	1,500,000	1,470,000
LIFT General Obligation Bond	1,500,000	1,500,000	1,500,000	1,500,000
Capital Improvements Fund	91,299,599	92,529,298	91,349,599	92,529,298
Water Fund	7,574,929	8,448,624	7,574,929	8,448,624
Sewer Fund	11,249,481	11,901,736	11,249,481	11,901,736
Storm Drain Fund	6,142,133	7,953,207	6,142,133	7,953,207
Equipment Rental Fund	2,957,338	2,957,579	2,957,338	2,957,579
Self Insurance Fund	2,118,078	2,068,077	2,118,078	2,068,077
Asset Replacement Fund	2,057,092	4,018,461	2,057,092	4,318,461
Cemetery Endowment Fund		12,000		12,000
Firemen's Pension Reserve Fund	94,600	70,000	94,600	70,000
<b>Total</b>	<b>\$213,976,153</b>	<b>\$219,906,096</b>	<b>\$214,046,322</b>	<b>\$220,276,265</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.

State Treasurer's Local Government Investment Pool (LGIP), or certificates of deposit with Washington State banks and savings and loan institutions.

**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.

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.

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

Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices.

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

As of December 31, 2011, 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	\$1,448,414	\$1,448,414		
Bonds of State or Local Government	8,371,849	357,550	2,474,490	5,539,810
<b>Total</b>	<b>\$9,820,264</b>	<b>\$1,805,964</b>	<b>\$2,474,490</b>	<b>\$5,539,810</b>
	<b>Percent of Total</b>	<b>18%</b>	<b>25%</b>	<b>56%</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, 2011, the City's investments in the State Investment Pool were rated AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The City's investments in commercial paper were rated F-1 by Fitch Ratings, A1 by Standard & Poor's, and P-1 by Moody's Investor Service.

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

investments in local governments were rated M1G1 by Moody's Investors Service and SP-1 by Standard & Poor's.

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

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

### Portfolio Diversification

Instrument Type	Percentage	Amount
State Investment Pool	15%	\$1,448,414
Bonds of State or Local Government	85%	8,371,849
<b>Total Investments</b>	<b>100%</b>	<b>\$9,820,264</b>

### Deposit and Investment Reconciliation

Amounts reported in the fund statements are as follows:

Government Funds	Amount
Cash	\$5,096,810
Investments	9,556,872
Proprietary Funds	Amount
Cash & cash equivalents	\$3,755,641
Investments	45,499
Fiduciary Funds	Amount
Cash & cash equivalents	\$247,954
Investments	217,892
<b>Total</b>	<b>\$18,920,668</b>

Cash, deposits, and investments are as follows:

Cash on hand	\$24,224
Checking accounts	9,076,181
State or local government	8,371,849
State investment pool	1,448,414
<b>Total</b>	<b>\$18,920,668</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 2011, the City's General Tax Levy was \$1.37 per \$1,000, and the Special Tax Levy was \$0.12 per \$1,000. The total assessed valuation was \$6,337,894,408.

2011 Assessed Valuation	
Snohomish County	\$3,073,475,024
King County	3,264,419,384
<b>Total</b>	<b>\$6,337,894,408</b>

Property Tax Calendar	
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 assets.

**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	\$411,464
Security of persons & property	604,772
Transportation	32,220,511
Physical environment	2,001,870
Culture & recreation	288,499
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$35,527,116</b>

Business-Type Activities	Amount
Water	\$466,010
Sewer	318,549
Storm drain	440,355
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$1,224,915</b>

A miscalculation of road depreciation in the City's software system was discovered in 2011. The City worked with the software vendor to correct the problem. Road depreciation has been corrected and properly reflected above.

## Construction Commitments as of December 31, 2011

<b>Government Activities</b>	<b>Construction In Progress</b>	<b>Remaining Commitment</b>
Canyon Park Radio Project	\$24,247	
SR 522 Ph 1 Wayne Curve		463,818
SR 522 Bothell Downtown Gateway	8,735,088	1,025,654
SR 527 Country Village	1,400,655	265,359
SR 527 Boulevard	3,100,753	400,987
Traffic Calming	2,238	
Citywide Trans System	1,461,388	332,203
240th Bridge Replacement	2,574,271	800,919
Bridge Rehab & Sesmic Retrofit 240th	220,802	118,827
SR 522 Phase 2 Stage 2	1,132,612	69,887
SR 522 Stage 2B	99,994	378,043
Sidewalk/Walkway Program	43,484	39,609
Main Street Extention	205,358	67,054
NE 185th Improvement	226,419	35,529
Collector Corridor traffic Safety Program	65,336	55,126
Annual Arterial Overlay Program		33,815
Main Street Enhancement	253,615	45,496
Pop Keeney Road	141,782	53,396
North Creek Trail Section 3	134,561	187,713
Downtown Soil/GroundCleanup	4,244,054	731,647
City Hall/Dawson Replacement	1,233,516	466,165
North Creek Field 3	74,950	
North Shore SD Property	95,933	6,250
Park Master Planning; Bothell Landing	171,734	6,188
SR 522 Property	14,351	
NC Trail Schnitzner ( Sec 2 Stg 2)	32,792	11,555
North Creek Park (Sec 2 Stg 2 Ph 2)	95,054	19,490
<b>Total Governmental Activities</b>	<b>\$25,784,985</b>	<b>\$5,614,730</b>
<b>Business -Type Activities</b>		
Reclaimed Water System	21,623	78,376
Sewer Replacement Program		53,061
Infiltration & Inflow Program	72,705	
Lift Station #2 Phase 2	115,740	9,048
North Creek TMDL Plan	7,040	
North Creek Habitat Improvement	39,636	
Flood Mit: 120th Ave NE	739	
Flood Mit: Filbert Ck & N Ck	138,120	38,039
Downtown Storm Pipe Project	382,667	163,144
<b>Total Business-Type Activities</b>	<b>\$778,270</b>	<b>\$341,668</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	\$65,567,526	\$1,693,344		\$67,260,870
Infrastructure right-of-way	69,700,628	872,296		70,572,924
Construction in progress	25,853,697	17,585,366	17,654,078	25,784,985
<b>Total capital not being depreciated</b>	<b>\$161,121,852</b>	<b>\$20,151,006</b>	<b>\$17,654,078</b>	<b>\$163,618,780</b>
<b>Other capital assets:</b>				
Buildings	\$20,795,191	\$277,115		\$21,072,305
Improvements	39,926,174	14,241,952		54,168,126
Infrastructure	1,538,444,771	135,373		1,538,580,144
Vehicles	6,623,872	494,197	82,318	7,035,751
Equipment	4,449,103	165,710		4,614,813
<b>Total other capital assets at historical cost</b>	<b>\$1,610,239,111</b>	<b>\$15,314,346</b>	<b>\$82,318</b>	<b>\$1,625,471,140</b>
<b>Less accumulated depreciation for:</b>				
Buildings	\$3,449,277	\$441,524		\$3,890,801
Improvements	8,735,420	2,577,538		11,312,958
Infrastructure	918,363,937	31,623,232		949,987,169
Vehicles	4,294,833	562,845	82,009	4,775,669
Machinery & equipment	3,400,854	321,977		3,722,831
<b>Total accumulated depreciation</b>	<b>\$938,244,321</b>	<b>\$35,527,116</b>	<b>\$82,009</b>	<b>\$973,689,428</b>
<b>Governmental activities capital assets, net</b>	<b>\$833,116,641</b>	<b>(\$61,763)</b>	<b>\$17,654,386</b>	<b>\$815,400,492</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$1,160,126	\$1,182,727	\$1,564,584	\$778,270
Infrastructure right-of-way	15,006			15,006
Land and improvements	285,302			285,302
<b>Total capital not being depreciated</b>	<b>\$1,460,434</b>	<b>\$1,182,727</b>	<b>\$1,564,584</b>	<b>\$1,078,577</b>
<b>Other capital assets:</b>				
Buildings	\$8,082,930	\$359,680		\$8,442,610
Intangible plant	411,179			411,179
Improvements	39,479,152	1,386,580		40,865,733
Vehicles	716,366			716,366
Machinery & equipment	519,911			519,911
<b>Total other capital assets at historical cost</b>	<b>\$49,209,538</b>	<b>\$1,746,260</b>	<b>-</b>	<b>\$50,955,798</b>
<b>Less accumulated depreciation for:</b>				
Buildings	\$489,079	\$164,699		\$653,778
Intangible plant	411,179			411,179
Improvements	15,611,457	987,549		16,599,006
Vehicles	666,192	20,073		686,265
Machinery & equipment	182,580	52,593		235,174
<b>Total accumulated depreciation</b>	<b>\$17,360,487</b>	<b>\$1,224,915</b>	<b>-</b>	<b>\$18,585,401</b>
<b>Business-type activities capital assets, net</b>	<b>\$33,309,485</b>	<b>\$1,704,072</b>	<b>\$1,564,584</b>	<b>\$33,448,974</b>

The difference in the decrease in CIP and in the increase in assets is due to donated assets less CIP abandoned projects write-off.

## 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, 2011 are as follows:

PERS	Plan 1	Plan 2	Plan 3
Employer*	7.25%	7.25%	7.25%
Employee - Not JBM	6.00%	4.64%	***
Employee - JBM	-	11.60%	-

\*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
2011	\$18,905	\$704,490	\$53,546
2010	15,410	577,958	39,678
2009	19,485	713,296	58,371
2008	19,856	685,606	53,025
2007	15,139	505,197	38,963
2006	8,345	241,739	19,422
2005	5,918	139,000	10,355

## 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, 2011 are as follows:

LEOFF	Plan 1	Plan 2
Employer*	0.16%	5.24%
Employee	-	8.46%

\*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
2011	-	\$578,304
2010	-	583,707
2009	152	579,580
2008	166	537,036
2007	-	495,569
2006	-	402,784
2005	-	325,008

**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, 2011 are as follows:

PSERS Plan 2	
Employer*	8.86%
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
2011	\$9,426
2010	8,966
2009	9,796
2008	9,575
2007	8,601
2006	4,121
2005	1,807

## 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.

### Volunteer Fire Fighters' Relief and Pension Fund

The Volunteer Fire Fighters' Relief and Pension Fund System is a cost-sharing, multiple-employer retirement system. It was created by the State Legislature in 1945 under RCW Chapter 41.16. It provides pension, disability, and survivor benefits. Membership in the system requires service with an electing municipality's fire department, other than those covered by LEOFF.

The system is funded through employee contributions of \$30 per year; employer contributions of \$30 per year, and 25% of the Fire Insurance Premium Tax. Members do not earn interest on contributions, but may elect to withdraw funds upon termination. The City's volunteer fire fighter program which served the community since 1913, dissolved in 2009.

### Firefighters' Pension Fund Employer Contributions December 31, 2011

<b>Fiscal Year Ending</b>	<b>Employer Contributions</b>	<b>Fire Insurance Premiums</b>	<b>Total Employer Contributions</b>
December 31, 2005	(\$17,463)	\$32,787	\$15,323
December 31, 2006	(18,906)	36,316	17,410
December 31, 2007	(22,105)	39,321	17,216
December 31, 2008	(23,789)	44,226	20,437
December 31, 2009	(25,247)	44,559	19,312
December 31, 2010	(32,454)	47,447	14,993
December 31, 2011	(36,822)	50,443	13,621

**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.

**Compensated Absences**

<b>Government Activities</b>	<b>1/1/2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/2011</b>
Governmental funds	\$1,385,882	\$2,288,644	\$2,278,189	\$1,396,337
<b>Total Compensated Absences</b>	<b>\$1,385,882</b>	<b>\$2,288,644</b>	<b>\$2,278,189</b>	<b>\$1,396,337</b>

**Estimate of amount due within one year \$1.4 million.**

<b>Business-Type Activities</b>	<b>1/1/2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/2011</b>
Enterprise funds	\$103,615	\$153,088	\$142,575	\$114,128
<b>Total Compensated Absences</b>	<b>\$103,615</b>	<b>\$153,088</b>	<b>\$142,575</b>	<b>\$114,128</b>

**Estimate of amount due within one year \$114 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 2011 there were 21 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 thirty years as of January 1, 2009.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB. The net OPEB obligation of \$1,053,927 is included as a noncurrent liability on the Statement of Net Assets.

Determination of Annual Required Contribution	Fiscal Year Ending 12/31/2011
Normal Cost at Year End	-
Amortization of UAAL*	518,082
Annual Required Contribution	518,082

\*Unfunded Actuarial Accrued Liability (UAAL)

Determination of Net OPEB Obligation	Fiscal Year Ending 12/31/2011
Annual Required Contribution	\$518,082
Interest on Prior Year Net OPEB Obligation	34,857
Adjustment to ARC	(72,126)
Annual OPEB Cost	480,813
Contributions Made	201,485
Increase in Net OPEB Obligation	279,329
Net OPEB Obligation-Beginning of Year	\$774,598
Net OPEB Obligation-Ending of Year	1,053,927

### Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$5,563,967 and the actuarial value of the assets was \$0 resulting in a UAAL of \$5,563,967.

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%

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 56.24 was assumed for all active members for the purpose of determining the actuarial

accrued liability (AAL) and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF I rates used in the June 30, 2007 actuarial valuation report issued by the Office of the State Actuary (OSA).

Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF I medical study performed in 2007. The results were based on grouped data with four active groupings and four inactive groupings. Post-retirement benefits were estimated at 10%, and annual budget growth at 5%. 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 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding years were as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contribution as a Percentage of OPEB Cost</b>	<b>Net OPEB Obligation</b>
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

The Schedule of Funding Progress entitled Required Supplementary Information, which follows the Notes to the Financial Statements, presents 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.

## **NOTE 9**

### **Contingencies**

#### **Litigation**

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

In the opinion of management, the City's insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

#### **Contingencies under Grant Provisions**

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

#### **Bond Indentures**

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

#### **Rebate Arbitrage**

Arbitrage occurs when the City invests funds borrowed at tax-exempt rates of interest in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government. At the fund level, the City recognizes this liability (arbitrage earnings payable) only when it is due and payable.

In the government-wide statements, arbitrage earnings liability is accrued as it is earned, and is expensed at year-end. The City had no arbitrage excess earnings liability in 2011.

## 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 150 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 \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

WCIA's in-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analysis. WCIA contracts with claims investigation consultants for personnel issues, 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.

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 six 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 were no interfund transfers between governmental activities and business activities in 2011.

**Interfund Transfers**

Description	General Fund	Street Fund	Capital Improvement Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		\$557,740		\$137,400		\$695,140
Cable TV Fund	\$11,334					11,334
Arterial Street Fund			1,166,401			1,166,401
Park Cumulative Reserve Fund			49,334			49,334
Nuisance Abatement Fund	8,835					8,835
Equipment Rental Fund					178,022	178,022
Asset Replacement Fund	180,000	300,000	74,500			554,500
<b>Total Transferred In</b>	<b>\$200,169</b>	<b>\$857,740</b>	<b>\$1,290,235</b>	<b>\$137,400</b>	<b>\$178,022</b>	<b>\$2,663,566</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

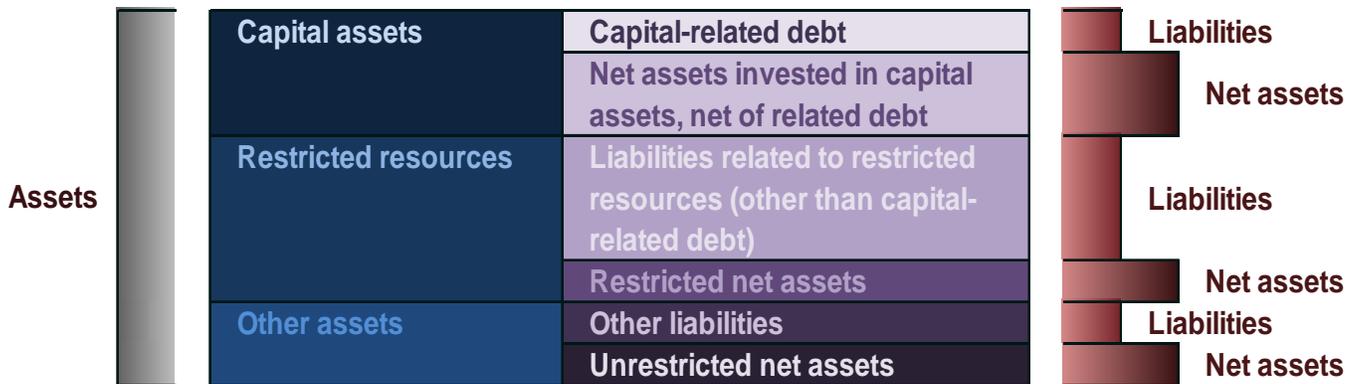
interfund payables by the borrower fund. Interfund loans are not treated as capital-related for purposes of classifying net assets. Governmental funds report the issuance of a long-term interfund loan as a balance sheet item (advances payable) rather than in the operating statement (other financing sources). Repayment terms are 3 years from date of fund transfer. In 2010 the Asset Replacement Fund loaned the Storm Drain Fund \$2,282,000 to be utilized to inexpensively finance utility capital projects.

**NOTE 12**  
**Net Assets**

The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized into three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

- Investment in capital assets (net of related debt) is intended to reflect the portion of net assets associated with non-liquid capital assets, less outstanding related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Additionally, until all infrastructure assets are reported, infrastructure-related debt would reduce the investment in other non-infrastructure capital assets. Liabilities to other funds of the government, such as interfund loans, are not treated as debt for the purpose of calculating net assets invested in capital asset net of related debt.
- Restricted assets are liquid assets generated from revenues and not bond proceeds, which have third party (statutory, bond covenant, or granting agency) limitations on their use. The City would typically use restricted assets first as appropriate opportunities arise, but reserves the right to selectively defer use to a future project or replacement equipment acquisition.
- Unrestricted assets represent unappropriated, unrestricted liquid assets that City management may designate to expend for specified purposes in future periods. Council action is required to appropriate the actual expenses or expenditures. Unrestricted net assets 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.

**Calculation of Net Asset Components**



## 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 in 2009 to purchase 18 acres in Bothell's historic downtown for \$21,000,000. This property is essential for the development of the community's downtown revitalization plan. The outstanding principle balance as of December 31, 2011, was \$8,750,000 and is due and payable in August, 2012. The balance due on the note is being funded entirely by the sale of surplus property on the site.

**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 an addition \$10,000,000 to invest in the project. This was done to take advantage of 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).

The \$30,000,000 is being retired in 2014 through the issuance of a 25 year Local Infrastructure Financing Tool (LIFT) award general obligation bonds.

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 one 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 \$788,188. 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.

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

### **Public Works Trust Fund (PWTF)**

**Construction Loan** – In 2011, the City was awarded an \$8,000,000 PWTF construction loan. This loan is allocated to the Bothell Crossroads SR-522

realignment construction project. No funds were used in 2011.

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

### Schedule of Long Term Debt

#### Debt Service requirements to maturity

Year	GO Bonds		Other Debt		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2012	580,000	142,350	8,750,000	441,500	9,913,850
2013	605,000	122,050		354,000	1,081,050
2014	620,000	100,875	30,000,000	29,500	30,750,375
2015	640,000	78,400			718,400
2016	665,000	54,400			719,400
2017	695,000	27,800			722,800
<b>Subtotal</b>	<b>\$3,805,000</b>	<b>\$525,875</b>	<b>\$38,750,000</b>	<b>\$825,000</b>	<b>\$43,905,875</b>
<b>Business-Type Activities</b>					
2012			112,599	7,882	120,481
2013			112,599	6,756	119,355
2014			112,599	5,630	118,229
2015			112,599	4,504	117,103
2016			112,599	3,378	115,977
2017			112,599	2,252	114,851
2018			112,599	1,126	113,725
<b>Subtotal</b>			<b>\$788,188</b>	<b>\$31,528</b>	<b>\$819,718</b>
<b>Total</b>	<b>\$3,805,000</b>	<b>\$525,875</b>	<b>\$39,538,188</b>	<b>\$856,528</b>	<b>\$44,725,593</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, 2011, City debt limits were based on assessed property totaling \$6,337,894,408.

Debt Capacity as of January 1, 2012					
Regular levy assessed value less annexations			\$6,337,894,408		
Item	Without a Vote		With a Vote of the People		
	1.5%	2.5%	5.0%	7.5%	
Legal limit	\$95,068,416	\$158,447,360	\$316,894,720	\$475,342,081	
Outstanding net debt	38,750,000	3,805,000	3,805,000	3,805,000	
<b>Margin available</b>	<b>\$56,318,416</b>	<b>\$154,642,360</b>	<b>\$313,089,720</b>	<b>\$471,537,081</b>	

## Changes in Long-Term Liabilities

### Long-Term Liability

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
GO Refund Bond	\$4,365,000		\$560,000	\$3,805,000	\$580,000
Bond Anticipation Note	12,741,611		12,741,611		
Bond Anticipation Note		30,000,000		30,000,000	
Northshore School District Loan	18,750,000		10,000,000	8,750,000	8,750,000
OPEB/LEOFF	774,598	279,329		1,053,927	
Compensated Absences	1,385,882	2,288,645	2,278,189	1,396,337	1,396,337
<b>Subtotal</b>	<b>\$38,017,091</b>	<b>\$32,567,974</b>	<b>\$25,579,800</b>	<b>\$45,005,264</b>	<b>\$10,726,337</b>
<b>Business-Type Activities</b>					
PWA Loan 98-791-007	\$900,787		\$112,599	\$788,188	\$112,599
Interfund Loan	2,282,000		250,000	2,032,000	250,000
Compensated Absences	103,614	153,088	142,575	114,127	114,127
<b>Subtotal</b>	<b>\$3,286,401</b>	<b>\$153,088</b>	<b>\$505,174</b>	<b>\$2,934,315</b>	<b>\$476,726</b>
<b>Total</b>	<b>\$41,303,492</b>	<b>\$32,721,062</b>	<b>\$26,084,974</b>	<b>\$47,939,579</b>	<b>\$11,203,063</b>

### Capital Related Long-Term Liability

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/11	Issued	Redeemed	Balance 12/31/11	Due Within One Year
<b>Governmental Activities</b>									
GO Refund Bond	5/20/2008	12/1/2017	3.5-4.0%	\$6,070,000	\$4,365,000		\$560,000	\$3,805,000	\$580,000
Northshore School District Loan	8/1/2010	8/1/2012		18,750,000	18,750,000		10,000,000	8,750,000	8,750,000
Bond Anticipation Note	1/25/2010	1/25/2013	1.25 - 1.75%	20,000,000	12,741,611		12,741,611		
Bond Anticipation Note	9/28/2011	1/28/2014	1.18%	30,000,000		30,000,000		30,000,000	
<b>Subtotal</b>				<b>\$74,820,000</b>	<b>\$35,856,611</b>	<b>\$30,000,000</b>	<b>\$23,301,611</b>	<b>\$42,555,000</b>	<b>\$9,330,000</b>
<b>Business-Type Activities</b>									
PWA Loan 98-791-007	10/15/1998	10/13/2018	1.00%	\$1,890,000	\$900,787		\$112,599	\$788,188	\$112,599
<b>Subtotal</b>				<b>\$1,890,000</b>	<b>\$900,787</b>	<b>-</b>	<b>\$112,599</b>	<b>\$788,188</b>	<b>\$112,599</b>
<b>Total</b>				<b>\$76,710,000</b>	<b>\$36,757,398</b>	<b>\$30,000,000</b>	<b>\$23,414,210</b>	<b>\$43,343,188</b>	<b>\$9,442,599</b>

**NOTE 14**  
**Impact Fees**

**Park Impact Fees**

Since 1997, per the City's Municipal Code, Park impact fees have been accounted for separately in a Special Revenue Fund titled Park Cumulative Reserve. The monies remain in the Special Revenue Fund until they are transferred to the City's Capital Improvements Fund for appropriation towards park capital projects. Park impact fees are recognized as deferred revenue until the project commences. Any park impact fees not spent on park projects within 6-years of receipt become refundable.

Park impact fees held for reserve in the Park Cumulative Reserve Fund totaled \$821,215 as of December 31, 2011.

**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 the revenue recognition, local governments have been directed to recognize the revenue when an enforceable legal claim to the fee exists. The enforceable claim has been defined as when the local government receives the fee payment. 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 \$918,793 as of December 31, 2011.

## NOTE 15 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, 2011, the City has six sites that constitute pollution remediation obligations. The six sites are: Bothell Landing, Bothell Riverside, Bothell Paint, Hertz Rentals, Northshore School District, and Bothell City Hall. All six sites are subject to capitalization, and all expenditures have been recorded according to GASB Statement 49.

Four 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 12/31/2011	Future Petroleum	Future Solvents	Total
Bothell Landing	\$602,671	\$800,000	\$400,000	\$1,802,671
Bothell Riverside	341,902	50,000	400,000	791,902
Bothell Paint	659,933	400,000	400,000	1,459,933
Hertz Rentals	620,598	150,000	400,000	1,170,598
116th Partners Group - (Clean)	29,242			29,242
McDonalds - (Clean)	7,988			7,988
Northshore School District - (Clean)	1,678,545			1,678,545
Bothell City Hall - (Case Property)	78,001		2,000,000	2,078,001
Unassigned Sites	127,501	1,000,000		1,127,501
Upgradient Solvent Sources			3,500,000	3,500,000

**NOTE 16**  
**Leases**

**Operating Leases**

As of December 31, 2011, 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 \$4,300 per month.

## NOTE 17 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.

In the past, fund balance focused on whether resources were available for appropriations. Previous presentation distinguished unreserved fund balance (available for appropriation) from reserved fund balance (not available for appropriation, such as prepaid items, inventories, long term receivables, and resources externally restricted).

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. These constraints may be legal constraints. The new statement creates a hierarchy of fund balance classifications based on the constraints of the use of resources.

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 accordance with GASB Statement No. 54 and GAAP, the City closed two funds in 2011 - the

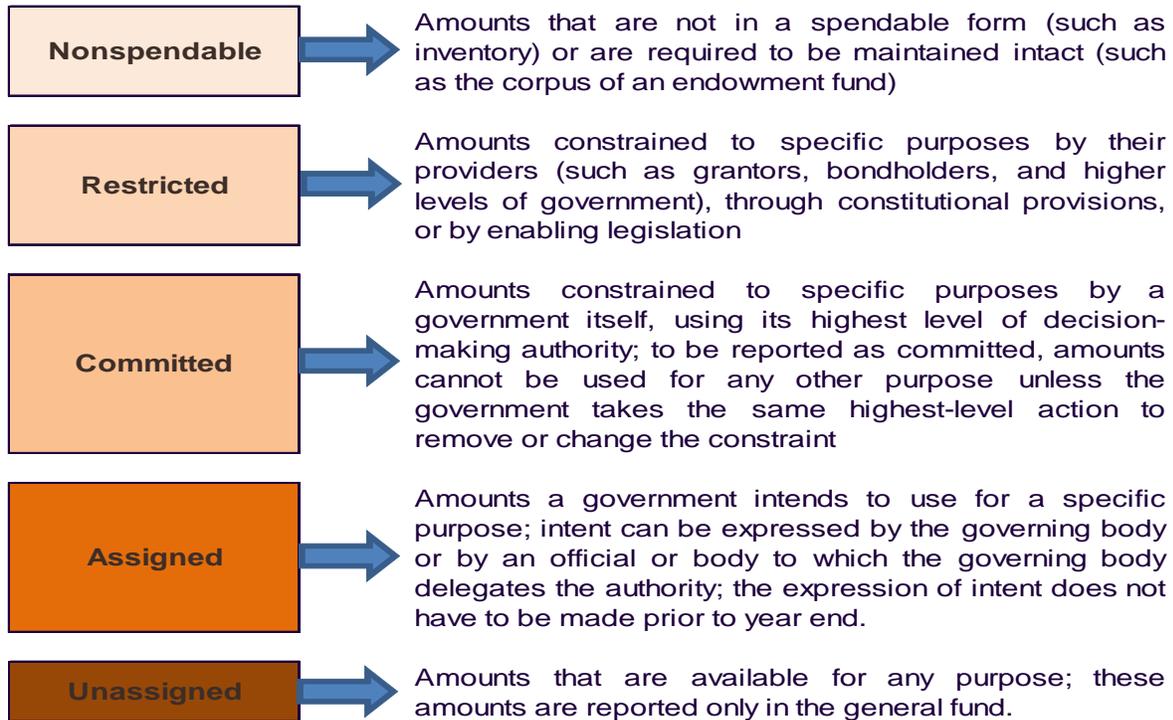
Cable TV Fund and the Nuisance Abatement Fund. Fund balances for these Funds (totaling \$9,788 - \$8,835 and \$953, respectively) were transferred to the General Fund.

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, such as in the 2011-2012 biennium, City Management promptly develops and implements a well-defined fiscal plan to replenish reserves.

The new fund balance classifications from the most restrictive to no restrictions are as follows:



### 2011 Governmental Funds Ending Balance

		Special Revenue Fund		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Arterial Street	Park Cum Reserve	Capital Improvements		
<b>Fund Balances:</b>						
<b>*Nonspendable:</b>						
Advance travel	\$15,000					\$15,000
Imprest funds	1,750					1,750
<b>*Restricted for:</b>						
Parks donations	5,108					5,108
Police donations	50,527					50,527
Fire donations	72,191					72,191
Community development donations	2,469					2,469
Tourism	76,551					76,551
Tourism capital	185,084					185,084
Transportation		1,563,501				1,563,501
Parks and recreation			665,295			665,295
Capital projects				7,065,239		7,065,239
Street maintainance					19,714	19,714
Drug forfeitures					3,537	3,537
Debt service					55,295	55,295
Cemetery services					16,321	16,321
<b>*Committed to:</b>						
Cemetery services					68,153	68,153
<b>*Assigned to:</b>						
Capital projects	1,711,130					1,711,130
<b>*Unassigned:</b>	1,587,189					1,587,189
	<b>\$3,706,999</b>	<b>\$1,563,501</b>	<b>\$665,295</b>	<b>\$7,065,239</b>	<b>\$163,020</b>	<b>\$13,164,053</b>

\*New fund balance classifications

**NOTE 18**  
**Fund Restatements**

The City's Agency Trust Fund holds deposits for other governmental units or individuals in lieu of performance and maintenance bonds. Prior to 2011, donations were deposited into the Agency Trust Fund. Donations were held until expenditures, were incurred then the donated amount, plus any interest earned, were transferred from the Agency Trust Fund to the City fund that incurred the expenditure.

Governmental Accounting Standards Board (GASB) Statement No. 34 states that an agency fund is a custodial relationship where the governmental entity receives monies that in the future,

is returned to the individual, private organization or other government.

In 2011, since donations and deferred revenues are not custodial in nature, the City transferred donations to the General Fund and deferred revenues to the Arterial Street Fund. These transfers, plus accrued interest, resulted in a net prior period adjustment amounting to \$957,404, which is reflected in the City's 2011 financial statements - donations transferred to the General Fund totaled \$401,241, while deferred revenue transferred to the Arterial Street totaled \$556,163.



**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget to Actual**  
**General Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts		2011 Actual Amounts Budgetary Basis	2012 Actual Amounts Budgetary Basis	Total 2011-2012 Actuals	Variance with Final Budget Positive (Negative)
	2011-2012 Original	Final				
<b>REVENUES</b>						
Taxes	\$58,343,576	\$58,343,576	\$25,079,355		\$25,079,355	(\$33,264,221)
Licenses and permits	2,464,674	2,464,674	1,028,825		1,028,825	(1,435,849)
Intergovernmental revenues	4,870,560	4,870,560	2,502,089		2,502,089	(2,368,471)
Charges for services	9,388,170	9,388,170	4,072,037		4,072,037	(5,316,133)
Fines and forfeitures	1,067,400	1,067,400	387,550		387,550	(679,850)
Interest earnings	1,300,000	1,300,000	304,260		304,260	(995,740)
Proceeds from sale of capital assets						
Contributions	50,000	50,000	50,930		50,930	930
Other revenue	442,000	442,000	402,265		402,265	(39,735)
<b>Total revenues</b>	<b>77,926,380</b>	<b>77,926,380</b>	<b>33,827,311</b>	<b>-</b>	<b>33,827,311</b>	<b>(44,099,069)</b>
<b>EXPENDITURES</b>						
Current:						
General government	18,272,025	18,272,025	8,702,807		8,702,807	9,569,218
Security of persons and property	42,937,981	42,937,981	19,958,652		19,958,652	22,979,329
Physical environment	8,848,420	8,848,420	4,183,070		4,183,070	4,665,350
Economic environment	5,951,584	5,951,584	2,864,765		2,864,765	3,086,819
Debt service						
Debt service - interest						
Capital outlay	361,498	361,498	80,945		80,945	280,553
<b>Total expenditures</b>	<b>76,371,508</b>	<b>76,371,508</b>	<b>35,790,239</b>	<b>-</b>	<b>35,790,239</b>	<b>40,581,269</b>
Excess of revenue over (under) expenditures	1,554,872	1,554,872	(1,962,928)		(1,962,928)	(3,517,800)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond anticipation note			1,711,130		1,711,130	1,711,130
Transfers in	180,000	200,169	200,169		200,169	
Transfers out	(1,734,872)	(1,734,872)	(695,140)		(695,140)	1,039,732
<b>Total other financing sources</b>	<b>(1,554,872)</b>	<b>(1,534,703)</b>	<b>1,216,159</b>	<b>-</b>	<b>1,216,159</b>	<b>2,750,862</b>
Net change in fund balances		20,169	(746,770)		(746,770)	(766,938)
FUND BALANCES - JANUARY 1, 2011	5,678,747	5,678,747	4,052,527		4,052,527	(1,626,220)
Prior year adjustment			401,241		401,241	401,241
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$5,678,747</b>	<b>\$5,698,916</b>	<b>\$3,706,999</b>	<b>-</b>	<b>\$3,706,999</b>	<b>(\$1,991,917)</b>

GAAP serves as the budgetary basis of accounting

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget to Actual**  
**Arterial Street Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts		2011 Actual Amounts Budgetary Basis	2012 Actual Amounts Budgetary Basis	Total 2011-2012 Actuals	Variance with Final Budget Positive (Negative)
	2011-2012					
	Original	Final				
<b>REVENUES</b>						
Intergovernmental revenues			\$1,785		\$1,785	\$1,785
Charges for services	5,166,016	5,166,016	607,870		607,870	(4,558,146)
Interest earnings	2,000	2,000	1,597		1,597	(403)
Contributions						
Total revenues	5,168,016	5,168,016	611,252	-	611,252	(4,556,764)
<b>EXPENDITURES</b>						
Current:						
Construction projects			1,073		1,073	(1,073)
Debt Service - principal						
Debt Service - interest						
Total expenditures	-	-	1,073	-	1,073	(1,073)
Excess of revenue over (under) expenditures	5,168,016	5,168,016	610,179		610,179	(4,557,837)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	(5,203,000)	(5,203,000)	(1,166,401)		(1,166,401)	4,036,599
Total other financing sources	(5,203,000)	(5,203,000)	(1,166,401)	-	(1,166,401)	4,036,599
Net change in fund balances	(34,984)	(34,984)	(556,222)		(556,222)	(521,238)
FUND BALANCES - JANUARY 1, 2011	1,072,114	1,072,114	1,563,560		1,563,560	491,446
Prior year adjustment			556,163		556,163	556,163
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$1,037,130</b>	<b>\$1,037,130</b>	<b>\$1,563,501</b>	<b>-</b>	<b>\$1,563,501</b>	<b>\$526,371</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, 2011**

	Budgeted Amounts 2011-2012		2011	2012	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2011-2012 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Charges for service	\$400,000	\$400,000				(\$400,000)
Taxes	80,000	80,000	41,704		41,704	(38,296)
Investment interest			411		411	411
Total revenues	<u>480,000</u>	<u>480,000</u>	<u>42,116</u>	<u>-</u>	<u>42,116</u>	<u>(437,884)</u>
Excess of revenues over (under) expenditures	480,000	480,000	42,116		42,116	(437,884)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out		(50,000)	(49,334)		(49,334)	666
Total other financing sources	<u>-</u>	<u>(50,000)</u>	<u>(49,334)</u>	<u>-</u>	<u>(49,334)</u>	<u>666</u>
Net change in fund balances	480,000	430,000	(7,219)		(7,219)	(437,219)
FUND BALANCES - JANUARY 1, 2011	1,233,293	1,233,293	672,514		672,514	(560,779)
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b><u>\$1,713,293</u></b>	<b><u>\$1,663,293</u></b>	<b><u>\$665,295</u></b>	<b><u>-</u></b>	<b><u>\$665,295</u></b>	<b><u>(\$997,998)</u></b>

GAAP serves as the budgetary basis of accounting

**City of Bothell**  
**LEOFF 1 Retiree Medical Benefits**  
**Schedule of Funding Progress**  
**For the Year Ended December 31, 2011**

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



## Non-major Governmental Funds

### Special Revenue Funds

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

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

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

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

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

### Permanent Funds

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

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

### Debt Service Funds

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

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

**City of Bothell**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**December 31, 2011**

Page 1 of 2

	Special Revenue Funds			
	Street	Cable TV	Drug Forfeitures	Nuisance Abatement
<b>ASSETS</b>				
Current cash & cash equivalents	\$11,139		\$354	
Investments			851	
Receivables (net of allowances)				
Taxes				
Due from other governmental units	131,073		2,332	
<b>TOTAL ASSETS</b>	<b>\$142,212</b>	-	<b>\$3,537</b>	-
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	60,713			
Compensated absences	30,639			
Payroll payable	31,146			
Unearned revenue				
Total liabilities	122,498	-	-	-
Fund balances				
Restricted	19,714		3,537	
Committed				
Total fund balances	19,714	-	3,537	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$142,212</b>	-	<b>\$3,537</b>	-

**City of Bothell**  
**Combining Balance Sheet**  
**Other Governmental Funds**  
**December 31, 2011**

	Permanent Fund	Debt Service Fund	
	Cemetery Endowment	2008 GO Refunding Bond	Total Other Governmental Funds
<b>ASSETS</b>			
Current cash & cash equivalents	\$1,434	\$67,157	\$80,085
Investments	83,040		83,892
Receivables (net of allowances)			
Taxes		18,562	18,562
Due from other governmental units			133,405
<b>TOTAL ASSETS</b>	<b>\$84,474</b>	<b>\$85,720</b>	<b>\$315,943</b>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts payable		\$11,863	\$72,576
Compensated absences			30,639
Payroll payable			31,146
Unearned revenue		18,562	18,562
Total liabilities	-	30,425	152,923
Fund balances			
Restricted	16,321	55,295	94,867
Committed	68,153		68,153
Total fund balances	84,474	55,295	163,020
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$84,474</b>	<b>\$85,720</b>	<b>\$315,943</b>

**City of Bothell**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended December 31, 2011**

Page 1 of 2

	Special Revenue Funds				Permanent Fund
	Street	Cable TV	Drug Forfeitures	Nuisance Abatement	Cemetery Endowment
<b>REVENUES</b>					
Taxes					
Licenses and permits	52,724				
Intergovernmental revenue	777,027				
Interest earnings			8		235
Charges for services	17,038		6,058		
Other revenue	3,383				
Total revenues	850,172	-	6,066	-	235
<b>EXPENDITURES</b>					
Current:					
Transportation	1,732,338				
Other expenditures			27,390	953	
Debt service:					
Principal retirement					
Interest					
Total expenditures	1,732,338	-	27,390	953	-
Excess of revenue over (under) expenditures	(882,166)		(21,324)	(953)	235
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	857,740				
Transfers out		(11,334)		(8,835)	
Total other financing sources	857,740	(11,334)	-	(8,835)	-
Net change in fund balances	(24,426)	(11,334)	(21,324)	(9,788)	235
FUND BALANCES - JANUARY 1, 2011	44,140	11,334	24,861	9,788	84,239
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$19,714</b>	<b>-</b>	<b>\$3,537</b>	<b>-</b>	<b>\$84,474</b>

**City of Bothell**  
**Combining Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Other Governmental Funds**  
**For the Year Ended December 31, 2011**

Page 2 of 2

	<b>Debt service Fund</b>	<b>Total Other</b>
	<b>2008</b>	<b>Governmental</b>
	<b>GO Refunding</b>	<b>Funds</b>
	<b>Bond</b>	<b>Funds</b>
<b>REVENUES</b>		
Taxes	\$775,244	\$775,244
Licenses and permits		52,724
Intergovernmental revenue		777,027
Interest earnings		243
Charges for services		23,096
Other revenue		3,383
Total revenues	775,244	1,631,717
<b>EXPENDITURES</b>		
Current:		
Transportation		1,732,338
Other expenditures	302	28,645
Debt service:		
Principal retirement	560,000	560,000
Interest	160,317	160,317
Total expenditures	720,618	2,481,300
Excess of revenue over (under) expenditures	54,626	(849,582)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in		857,740
Transfers out		(20,169)
Total other financing sources	-	837,571
Net change in fund balances	54,626	(12,011)
FUND BALANCES - JANUARY 1, 2011	669	175,031
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$55,295</b>	<b>\$163,020</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget to Actual**  
**Street Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts 2011-2012		2011	2012	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2011-2012 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Licenses and permits	\$120,000	\$120,000	\$52,724		\$52,724	(\$67,276)
Charges for services	615,000	315,000	17,038		17,038	(297,962)
Intergovernmental revenue	1,649,435	1,649,435	777,027		777,027	(872,408)
Miscellaneous			3,383		3,383	3,383
Total revenues	<u>2,384,435</u>	<u>2,084,435</u>	<u>850,172</u>	<u>-</u>	<u>850,172</u>	<u>(1,234,263)</u>
<b>EXPENDITURES</b>						
Current:						
Personnel services	1,470,675	1,470,675	738,403		738,403	732,272
Operating supplies	348,534	247,170	41,574		41,574	205,596
Taxes	2,000	2,000	269		269	1,731
Capital outlay						
Other services and charges	1,803,125	1,904,489	952,092		952,092	952,397
Total expenditures	<u>3,624,334</u>	<u>3,624,334</u>	<u>1,732,338</u>	<u>-</u>	<u>1,732,338</u>	<u>1,891,996</u>
Excess of revenue over (under) expenditures	(1,239,899)	(1,539,899)	(882,166)		(882,166)	657,733
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,300,072	1,600,072	857,740		857,740	(742,332)
Total other financing sources	<u>1,300,072</u>	<u>1,600,072</u>	<u>857,740</u>	<u>-</u>	<u>857,740</u>	<u>(742,332)</u>
Net change in fund balances	60,173	60,173	(24,426)		(24,426)	(84,599)
FUND BALANCES - JANUARY 1, 2011	301,623	301,623	44,140		44,140	(257,483)
FUND BALANCES - DECEMBER 31, 2011	<u>\$361,796</u>	<u>\$361,796</u>	<u>\$19,714</u>	<u>-</u>	<u>\$19,714</u>	<u>(\$342,082)</u>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget to Actual**  
**Cable TV Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts		2011 Actual Amounts Budgetary Basis	2012 Actual Amounts Budgetary Basis	Total 2011-2012 Actuals	Variance with Final Budget Positive (Negative)
	2011-2012					
	Original	Final				
<b>REVENUES</b>						
Interest earnings						
Total revenues	-	-	-	-	-	-
<b>EXPENDITURES</b>						
Current:						
Capital outlays						
Total expenditures	-	-	-	-	-	-
Excess of revenue over (under) expenditures						
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out		(11,334)	(11,334)		(11,334)	
Total other financing sources	-	(11,334)	(11,334)	-	(11,334)	-
Net change in fund balances		(11,334)	(11,334)		(11,334)	
FUND BALANCES - JANUARY 1, 2011	11,334	11,334	11,334		11,334	
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$11,334</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**  
**Drug Forfeitures Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts 2011-2012		2011	2012	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2011-2012 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Charges for services	\$44,000	\$44,000	\$6,058		\$6,058	(\$37,942)
Interest earnings			8		8	8
Total revenues	44,000	44,000	6,066	-	6,066	(37,934)
<b>EXPENDITURES</b>						
Current:						
Personnel services						
Operating supplies	14,400	14,400	1,308		1,308	13,092
Other services and charges	29,000	29,000	26,082		26,082	2,918
Total expenditures	43,400	43,400	27,390	-	27,390	16,010
Excess of revenue over (under) expenditures	600	600	(21,324)		(21,324)	(21,924)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out						
Total other financing sources	-	-	-	-	-	-
Net change in fund balances	600	600	(21,324)		(21,324)	(21,924)
FUND BALANCES - JANUARY 1, 2011	20,711	20,711	24,861		24,861	4,150
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$21,311</b>	<b>\$21,311</b>	<b>\$3,537</b>	<b>-</b>	<b>\$3,537</b>	<b>(\$17,774)</b>

**City of Bothell**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances – Budget to Actual**  
**Nuisance Abatement Fund**  
**For the Year Ended December 31, 2011**

	Budgeted Amounts		2011 Actual Amounts Budgetary Basis	2012 Actual Amounts Budgetary Basis	Total 2011-2012 Actuals	Variance with Final Budget Positive (Negative)
	2011-2012					
	Original	Final				
<b>EXPENDITURES</b>						
Other services and charges			\$953		\$953	(\$953)
Total expenditures	-	-	953	-	953	(953)
Excess of revenue over (under) expenditures			(953)		(953)	953
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out		(8,835)	(8,835)		(8,835)	(0)
Total other financing sources	-	(8,835)	(8,835)	-	(8,835)	(0)
Net change in fund balances		(8,835)	(9,788)		(9,788)	(953)
FUND BALANCES - JANUARY 1, 2011	494	494	9,788		9,788	9,294
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$494</b>	<b>(\$8,341)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$8,341</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, 2011**

	Budgeted Amounts 2011-2012		2011 Actual Amounts Budgetary Basis	2012 Actual Amounts Budgetary Basis	Total 2011-2012 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Interest earnings			\$235		\$235	\$235
Total revenues	-	-	235	-	235	235
<b>EXPENDITURES</b>						
Other services and charges	12,000	12,000				12,000
Total expenditures	12,000	12,000	-	-	-	12,000
Excess of revenue over (under) expenditures	(12,000)	(12,000)	235		235	12,235
Net change in fund balances	(12,000)	(12,000)	235		235	12,235
FUND BALANCES - JANUARY 1, 2011	84,192	84,192	84,239		84,239	47
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b><u>\$72,192</u></b>	<b><u>\$72,192</u></b>	<b><u>\$84,474</u></b>	<b><u>-</u></b>	<b><u>\$84,474</u></b>	<b><u>\$12,282</u></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, 2011**

	Budgeted Amounts 2011-2012		2011	2012	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2011-2012 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Taxes	\$1,500,000	\$1,500,000	\$775,244		\$775,244	(\$724,756)
Total revenues	1,500,000	1,500,000	775,244	-	775,244	(724,756)
<b>EXPENDITURES</b>						
Current:						
Principal retirement	1,140,000	1,140,000	560,000		560,000	580,000
Interest	304,300	304,300	160,317		160,317	143,983
Miscellaneous	25,700	25,700	302		302	25,398
Total expenditures	1,470,000	1,470,000	720,618	-	720,618	749,382
Excess of revenue over (under) expenditures	30,000	30,000	54,626		54,626	24,626
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in						
Total other financing sources	-	-	-	-	-	-
Net change in fund balances	30,000	30,000	54,626		54,626	24,626
FUND BALANCES - JANUARY 1, 2011	31,232	31,232	669		669	(30,563)
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<b>\$61,232</b>	<b>\$61,232</b>	<b>\$55,295</b>	<b>-</b>	<b>\$55,295</b>	<b>(\$5,937)</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 Assets**  
**Internal Service Funds**  
**December 31, 2011**

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$46,314	\$30,140	\$250,454	\$326,908
Investments	20,570		1,638,109	1,658,679
Advances receivable			250,000	250,000
Total current assets	<u>66,884</u>	<u>30,140</u>	<u>2,138,562</u>	<u>2,235,587</u>
Non-current assets:				
Advances receivable			1,782,000	1,782,000
Capital assets, net of depreciation:				
Equipment - shop	10,474		163,947	174,422
Equipment - vehicles			2,232,597	2,232,597
Improvements	6,460		828,758	835,218
Total capital assets, net of depreciation	<u>16,935</u>		<u>3,225,302</u>	<u>3,242,237</u>
Total non-current assets	<u>16,935</u>	<u>-</u>	<u>5,007,302</u>	<u>5,024,237</u>
Total assets	<u>83,819</u>	<u>30,140</u>	<u>7,145,865</u>	<u>7,259,824</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	41,731	17,331	26,641	85,704
Payroll payable	11,575	4,886		16,460
Compensated absences	<u>13,835</u>	<u>6,019</u>		<u>19,854</u>
Total liabilities	67,141	28,236	26,641	122,019
<b>NET ASSETS</b>				
Investment in capital assets, net of related debt	16,935		3,225,302	3,242,237
Unrestricted	<u>(257)</u>	<u>1,904</u>	<u>3,893,921</u>	<u>3,895,568</u>
Total net assets	<u>\$16,678</u>	<u>\$1,904</u>	<u>\$7,119,223</u>	<u>\$7,137,805</u>

**City of Bothell**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Assets**  
**Internal Service Funds**  
**For the Year Ended December 31, 2011**

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
Operating revenues:				
Charges for services	\$941,514	\$824,943		\$1,766,457
Intergovernmental revenues			8,008	8,008
Total operating revenues	<u>941,514</u>	<u>824,943</u>	<u>8,008</u>	<u>1,774,465</u>
Operating expenses:				
Maintenance and operations	686,143		60,603	746,746
Administration	188,126	965,431		1,153,556
Depreciation & amortization	3,342		775,839	779,181
Total operating expenses	<u>877,610</u>	<u>965,431</u>	<u>836,442</u>	<u>2,679,483</u>
Operating income (loss)	<u>63,903</u>	<u>(140,487)</u>	<u>(828,434)</u>	<u>(905,018)</u>
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets			19,762	19,762
Interest earnings	109		3,575	3,684
Total non-operating revenues (expenses)	<u>109</u>	<u>-</u>	<u>23,337</u>	<u>23,446</u>
Income (loss) before contributions and transfers	64,012	(140,487)	(805,098)	(881,573)
Contributed capital				
Transfers in		137,400	178,022	315,422
Transfers out	<u>(178,022)</u>		<u>(554,500)</u>	<u>(732,522)</u>
Change in net assets	<u>(114,010)</u>	<u>(3,087)</u>	<u>(1,181,576)</u>	<u>(1,298,673)</u>
Net assets - beginning	<u>130,687</u>	<u>4,991</u>	<u>8,300,799</u>	<u>8,436,478</u>
<b>Net assets - ending</b>	<b><u>\$16,678</u></b>	<b><u>\$1,904</u></b>	<b><u>\$7,119,223</u></b>	<b><u>\$7,137,805</u></b>

**City of Bothell**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended December 31, 2011**

	Governmental Activities Internal Service Funds			Total
	Equipment Rental	Self Insurance	Asset Replacement	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$1,052,181	\$824,943	\$8,008	\$1,885,132
Cash paid to employees for services	(157,301)	(77,062)		(234,363)
Cash paid to suppliers for goods and services	(827,137)	(887,453)	126,456	(1,588,134)
Net cash provided (used) by operating activities	<u>67,744</u>	<u>(139,572)</u>	<u>134,463</u>	<u>62,635</u>
<b>CASH FLOWS FROM NON-OPERATING ACTIVITIES</b>				
Transfers out	(178,022)		(554,500)	(732,522)
Transfers in		137,400	178,022	315,422
Net cash provided (used) by non-operating activities	<u>(178,022)</u>	<u>137,400</u>	<u>(376,478)</u>	<u>(417,100)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets			(603,242)	(603,242)
Proceeds from sales of capital assets			19,762	19,762
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(583,480)</u>	<u>(583,480)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sales and maturities of investments	17,891		(1,500,117)	(1,482,226)
Interest and dividends	109		3,575	3,684
Net cash provided by investing activities	<u>18,000</u>	<u>-</u>	<u>(1,496,542)</u>	<u>(1,478,542)</u>
Net increase (decrease) in cash and cash equivalents	<u>(92,278)</u>	<u>(2,172)</u>	<u>(2,322,036)</u>	<u>(2,416,486)</u>
Balances - beginning	138,593	32,312	2,572,490	2,743,395
<b>Balances - ending</b>	<b><u>\$46,314</u></b>	<b><u>\$30,140</u></b>	<b><u>\$250,454</u></b>	<b><u>\$326,908</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$63,903	(\$140,487)	(\$828,434)	(\$905,018)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	3,342		775,839	779,181
Change in assets and liabilities:				
Decrease (increase) in accounts receivable		1,979	700	2,679
Decrease (increase) in loan receivable			250,000	250,000
Decrease (increase) in due from other governments				
Increase (decrease) in accounts payable	3,906	(4,762)	(63,641)	(64,497)
Increase (decrease) in compensated absences payable	(4,478)	3,538		(939)
Increase (decrease) in payroll payable	1,071	160		1,230
Net cash provided by operating activities	<u>\$67,744</u>	<u>(\$139,572)</u>	<u>\$134,463</u>	<u>\$62,635</u>
<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, 2011**

	<u>Balance 1/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2011</u>
<b>Assets:</b>				
Cash	\$1,214,464	\$1,507,328	\$2,542,713	\$179,079
Investments	168,092	347	168,439	
<b>Total Assets</b>	<b><u>\$1,382,556</u></b>	<b><u>\$1,507,674</u></b>	<b><u>\$2,711,152</u></b>	<b><u>\$179,079</u></b>
<b>Liabilities:</b>				
Accounts payable	\$37,428	\$572,338	\$564,821	\$29,911
Funds held in trust	1,345,128	1,785,679	601,151	160,599
Other liabilities		11,779	347	(11,432)
<b>Total Liabilities</b>	<b><u>\$1,382,556</u></b>	<b><u>\$2,369,795</u></b>	<b><u>\$1,166,318</u></b>	<b><u>\$179,079</u></b>



City of Bothell™



**City of Bothell**  
**Schedule of Operations – Budget to Actual**  
**Water Fund**  
**For the Year Ended December 31, 2011**

	<u>Budgeted Amounts</u>		<u>2011 Actual Amounts Budgetary Basis</u>	<u>2012 Actual Amounts Budgetary Basis</u>	<u>Total 2011-2012 Actuals</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>2011-2012</u>					
	<u>Original</u>	<u>Final</u>				
<b>OPERATING REVENUES</b>						
Intergovernmental revenues	\$15,000	\$15,000	\$13,975		\$13,975	(\$1,025)
Charges for services	7,549,539	7,549,539	3,196,598		3,196,598	(4,352,941)
Total operating revenues	<u>7,564,539</u>	<u>7,564,539</u>	<u>3,210,573</u>	<u>-</u>	<u>3,210,573</u>	<u>(4,353,966)</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	957,488	957,488	482,451		482,451	475,037
Purchase water	3,069,997	3,069,997	1,497,612		1,497,612	1,572,385
Maintenance and operation	1,742,251	1,742,251	838,385		838,385	903,866
Customer accounts	264,455	264,455	136,144		136,144	128,311
Taxes	603,000	603,000	279,158		279,158	323,842
Capital outlay	769,343	769,343				769,343
Debt	225,200	225,200				225,200
Depreciation and amortization	800,000	800,000	466,010		466,010	333,990
Total operating expenses	<u>8,431,734</u>	<u>8,431,734</u>	<u>3,699,760</u>	<u>-</u>	<u>3,699,760</u>	<u>4,731,974</u>
OPERATING INCOME (LOSS)	<u>(867,195)</u>	<u>(867,195)</u>	<u>(489,187)</u>	<u>-</u>	<u>(489,187)</u>	<u>378,008</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings	10,390	10,390	264		264	(10,126)
Interest expense	(16,890)	(16,890)	(8,445)		(8,445)	8,445
Total non-operating revenue (expense)	<u>(6,500)</u>	<u>(6,500)</u>	<u>(8,181)</u>	<u>-</u>	<u>(8,181)</u>	<u>(1,681)</u>
Income (loss) before contributions and transfers	<u>(873,695)</u>	<u>(873,695)</u>	<u>(497,368)</u>		<u>(497,368)</u>	<u>376,327</u>
Transfers out						
Contributions			23,000		23,000	23,000
Net assets - beginning, January 1, 2011	13,527,678	13,527,678	12,991,258		12,991,258	(536,420)
Net assets - ending, December 31, 2011	<u>\$12,653,983</u>	<u>\$12,653,983</u>	<u>\$12,516,889</u>	<u>-</u>	<u>\$12,516,889</u>	<u>(\$137,094)</u>

**City of Bothell**  
**Schedule of Operations – Budget to Actual**  
**Sewer Fund**  
**For the Year Ended December 31, 2011**

	2011-2012		2011	2012	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2011-2012	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenues						
Charges for services	\$11,232,663	\$11,232,663	\$5,012,251		\$5,012,251	(\$6,220,412)
Total operating revenues	11,232,663	11,232,663	5,012,251	-	5,012,251	(6,220,412)
<b>OPERATING EXPENSES</b>						
Administrative and general	912,035	912,035	462,479		462,479	449,556
Metro service	7,303,635	7,303,635	3,546,825		3,546,825	3,756,810
Maintenance and operation	1,483,509	1,483,509	710,267		710,267	773,242
Customer accounts	267,775	267,775	133,835		133,835	133,940
Taxes	626,000	626,000	282,287		282,287	343,713
Capital outlay	763,782	763,782				763,782
Depreciation and amortization	545,000	545,000	318,549		318,549	226,451
Total operating expenses	11,901,736	11,901,736	5,454,241	-	5,454,241	6,447,495
OPERATING INCOME (LOSS)	(669,073)	(669,073)	(441,990)	-	(441,990)	227,083
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Investment earnings	16,818	16,818	582		582	(16,236)
Total non-operating revenue (expense)	16,818	16,818	582	-	582	(16,236)
Income (loss) before contributions and transfers	(652,255)	(652,255)	(441,409)		(441,409)	210,846
Operating transfers out						
Contributions			30,600		30,600	30,600
Net assets - beginning, January 1, 2011	11,310,226	11,310,226	11,120,338		11,120,338	(189,888)
<b>Net assets - ending, December 31, 2011</b>	<b>\$10,657,971</b>	<b>\$10,657,971</b>	<b>\$10,709,530</b>	<b>-</b>	<b>\$10,709,530</b>	<b>\$51,559</b>

**City of Bothell**  
**Schedule of Operations – Budget to Actual**  
**Storm Drain Fund**  
**For the Year Ended December 31, 2011**

	2011-2012 Budgeted Amounts		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenues	\$808,698	\$808,698	\$269,228		\$269,228	(\$539,470)
Charges for services	5,297,153	5,297,153	2,657,831		2,657,831	(2,639,322)
Other	21,000	21,000				(21,000)
Total operating revenues	6,126,851	6,126,851	2,927,059	-	2,927,059	(3,199,792)
<b>OPERATING EXPENSES</b>						
Administrative and general	2,359,987	2,359,987	1,178,118		1,178,118	1,181,869
Maintenance and operation	2,706,084	2,706,084	1,201,030		1,201,030	1,505,054
Taxes	50,000	50,000	41,953		41,953	8,047
Capital outlay	1,538,996	1,538,996				1,538,996
Depreciation and amortization	760,000	760,000	440,355		440,355	319,645
Total operating expenses	7,415,067	7,415,067	2,861,456	-	2,861,456	4,553,611
OPERATING INCOME (LOSS)	(1,288,216)	(1,288,216)	65,603	-	65,603	1,353,819
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Loan	(500,000)	(500,000)				500,000
Investment earnings	15,282	15,282	505		505	(14,777)
Interest expense	(38,140)	(38,140)	(3,458)		(3,458)	34,682
Total non-operating revenue (expense)	(522,858)	(522,858)	(2,953)	-	(2,953)	519,905
Income (loss) before contributions and transfers	(1,811,074)	(1,811,074)	62,649		62,649	1,873,723
Operating transfers out						
Contributions			187,900		187,900	187,900
Net assets - beginning, January 1, 2011	13,602,861	13,602,861	10,955,286		10,955,286	(2,647,575)
<b>Net assets - ending, December 31, 2011</b>	<b>\$11,791,787</b>	<b>\$11,791,787</b>	<b>\$11,205,835</b>	<b>-</b>	<b>\$11,205,835</b>	<b>(\$585,952)</b>

**City of Bothell**  
**Schedule of Operations – Budget to Actual**  
**Equipment Rental Fund**  
**For the Year Ended December 31, 2011**

	2011-2012		2011	2012	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2011-2012	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Charges for services						
Proceeds from sale of capital assets						
Intergovernmental revenue	\$2,957,338	\$2,957,338	\$941,514		\$941,514	(\$2,015,824)
Total operating revenues	2,957,338	2,957,338	941,514	-	941,514	(2,015,824)
<b>OPERATING EXPENSES</b>						
Administrative and general	356,701	356,701	188,126		188,126	168,575
Maintenance and operation	1,248,788	1,248,788	686,143		686,143	562,645
Depreciation			3,342		3,342	(3,342)
Total operating expenses	1,605,489	1,605,489	877,610	-	877,610	727,879
OPERATING INCOME (LOSS)	1,351,849	1,351,849	63,903	-	63,903	(1,287,946)
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings			109		109	109
Total non-operating revenue (expense)	-	-	109	-	109	109
Income (loss) before contributions and transfers	1,351,849	1,351,849	64,012		64,012	(1,287,837)
Transfers out	(1,352,090)	(1,352,090)	(178,022)		(178,022)	1,174,068
Transfers in						
Net assets - beginning, January 1, 2011	40,306	40,306	130,687		130,687	90,381
Net assets - ending, December 31, 2011	<u>\$40,065</u>	<u>\$40,065</u>	<u>\$16,678</u>	<u>-</u>	<u>\$16,678</u>	<u>(\$23,387)</u>

**City of Bothell**  
**Schedule of Operations – Budget to Actual**  
**Self Insurance Fund**  
**For the Year Ended December 31, 2011**

	2011-2012 Budgeted Amounts		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final	Budgetary Basis	Budgetary Basis		
<b>OPERATING REVENUES</b>						
Insurance recovery	\$50,000	\$50,000	\$30,707		\$30,707	(\$19,293)
Charges for insurance premiums	1,633,278	1,633,278	794,236		794,236	(839,042)
Total operating revenues	1,683,278	1,683,278	824,943	-	824,943	(858,335)
<b>OPERATING EXPENSES</b>						
Administrative and general	1,633,277	1,633,277	750,727		750,727	882,550
Health insurance services	434,800	434,800	214,704		214,704	220,096
Total operating expenses	2,068,077	2,068,077	965,431	-	965,431	1,102,646
OPERATING INCOME (LOSS)	(384,799)	(384,799)	(140,487)	-	(140,487)	244,312
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings						
Total non-operating revenue (expense)	-	-	-	-	-	-
Income (loss) before contributions and transfers	(384,799)	(384,799)	(140,487)		(140,487)	244,312
Transfers in	434,800	434,800	137,400		137,400	(297,400)
Net assets - beginning, January 1, 2011	5,148	5,148	4,991		4,991	(157)
<b>Net assets - ending, December 31, 2011</b>	<b>\$55,149</b>	<b>\$55,149</b>	<b>\$1,904</b>	<b>-</b>	<b>\$1,904</b>	<b>(\$53,245)</b>

**City of Bothell**  
**Schedule of Operations – Budget to Actual**  
**Asset Replacement Fund**  
**For the Year Ended December 31, 2011**

	2011-2012		2011	2012	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2011-2012	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>OPERATING REVENUES</b>						
Intergovernmental revenue			\$8,008		\$8,008	\$8,008
Total operating revenues	-	-	8,008	-	8,008	8,008
<b>OPERATING EXPENSES</b>						
Capital outlay	1,981,135	1,981,135				1,981,135
Maintenance and operations			60,603		60,603	(60,603)
Administrative and general	362,326	362,326				362,326
Depreciation	1,295,000	1,295,000	775,839		775,839	519,161
Total operating expenses	3,638,461	3,638,461	836,442	-	836,442	2,802,019
OPERATING INCOME (LOSS)	(3,638,461)	(3,638,461)	(828,434)	-	(828,434)	2,810,027
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest earnings	86,502	86,502	3,575		3,575	(82,927)
Loan	500,000	500,000				(500,000)
Proceeds from the sale of capital assets	118,500	118,500	19,762		19,762	(98,738)
Total non-operating revenue (expense)	705,002	705,002	23,337	-	23,337	(681,665)
Income (loss) before contributions and transfers	(2,933,459)	(2,933,459)	(805,098)		(805,098)	2,128,361
Transfers in	1,352,090	1,352,090	178,022		178,022	(1,174,068)
Transfers out	(380,000)	(680,000)	(554,500)		(554,500)	125,500
Net assets - beginning, January 1, 2011	5,694,336	5,694,336	8,300,799		8,300,799	2,606,463
<b>Net assets - ending, December 31, 2011</b>	<b>\$3,732,967</b>	<b>\$3,432,967</b>	<b>\$7,119,223</b>	<b>-</b>	<b>\$7,119,223</b>	<b>\$3,686,256</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, 2011**

Grantor/Pass Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenditures		
			Direct	Pass-Through	Total
Department of Homeland Security/Washington State Military Department					
<u>Emergency Management Performance Grant (97.042)</u>					
Emergency Management Performance Grant	97.042	E10-245		\$9,164	\$9,164
Emergency Management Performance Grant	97.042	E12-044		16,032	16,032
<b>Dept of Homeland Security Total:</b>			-	<b>25,196</b>	<b>25,196</b>
Department of Justice					
<u>Bulletproof Vest Partnership Program (16.607)</u>					
Bulletproof Vest Partnership Program	16.607	100054358	8,008		8,008
<b>Dept of Justice Total:</b>			<b>8,008</b>	-	<b>8,008</b>
Department of Transportation/Washington State DOT					
<u>Highway Planning &amp; Construction (20.205)</u>					
240th Street Bridge Replacement	20.205	BRM-2459 (001)		1,821,676	1,821,676
Citywide ITS Improvements	20.205	CM-0110 (006)		867,499	867,499
North Creek Trail Section 1, Stage 1	20.205	CM-0110 (010)		17,410	17,410
North Creek Trail Section 3	20.205	CM-STPE-0110 (011)		104,009	104,009
SR522 - Widening & Realign @ Wayne Curve	20.205	STPF-STPUL-0522 (032)		630,726	630,726
SR522 Multi-Modal Corridor - Stage 2	20.205	STPF-STPUL-0522 (051)		61,831	61,831
SR524, Filbert Road	20.205	ER-0801 (133)		108,818	108,818
SR527 Improvements	20.205	HPP-0527 (006)		15,736	15,736
SR527 Improvements	20.205	STPUL-0527 (005)		977,254	977,254
Subtotal			-	4,604,959	4,604,959
American Recovery & Reinvestment Act (ARRA)/Department of Transportation/Washington State DOT					
<u>ARRA - Highway Planning &amp; Construction (20.205)</u>					
* ARRA - Arterial Roadway Preservation	20.205	ARRA-2567 (001)		23,272	23,272
* ARRA - North Creek Trail Section 2, Stage 2, Phase 2	20.205	ARRA-0110 (009)		91,577	91,577
Subtotal			-	114,849	114,849
Department of Transportation/Washington Traffic Safety Commission					
<u>Alcohol Impaired Driving Countermeasures Incentive (20.601)</u>					
DUI Emphasis Patrols	20.601	NA		418	418
Department of Transportation/Washington Traffic Safety Commission					
<u>Safety Belt Performance Grants (20.609)</u>					
Target Zero Emphasis Patrols	20.609	NA		922	922
<b>Dept of Transportation Total:</b>			-	<b>4,721,149</b>	<b>4,721,149</b>
Environmental Protection Agency					
<u>Brownsfield Assessment and Cleanup Cooperative Agreements (66.818)</u>					
Brownsfield Cleanup: Bothell Landing Commercial Center Site	66.818	BF-00J02601	7,890		7,890
<b>Environmental Protection Agency Total:</b>			<b>7,890</b>	-	<b>7,890</b>
<b>Total Federal Assistance for 2011:</b>			<b>\$15,898</b>	<b>\$4,746,344</b>	<b>\$4,762,242</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.

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

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

**City of Bothell**  
**Schedule 16**  
**Schedule of State and Local Financial Assistance**  
**For the Year Ended December 31, 2011**

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
King Conservation District			
Bothell Restoration Training Program	337.07.00	NA	\$29,388
Youth Water Education/Conservation Program	337.07.00	NA	7,453
<b>King Conservation District Total:</b>			<b>36,841</b>
King County			
Injury Prevention Grant	337.07.00	D40819D	3,329
King County Conservation Futures Grant	339.09.01	NA	33,609
Local Hazardous Waste Management Program	337.07.00	D40569D	15,195
Project RAMPART	337.09.01	DVS2011-216	4,000
SR 522 Phase 1 Improvement Project	337.07.01	NA	328,162
Waste Reduction & Recycling	337.07.00	D39891D	43,333
<b>King County Total:</b>			<b>427,627</b>
Snohomish County			
Snohomish County Conservation Futures Grant	337.09.00	NA	200,000
<b>Snohomish County Total:</b>			<b>200,000</b>
Sound Transit (Central Puget Sound Regional Transit Authority)			
SR 522 HOV Enhancements	337.07.00	NA	2,571,679
<b>Sound Transit Total:</b>			<b>2,571,679</b>
Washington State Department of Commerce			
North Creek Forest Acquisition Grant	334.04.20	11-93205-004	194,000
<b>Washington State Dept of Commerce Total:</b>			<b>194,000</b>
Washington State Department of Ecology			
Bothell Crossroads Contamination	334.03.10	G0900245	13,139
Bothell Crossroads Contamination	334.03.10	G1100263	20,217
Comprehensive Shoreline Master Program Update	334.03.10	G1000013	56,871
Coordinated Prevention Grant	334.03.10	G1000391	28,707
Municipal Stormwater Capacity Grant	334.03.10	G1100021	125,615
Phase II Stormwater Pass-through Grant	334.03.10	G1000212	3,267
<b>Washington State Dept of Ecology Total:</b>			<b>247,816</b>
Washington State Department of Health			
EMS Prehospital Participation Grant	334.04.90	SFT2011	1,738
<b>Washington State Dept of Health Total:</b>			<b>1,738</b>
Washington State Department of Transportation (WSDOT)			
SR 522 Multi-Modal Corridor Projects	334.03.20	GCA-5685	405,434
SR 522 Stage 2A Improvements	334.03.20	GCA-6509	196,380
<b>Washington State Dept of Transportation Total:</b>			<b>601,814</b>
Washington State Public Works Board			
SR 522 Stage 1 Improvements	334.04.20	UV09-951-093	804,040
<b>Washington State Public Works Board Total:</b>			<b>804,040</b>
Washington State Transportation Improvement Board			
SR 522 - NE 180th St to Western City Limits	334.03.80	9-P-114 (004)-1	683,610
<b>Washington State Transportation Improvement Board Total:</b>			<b>683,610</b>
<b>Total State &amp; Local Financial Assistance for 2011:</b>			<b>\$5,769,166</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, 2011**

<u>Year Ended December 31, 2011</u>	<u>Interest Rate Range</u>	<u>Interest June 1</u>	<u>Interest December 1</u>	<u>Principal December 1</u>	<u>Total Debt Service</u>
2012	3.5 to 4%	\$71,175	\$71,175	\$580,000	\$722,350
2013	3.5 to 4%	61,025	61,025	605,000	727,050
2014	3.625 to 4%	50,438	50,438	620,000	720,875
2015	3.75 to 4%	39,200	39,200	640,000	718,400
2016	4%	27,200	27,200	665,000	719,400
2017	4%	13,900	13,900	695,000	722,800
	<b>Total</b>	<b>\$262,938</b>	<b>\$262,938</b>	<b>\$3,805,000</b>	<b>\$4,330,875</b>

**City of Bothell**  
**Bond Anticipation Note**  
**December 31, 2011**

<u>Year Ended</u> <u>December 31, 2011</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>
2012	1.180%	\$354,000		\$354,000
2013	1.180%	354,000		354,000
2014	1.180%	29,500	30,000,000	30,029,500
	<b>Total</b>	<b>\$737,500</b>	<b>\$30,000,000</b>	<b>\$30,737,500</b>

**City of Bothell**  
**Northshore School District Loan**  
**December 31, 2011**

<u>Year Ended December 31, 2011</u>	<u>Interest Rate Range</u>	<u>Interest</u>	<u>Principal December 31</u>	<u>Total Debt Service</u>
2012	3.0%	\$87,500	\$8,750,000	\$8,837,500
	<b>Total</b>	<b>\$87,500</b>	<b>\$8,750,000</b>	<b>\$8,837,500</b>

**City of Bothell**  
**Public Works Trust Fund Loan**  
**PW-98-791-007**  
**December 31, 2011**

<u>Year Ended December 31, 2011</u>	<u>Interest Rate</u>	<u>Interest July 1</u>	<u>Principal July 1</u>	<u>Total Debt Service</u>
2012	1%	\$7,882	\$112,599	\$120,481
2013	1%	6,756	112,599	119,355
2014	1%	5,630	112,599	118,229
2015	1%	4,504	112,599	117,103
2016	1%	3,378	112,599	115,977
2017	1%	2,252	112,599	114,851
2018	1%	1,126	112,599	113,725
	<b>Total</b>	<b>\$31,528</b>	<b>\$788,191</b>	<b>\$819,718</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, 2011**

	2011-2012		2011	2012	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2011-2012	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes	\$5,755,322	\$5,755,322	\$1,823,048		\$1,823,048	(\$3,932,274)
Intergovernmental revenues	26,684,966	26,684,966	10,419,229		10,419,229	(16,265,737)
Charges for services						
Investment interest	200,000	200,000				(200,000)
Proceeds from sale of capital assets	15,869,540	15,869,540				(15,869,540)
Rents	150,000	150,000	39,750		39,750	(110,250)
Contributions						
Total revenues	<u>48,659,828</u>	<u>48,659,828</u>	<u>12,282,028</u>	<u>-</u>	<u>12,282,028</u>	<u>(36,377,800)</u>
<b>EXPENDITURES</b>						
Current:						
Capital outlay	70,729,298	70,729,298	16,900,106		16,900,106	53,829,192
Debt issue costs						
Debt principle	20,000,000	20,000,000	22,741,611		22,741,611	(2,741,611)
Interest expense	300,000	300,000	420,978		420,978	(120,978)
Total expenditures	<u>91,029,298</u>	<u>91,029,298</u>	<u>40,062,695</u>	<u>-</u>	<u>40,062,695</u>	<u>50,966,603</u>
Excess of revenue over (under) expenditures	(42,369,470)	(42,369,470)	(27,780,667)		(27,780,667)	14,588,803
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond anticipation note	37,236,771	37,236,771	28,288,870		28,288,870	(8,947,901)
Loan						
Transfers in	5,403,000	5,453,000	1,290,235		1,290,235	(4,162,765)
Transfers out	(1,500,000)	(1,500,000)				1,500,000
Total other financing sources	<u>41,139,771</u>	<u>41,189,771</u>	<u>29,579,105</u>	<u>-</u>	<u>29,579,105</u>	<u>(11,610,666)</u>
Net change in fund balances	(1,229,699)	(1,179,699)	1,798,438		1,798,438	2,978,137
FUND BALANCES - JANUARY 1, 2011	4,700,268	4,700,268	5,266,801		5,266,801	566,533
<b>FUND BALANCES - DECEMBER 31, 2011</b>	<u><b>\$3,470,569</b></u>	<u><b>\$3,520,569</b></u>	<u><b>\$7,065,239</b></u>	<u><b>-</b></u>	<u><b>\$7,065,239</b></u>	<u><b>\$3,544,670</b></u>



City of Bothell™



# Statistical Section

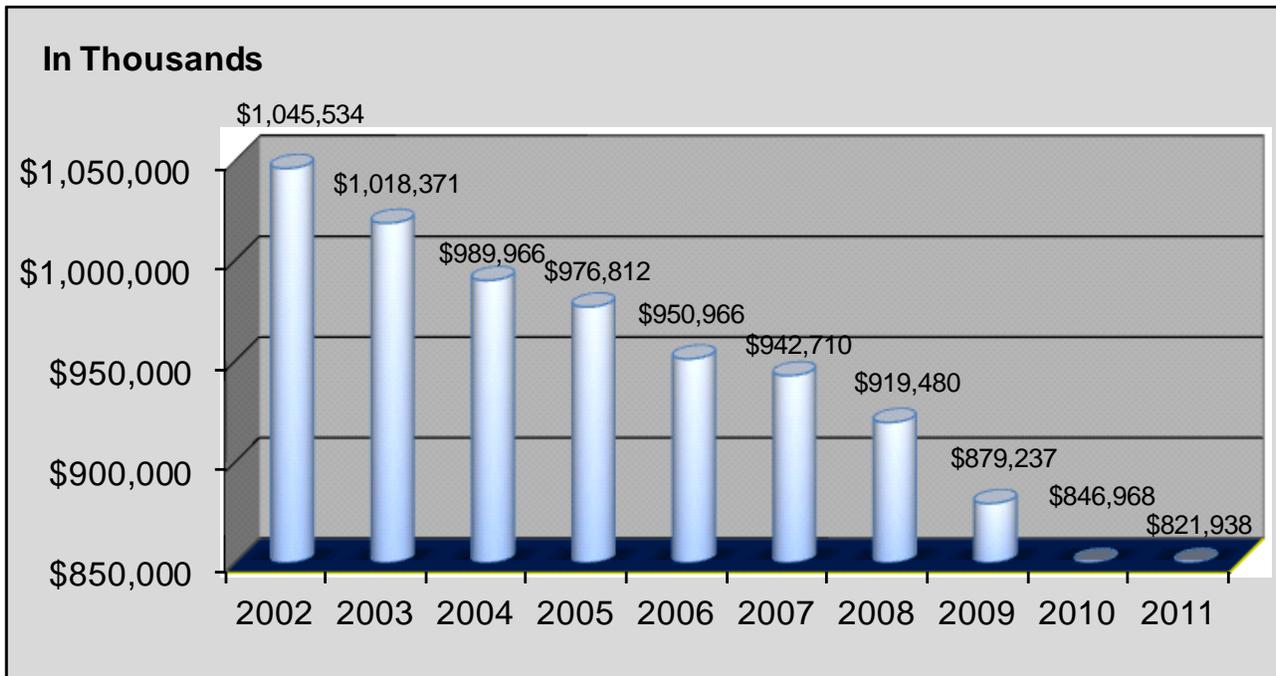
This part of the City of Bothell’s comprehensive annual financial report presents detailed data as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

<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 Assets by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$986,435,737	\$957,239,957	\$926,564,388	\$908,007,883	\$872,520,256
Restricted	367,399	358,713	536,635	515,178	
Unrestricted	33,517,097	34,527,209	35,923,716	39,434,906	46,594,330
<b>Total governmental activities net assets</b>	<b>1,020,320,233</b>	<b>992,125,879</b>	<b>963,024,739</b>	<b>947,957,967</b>	<b>919,114,586</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	19,105,935	19,344,446	19,505,269	20,160,168	22,312,164
Restricted	45,950	45,950	45,950	45,960	45,960
Unrestricted	6,062,075	6,854,312	7,390,151	8,648,183	9,493,206
<b>Total business-type activities net assets</b>	<b>25,213,960</b>	<b>26,244,708</b>	<b>26,941,370</b>	<b>28,854,311</b>	<b>31,851,330</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	1,005,541,672	976,584,403	946,069,657	928,168,051	894,832,420
Restricted	413,349	404,663	582,585	561,138	45,960
Unrestricted	39,579,172	41,381,521	43,313,867	48,083,089	56,087,536
<b>Total primary government net assets</b>	<b>\$1,045,534,193</b>	<b>\$1,018,370,587</b>	<b>\$989,966,109</b>	<b>\$976,812,278</b>	<b>\$950,965,916</b>



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

	Fiscal Year				
	2007	2008	2009	2010	2011
Governmental activities					
Invested in capital assets, net of related debt	\$851,902,746	\$841,148,841	\$829,995,723	\$797,260,030	\$772,845,492
Restricted				7,754,246	9,780,831
Unrestricted	56,832,220	44,506,169	14,636,710	6,887,300	4,879,019
<b>Total governmental activities net assets</b>	<b>908,734,966</b>	<b>885,655,008</b>	<b>844,632,433</b>	<b>811,901,576</b>	<b>787,505,342</b>
Business-type activities					
Invested in capital assets, net of related debt	22,148,994	22,894,341	25,684,286	32,408,696	32,660,784
Restricted	45,960	45,960			
Unrestricted	11,780,119	10,884,406	8,920,530	2,658,185	1,771,470
<b>Total business-type activities net assets</b>	<b>33,975,073</b>	<b>33,824,706</b>	<b>34,604,816</b>	<b>35,066,881</b>	<b>34,432,254</b>
Primary government					
Invested in capital assets, net of related debt	874,051,740	864,043,182	855,680,009	829,668,726	805,506,276
Restricted	45,960	45,960		7,754,246	9,780,831
Unrestricted	68,612,339	55,390,573	23,557,239	9,545,485	6,650,489
<b>Total primary government net assets</b>	<b>\$942,710,039</b>	<b>\$919,479,714</b>	<b>\$879,237,248</b>	<b>\$846,968,458</b>	<b>\$821,937,596</b>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Expenses - Governmental activities</b>					
General government	\$5,443,786	\$6,194,411	\$6,459,084	\$6,795,788	\$7,286,832
Security of persons and property	13,179,554	14,205,576	16,513,236	16,624,606	16,716,844
Physical environment	2,250,105	2,053,136	4,706,457	3,127,375	5,680,934
Transportation	3,258,334	35,842,309	34,035,627	24,857,528	34,309,036
Economic environment	2,799,741	1,880,106	2,184,275	2,100,999	2,583,146
Culture and recreation					
Interest on long-term debt	827,705	489,954	551,882	511,467	362,317
<b>Total governmental activities</b>	<b>27,759,225</b>	<b>60,665,492</b>	<b>64,450,561</b>	<b>54,017,763</b>	<b>66,939,110</b>
<b>Business-type activities</b>					
Water	2,797,684	2,653,301	3,031,706	2,291,688	2,944,338
Sewer	3,042,798	3,052,256	3,179,756	3,473,410	3,318,782
Storm Drain	1,100,330	976,137	1,181,700	1,141,388	1,229,997
<b>Total business-type activities</b>	<b>6,940,812</b>	<b>6,681,694</b>	<b>7,393,162</b>	<b>6,906,486</b>	<b>7,493,117</b>
<b>Total primary government expenses</b>	<b>\$34,700,037</b>	<b>\$67,347,186</b>	<b>\$71,843,723</b>	<b>\$60,924,249</b>	<b>\$74,432,227</b>
<b>Program Revenues - Governmental activities</b>					
Charges for services					
General government	\$1,092,590	\$1,276,148	\$1,255,310	\$1,369,104	\$2,109,872
Security of persons and property	1,486,127	1,693,054	2,637,365	1,301,166	1,634,128
Physical environment	887,101	746,039	834,657	1,132,053	1,425,625
Transportation	423,687	241,270	630,191	923,975	858,310
Economic environment	599,624	722,659	925,573	1,193,016	1,582,638
Culture and recreation	212,067	174,553	122,515	144,427	157,648
Operating grants and contributions	3,300,874	575,740	872,463	1,106,751	402,018
Capital grants and contributions	462,331	571,787	333,556	652,446	5,642,460
<b>Total governmental activities program revenues</b>	<b>8,464,401</b>	<b>6,001,250</b>	<b>7,611,630</b>	<b>7,822,938</b>	<b>13,812,699</b>
<b>Business-type activities</b>					
Charges for services					
Water	3,074,326	3,202,248	3,259,509	3,004,837	3,995,496
Sewer	3,406,227	3,514,127	3,564,534	4,092,654	4,257,167
Storm Drain	1,642,076	1,461,784	1,733,226	1,806,901	1,837,048
Operating grants and contributions					
Capital grants and contributions	29,007			306,945	649,239
<b>Total business-type activities program revenue</b>	<b>8,151,636</b>	<b>8,178,159</b>	<b>8,557,269</b>	<b>9,211,337</b>	<b>10,738,950</b>
<b>Total primary government program revenues</b>	<b>\$16,616,037</b>	<b>\$14,179,409</b>	<b>\$16,168,899</b>	<b>\$17,034,275</b>	<b>\$24,551,649</b>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(\$19,294,824)	(\$54,664,242)	(\$56,838,931)	(\$46,194,825)	(\$53,126,411)
Business-type activities	1,210,824	1,496,465	1,164,107	2,304,851	3,245,833
<b>Total primary government net expense</b>	<b>(18,084,000)</b>	<b>(53,167,777)</b>	<b>(55,674,824)</b>	<b>(43,889,974)</b>	<b>(49,880,577)</b>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental activities					
Taxes					
Property tax	7,610,308	8,468,939	9,363,115	9,792,823	11,294,149
Excise tax	9,481,312	8,795,760	9,355,346	11,040,881	13,035,096
Business tax	5,957,591	5,783,829	6,433,375	6,689,465	6,971,731
Unrestricted grants and contributions	138,334				
Investment earnings	815,546	476,394	391,823	1,103,359	2,340,709
Miscellaneous	775,392	1,677,683	1,414,231	1,953,704	737,447
Transfers	794,916	518,903	521,153	547,823	797,483
<b>Total governmental activities</b>	<b>25,573,399</b>	<b>25,721,508</b>	<b>27,479,043</b>	<b>31,128,055</b>	<b>35,176,613</b>
Business-type activities					
Investment earnings	64,546	47,456	53,708	155,914	256,904
Miscellaneous	2,732	5,731			
Transfers	(794,916)	(518,903)	(521,153)	(547,823)	(797,483)
<b>Total business-type activities</b>	<b>(727,638)</b>	<b>(465,716)</b>	<b>(467,445)</b>	<b>(391,909)</b>	<b>(540,579)</b>
<b>Total primary government</b>	<b>\$24,845,761</b>	<b>\$25,255,792</b>	<b>\$27,011,598</b>	<b>\$30,736,146</b>	<b>\$34,636,035</b>
<b>Change in Net Assets</b>					
Governmental activities	\$6,278,575	(\$28,942,734)	(\$29,359,888)	(\$15,066,770)	(\$17,949,797)
Business-type activities	483,186	1,030,749	696,662	1,912,942	2,705,255
<b>Total primary government</b>	<b>\$6,761,761</b>	<b>(\$27,911,985)</b>	<b>(\$28,663,226)</b>	<b>(\$13,153,828)</b>	<b>(\$15,244,543)</b>

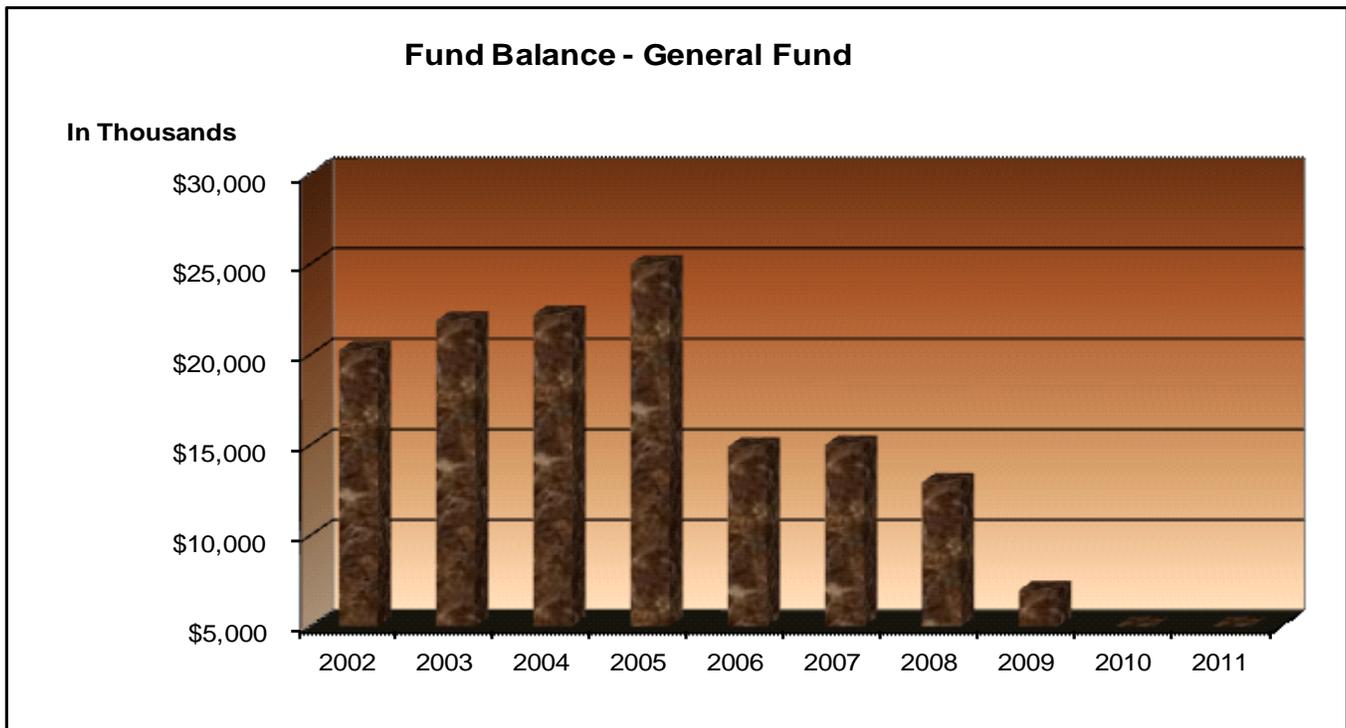
**City of Bothell**  
**Change in Net Assets**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Expenses - Governmental activities</b>					
General government	\$7,590,440	\$9,462,780	\$9,413,427	\$9,442,611	\$9,877,418
Security of persons and property	18,356,633	19,342,241	20,646,387	22,005,979	21,575,204
Physical environment	3,466,656	4,626,024	6,262,903	6,354,100	6,398,497
Transportation	38,300,146	38,946,938	42,394,908	39,919,102	34,044,668
Economic environment	3,808,101	3,413,764	3,026,618	3,347,504	3,298,490
Culture and recreation					
Interest on long-term debt	327,703	229,262	213,348	303,378	581,295
<b>Total governmental activities</b>	<b>71,849,679</b>	<b>76,021,008</b>	<b>81,957,592</b>	<b>81,372,674</b>	<b>75,775,571</b>
<b>Business-type activities</b>					
Water	2,878,560	3,150,986	3,188,527	3,234,985	3,708,205
Sewer	3,965,202	4,099,024	4,436,576	4,809,616	5,454,241
Storm Drain	1,323,861	1,645,670	2,094,509	2,381,009	2,864,914
<b>Total business-type activities</b>	<b>8,167,623</b>	<b>8,895,680</b>	<b>9,719,612</b>	<b>10,425,610</b>	<b>12,027,360</b>
<b>Total primary government expenses</b>	<b>\$80,017,302</b>	<b>\$84,916,688</b>	<b>\$91,677,203</b>	<b>\$91,798,284</b>	<b>\$87,802,932</b>
<b>Program Revenues - Governmental activities</b>					
Charges for services					
General government	\$2,063,843	\$1,686,890	\$1,858,979	\$2,687,935	\$4,810,917
Security of persons and property	1,652,887	2,084,447	1,901,973	2,743,162	2,273,740
Physical environment	1,544,277	1,420,714	2,330,963	3,566,661	1,376,855
Transportation	1,932,005	1,764,671	79,707	1,185,102	607,870
Economic environment	1,806,077	1,713,091	1,390,869	1,594,278	1,338,169
Culture and recreation	143,191	149,021	225,350	328,879	457,981
Operating grants and contributions	846,560	525,398	357,367	383,325	360,152
Capital grants and contributions	12,983,232	12,229,943	3,064,379	8,068,251	10,650,614
<b>Total governmental activities program revenues</b>	<b>22,972,072</b>	<b>21,574,175</b>	<b>11,209,588</b>	<b>20,557,594</b>	<b>21,876,297</b>
<b>Business-type activities</b>					
Charges for services					
Water	3,786,422	3,377,642	3,731,390	3,098,581	3,210,573
Sewer	4,607,172	4,448,313	4,913,071	4,421,861	5,012,251
Storm Drain	1,730,963	1,753,920	2,478,439	2,605,276	2,927,059
Operating grants and contributions					
Capital grants and contributions	729,022	787,526	411,475	757,700	241,500
<b>Total business-type activities program revenue</b>	<b>10,853,579</b>	<b>10,367,401</b>	<b>11,534,375</b>	<b>10,883,418</b>	<b>11,391,383</b>
<b>Total primary government program revenues</b>	<b>\$33,825,651</b>	<b>\$31,941,576</b>	<b>\$22,743,963</b>	<b>\$31,441,012</b>	<b>\$33,267,680</b>
<b>Net (Expense)/Revenue</b>					
Government activities	(\$48,877,607)	(\$54,446,834)	(\$70,748,004)	(\$60,815,080)	(\$53,899,274)
Business-type activities	2,685,956	1,471,721	1,814,763	457,808	(635,977)
<b>Total primary government net expense</b>	<b>(46,191,650)</b>	<b>(52,975,113)</b>	<b>(68,933,241)</b>	<b>(60,357,272)</b>	<b>(54,535,251)</b>
<b>General Revenue and Other Changes in Net Assets</b>					
Governmental activities					
Taxes					
Property tax	13,745,959	9,979,056	9,480,272	10,190,952	10,963,812
Excise tax	12,875,394	11,731,999	9,842,288	10,482,416	9,960,281
Business tax	7,105,751	7,085,015	7,312,792	6,832,556	6,795,259
Unrestricted grants and contributions					
Investment earnings	2,766,765	1,627,957	1,055,739	123,457	310,195
Miscellaneous	1,010,077	1,020,245	915,788	454,842	516,090
Transfers	899,556	959,111	1,118,550		
<b>Total governmental activities</b>	<b>38,403,500</b>	<b>32,403,383</b>	<b>29,725,430</b>	<b>28,084,224</b>	<b>28,545,636</b>
Business-type activities					
Investment earnings	337,341	180,799	62,247	4,259	1,350
Miscellaneous			21,650		
Transfers	(899,556)	(959,111)	(1,118,550)		
<b>Total business-type activities</b>	<b>(562,215)</b>	<b>(778,311)</b>	<b>(1,034,652)</b>	<b>4,260</b>	<b>1,350</b>
<b>Total primary government</b>	<b>\$37,841,286</b>	<b>\$31,625,072</b>	<b>\$28,690,778</b>	<b>\$28,088,483</b>	<b>\$28,546,986</b>
<b>Change in Net Assets</b>					
Government activities	(\$10,474,106)	(\$22,043,451)	(\$41,022,574)	(\$32,730,857)	(\$25,353,638)
Business-type activities	2,123,742	693,410	780,109	462,066	(634,627)
<b>Total primary government</b>	<b>(\$8,350,365)</b>	<b>(\$21,350,042)</b>	<b>(\$40,242,465)</b>	<b>(\$32,268,791)</b>	<b>(\$25,988,265)</b>

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

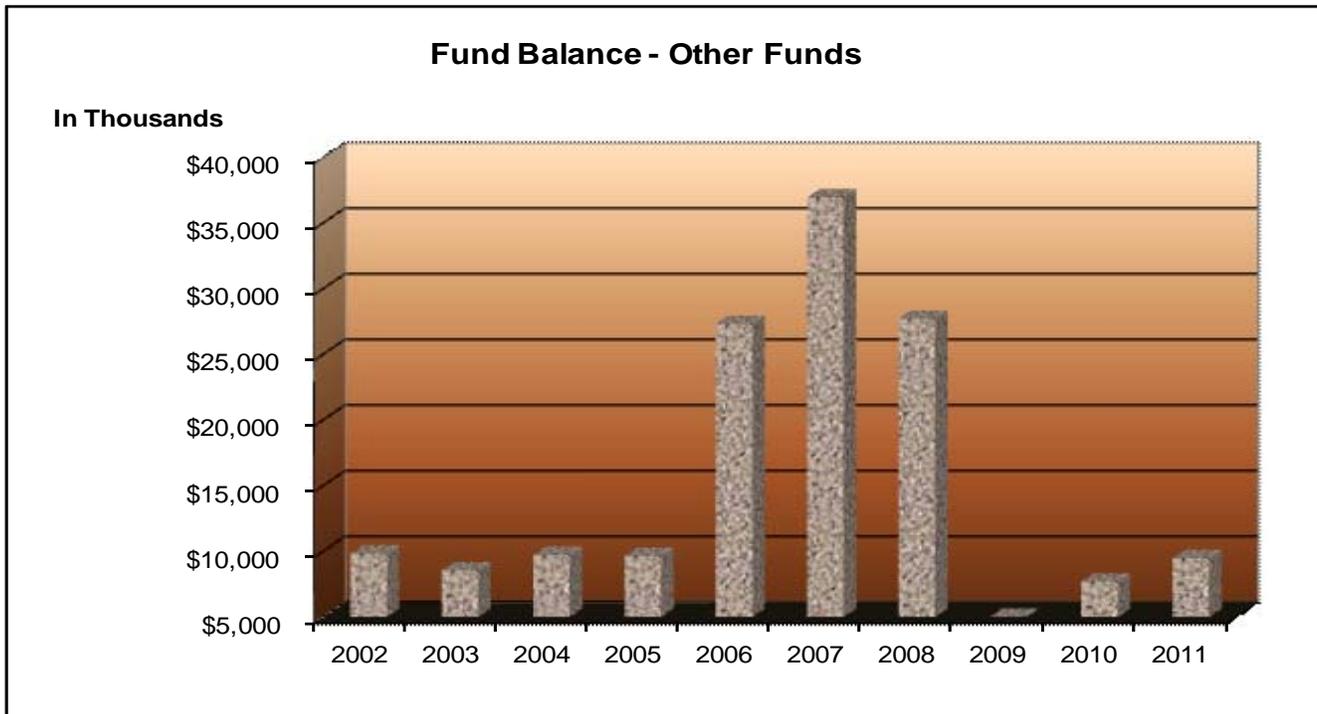
	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Reserved	\$367,399	\$358,713	\$536,635	\$515,178	
Unreserved	19,883,978	21,524,521	21,684,097	24,488,474	14,911,218
Nonspendable					
Restricted					
Assigned					
Unassigned					
<b>Total general fund</b>	<b>\$20,251,377</b>	<b>\$21,883,234</b>	<b>\$22,220,732</b>	<b>\$25,003,652</b>	<b>\$14,911,218</b>
All Other Governmental Funds					
Unreserved					
Special revenue funds	\$4,554,530	\$3,198,861	\$3,324,460	\$3,717,526	\$3,866,507
Debt service funds	905,552	486,126	549,539	436,662	249,682
Capital projects funds	4,351,293	4,852,793	5,826,040	5,478,620	23,179,317
Restricted					
Committed					
<b>Total all other governmental funds</b>	<b>\$9,811,375</b>	<b>\$8,537,780</b>	<b>\$9,700,039</b>	<b>\$9,632,808</b>	<b>\$27,295,506</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				
	2007	2008	2009	2010	2011
General Fund					
Reserved					
Unreserved	15,014,982	12,955,076	6,994,173	4,052,527	
Nonspendable					16,750
Restricted					391,930
Assigned					1,711,130
Unassigned					1,587,189
<b>Total general fund</b>	<b>\$15,014,982</b>	<b>\$12,955,076</b>	<b>\$6,994,173</b>	<b>\$4,052,527</b>	<b>\$3,706,999</b>
All Other Governmental Funds					
Unreserved					
Special revenue funds	\$4,693,599	\$2,320,927	\$2,124,745	\$2,410,436	\$2,268,368
Debt service funds	474,567	690,991	2,012	669	55,295
Capital projects funds	31,767,467	24,686,299	2,077,727	5,266,801	7,065,239
Restricted					9,388,902
Committed					68,153
<b>Total all other governmental funds</b>	<b>\$36,935,634</b>	<b>\$27,698,218</b>	<b>\$4,204,485</b>	<b>\$7,677,906</b>	<b>9,457,055</b>



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

	Fiscal Year				
	2002	2003	2004	2005	2006
<b>Revenues</b>					
Taxes	\$22,829,721	\$23,048,527	\$24,512,757	\$26,853,571	\$30,572,126
Licenses and permits	772,333	873,403	784,012	1,086,365	1,819,235
Intergovernmental	5,204,379	2,553,753	4,011,325	3,782,791	7,281,784
Charges for services	2,698,161	2,465,055	3,299,441	3,432,694	4,362,883
Fines and forfeitures	319,550	409,791	447,781	322,144	343,486
Interest earnings	768,248	436,419	398,759	993,181	2,107,757
Proceeds from the sale of capital assets	22,357	27,435	12,420	47,289	1,064
Contributions					
Other revenue	561,819	739,835	441,708	622,453	403,877
<b>Total revenues</b>	<b>33,176,568</b>	<b>30,554,218</b>	<b>33,908,203</b>	<b>37,140,488</b>	<b>46,892,211</b>
<b>Expenditures</b>					
General government	5,202,863	5,321,164	5,913,630	6,075,203	6,306,333
Security of persons and property	12,599,524	13,176,418	14,923,213	14,939,138	15,344,949
Transportation	3,114,858	1,068,423	1,379,542	1,371,919	1,639,542
Physical environment	2,151,025	1,715,425	1,880,697	2,245,469	2,914,337
Economic environment	2,676,459	1,794,739	2,039,339	1,942,086	2,433,653
Bond issue costs					
Debt service					
Interest	827,705	489,954	551,882	511,467	362,317
Principal	666,429	1,457,879	860,871	2,843,862	768,862
Other expenditures	1,270	225,572	1,453	569	
Capital outlay	3,536,845	3,250,992	3,864,122	3,856,465	8,059,038
<b>Total expenditures</b>	<b>30,776,978</b>	<b>28,500,566</b>	<b>31,414,749</b>	<b>33,786,178</b>	<b>37,829,031</b>
Excess of revenue over (under) expenditures	2,399,590	2,053,652	2,493,454	3,354,310	9,063,180
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued					
Premium on refunding bonds					
Payment to refunded bond escrow agent					
Bond anticipation note					
Loan proceeds					
Transfers in	1,768,956	1,561,846	1,927,746	1,643,955	18,343,405
Transfers out	(2,845,584)	(2,846,141)	(3,180,191)	(2,282,575)	(19,836,319)
<b>Total other financing sources uses</b>	<b>(1,076,628)</b>	<b>(1,284,295)</b>	<b>(1,252,445)</b>	<b>(638,620)</b>	<b>(1,492,914)</b>
<b>Net change in fund balances</b>	<b>\$1,322,962</b>	<b>\$769,357</b>	<b>\$1,241,009</b>	<b>\$2,715,690</b>	<b>\$7,570,266</b>
Debt service as a percentage of noncapital expenditures	5.5%	7.7%	5.1%	11.2%	3.8%

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>Revenues</b>					
Taxes	\$32,970,598	\$28,070,855	\$26,635,353	\$27,505,967	\$27,719,352
Licenses and permits	1,600,669	1,280,479	989,656	1,128,293	1,081,549
Intergovernmental	15,525,563	14,260,853	5,766,032	10,748,505	13,700,129
Charges for services	5,877,417	5,438,718	3,617,008	5,587,104	4,703,004
Fines and forfeitures	443,007	396,602	436,520	431,188	387,550
Interest earnings	2,590,040	1,555,854	1,033,628	120,261	306,511
Proceeds from the sale of capital assets	750	12,399	501		
Contributions	471,276	132,230	30,706	68,260	50,930
Other revenue	416,493	802,892	805,466	347,338	445,398
<b>Total revenues</b>	<b>59,895,814</b>	<b>51,950,883</b>	<b>39,314,871</b>	<b>45,936,917</b>	<b>48,394,423</b>
<b>Expenditures</b>					
General government	6,919,113	8,102,794	8,074,767	8,248,773	8,702,807
Security of persons and property	16,837,363	17,894,731	18,984,021	20,223,188	19,958,652
Transportation	1,463,468	1,601,855	1,574,859	1,567,865	1,732,338
Physical environment	3,179,940	3,614,666	3,675,595	3,984,208	4,183,070
Economic environment	2,749,084	3,203,110	2,853,133	3,129,153	2,864,765
Bond issue costs		73,595		79,488	41,603
Debt service					
Interest	327,703	117,539	213,348	223,890	539,692
Principal	483,862	668,862	558,862	545,000	23,301,611
Other expenditures	18,264	80,743	27,872	15,777	28,645
Capital outlay	16,441,760	25,199,063	31,859,238	38,541,728	16,982,124
<b>Total expenditures</b>	<b>48,420,557</b>	<b>60,556,958</b>	<b>67,821,695</b>	<b>76,559,071</b>	<b>78,335,307</b>
Excess of revenue over (under) expenditures	11,475,257	(8,606,075)	(28,506,824)	(30,622,154)	(29,940,884)
<b>Other Financing Sources (Uses)</b>					
Refunding bonds issued		6,070,000			
Premium on refunding bonds		123,226			
Payment to refunded bond escrow agent		(6,116,354)			
Bond anticipation note				12,741,611	30,000,000
Loan proceeds				18,750,000	
Transfers in	4,067,571	1,992,268	5,880,761	1,880,598	2,348,144
Transfers out	(5,893,424)	(3,720,477)	(6,828,573)	(2,218,278)	(1,931,044)
<b>Total other financing sources uses</b>	<b>(1,825,853)</b>	<b>(1,651,337)</b>	<b>(947,812)</b>	<b>31,153,931</b>	<b>30,417,100</b>
<b>Net change in fund balances</b>	<b>\$9,649,404</b>	<b>(\$10,257,412)</b>	<b>(\$29,454,636)</b>	<b>\$531,776</b>	<b>\$476,216</b>
Debt service as a percentage of noncapital expenditures	2.5%	2.2%	2.1%	2.0%	38.9%

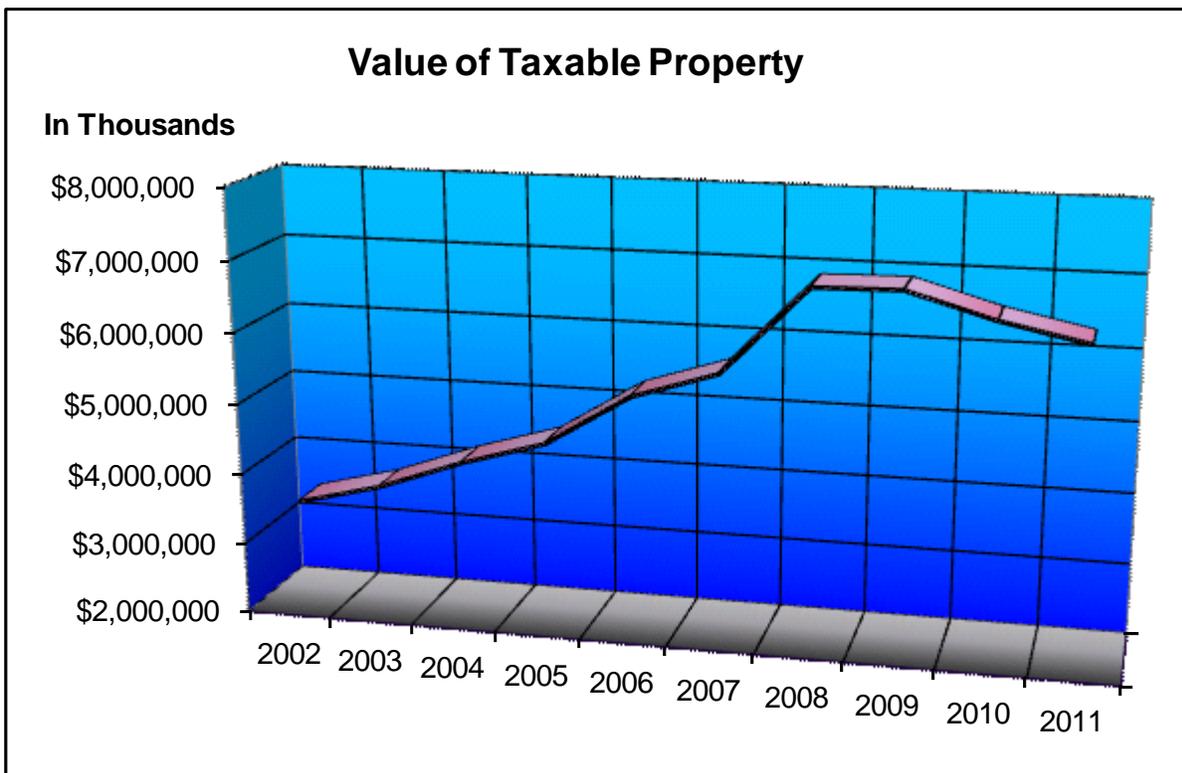
# City of Bothell

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

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

Source: King and Snohomish County Assessors Office

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



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

Year	Direct	Overlapping Property Tax Rates - King County										
	City of Bothell	WA State	King County	School District	County Port	Hospital District	Library District	Emergency Medical Services	Park/ Rec District	Flood District	Ferry District	Total King County
2002	1.87	3.29	1.45	5.02	.19	.36	.53	.25	.06			13.02
2003	1.86	2.90	1.35	4.88	.25	.34	.54	.24	.05			12.41
2004	1.71	2.76	1.43	4.69	.25	.34	.54	.24	.05			12.01
2005	1.69	2.69	1.38	4.34	.25	.59	.53	.23	.04			11.74
2006	1.54	2.50	1.33	4.07	.23	.54	.53	.25	.04			11.03
2007	1.50	2.33	1.29	3.88	.23	.50	.50	.21	.04			10.48
2008	1.36	2.13	1.21	3.62	.22	.45	.45	.30	.03			9.76
2009	1.27	1.96	1.10	3.48	.20	.40	.42	.27	.01			9.11
2010	1.40	2.20	1.28	4.04	.22	.46	.49	.30	.02	.11	.01	10.53
2011	1.49	2.28	1.34	4.60	.22	.48	.57	.30	.15	.11	.00	11.55

Year	Direct	Overlapping Property Tax Rates - Snohomish County										
	City of Bothell	WA State	Snohomish County	School District	County Port	Stevens Hospital	Library District	Emergency Medical Services	Park/ Rec District	Flood District	Ferry District	Total Snohomish County
2002	1.87	3.29	1.42	5.02		.33	.53		.05			12.51
2003	1.86	3.18	1.37	4.88		.36	.55		.05			12.25
2004	1.71	3.16	1.26	4.69		.27	.54		.05			11.68
2005	1.69	2.79	1.10	4.34		.24	.53		.04			10.73
2006	1.54	2.53	1.00	4.07		.22	.53	.25	.04			10.18
2007	1.50	2.16	0.84	3.88		.18	.50	.21	.04			9.31
2008	1.36	1.91	0.72	3.62		.16	.45	.19	.03			8.43
2009	1.27	1.91	0.72	3.48		.16	.42	.19	.01			8.16
2010	1.40	1.99	0.78	4.04		.18	.49	.20	.02			9.10
2011	1.49	2.21	0.87	4.60		.15	.57	.21	.02			10.11

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

Source: King and Snohomish County Assessors Office

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

# City of Bothell

## Principal Property Tax Payers

### Current and Ten Years Ago

#### Snohomish County Taxpayers

Taxpayer	2011			2002		
	Taxable Assessed		Percentage of Total Assessed	Taxable Assessed		Percentage of Total Assessed
	Value	Rank		Value	Rank	
Arden Realty Inc/Thompson Prop Tax Svc	\$130,932,000	1	4.26%			
Teachers Insurance & Annuity Assn	125,993,200	2	4.10%	72,342,200	1	4.94%
Phillips Ultrasound Inc	82,843,939	3	2.70%	56,177,122	3	3.84%
AT&T Mobility LLC	61,017,848	4	1.99%			
T-Mobile USA Inc	58,802,126	5	1.91%			
BRE Properties	54,571,000	6	1.78%			
Microsoft	48,881,808	7	1.59%			
Monte Villa Farms LLC	37,455,035	8	1.22%			
Immunex Mfg Corp	33,685,800	9	1.10%	43,902,251	4	3.00%
Diamond Canyon Park LLC	31,937,000	10	1.04%			
Carr America				62,524,600	2	4.27%
GTE Telephone Operations				41,613,512	5	2.84%
BRE Properties Inc				26,660,600	6	2.84%
Microsoft Corp				25,159,323	7	1.82%
Riggs Bank				21,952,200	8	1.72%
Second Multifamily Properties				21,000,000	9	1.43%
Hibbs/Woodinville Assoc				19,971,974	10	1.36%
Total Assessed Valuation - Largest Taxpayers	666,119,756		21.67%	391,303,782		26.74%
Total Assessed Valuation - All Other	2,407,355,268		78.33%	1,072,304,553		73.26%
<b>Total Assessed Value</b>	<b>\$3,073,475,024</b>		<b>100.00%</b>	<b>\$1,463,608,335</b>		<b>100.00%</b>

Source: Snohomish County Assessor

#### King County Taxpayers

Taxpayer	2011			2002		
	Taxable Assessed		Percentage of Total Assessed	Taxable Assessed		Percentage of Total Assessed
	Value	Rank		Value	Rank	
T-Mobile	\$245,707,481	1	7.53%			
Schnitzer Northwest	147,997,500	2	4.53%	167,412,910	1	11.89%
Seattle Times-North Creek Facility	75,126,271	3	2.30%	81,951,320	2	5.82%
Tishman Speyer Archstone-SM	31,826,000	4	0.97%	28,366,370	4	2.02%
Arden Realty Inc (formerly Allstate Ins)	40,000,000	5	1.23%			
KBS Realty	31,453,300	6	0.96%			
Essex Property Trust	26,000,000	7	0.61%	40,596,000	3	
Archstone Communities Trust	26,638,400	8	0.80%			
Puget Sound Energy	20,803,468	9	0.64%	19,589,506	6	
S/I North Creek VIII LLC	20,064,038	10	0.61%			0.00%
Home Depot USA	13,442,210	11	0.41%	18,928,603	7	1.34%
Spieker Properties				23,319,000	5	1.66%
Security Capitol Corp						
Verizon Northwest Inc				7,248,376	8	
Total Assessed Valuation - Largest Taxpayers	679,058,668		20.80%	387,412,085		27.52%
Total Assessed Valuation - All Other	2,585,360,716		79.20%	1,020,346,055		72.48%
<b>Total Assessed Value</b>	<b>\$3,264,419,384</b>		<b>100.00%</b>	<b>\$1,407,758,140</b>		<b>100.00%</b>

Source: 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
2002	\$3,065,951	\$2,999,709	97.84%	\$66,242	\$3,065,951	100.00%
2003	3,085,208	3,026,664	98.10%	58,525	3,085,189	100.00%
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%	49,085	3,510,695	99.99%
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%	66,992	4,225,647	100.03%
2008	4,366,603	4,280,026	98.02%	81,098	4,361,124	99.87%
2009	4,942,927	4,816,176	97.44%	77,762	4,816,176	97.44%
2010	5,214,713	5,124,092	98.26%	24,941	5,149,033	98.74%
2011	5,234,385	5,159,574	98.57%		5,159,574	98.57%

**King County**

Year	Taxes Levied for the Year	Collected Within the Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2002	\$3,611,247	\$3,539,595	98.02%	\$71,621	\$3,611,216	100.00%
2003	4,149,066	4,066,127	98.00%	82,900	4,149,027	100.00%
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%	71,481	4,870,634	100.00%
2007	4,251,857	4,160,404	97.85%	63,037	4,223,441	99.33%
2008	4,414,782	4,323,657	97.94%	129,079	4,452,736	100.60%
2009	4,470,381	4,363,474	97.61%	70,436	4,363,474	97.61%
2010	4,639,863	4,498,804	96.96%	84,928	4,583,732	98.79%
2011	4,837,689	4,738,381	97.95%		4,738,381	97.95%

Source: King and Snohomish County Assessors Office

# City of Bothell

## Sales Tax Revenue by Category

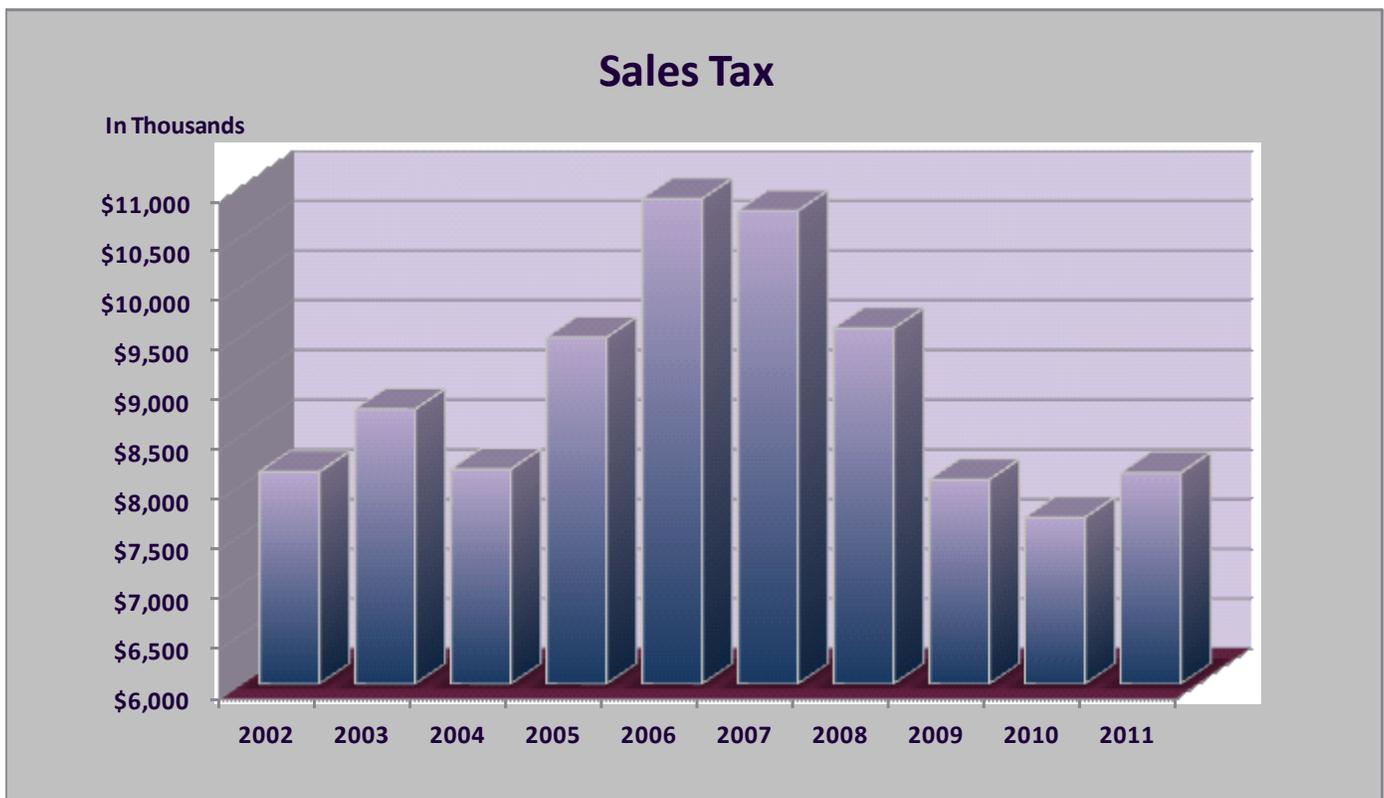
### Last Ten Fiscal Years

	2002	2003	2004	2005	2006
Retail trade	\$2,616,158	\$2,986,742	\$2,847,436	\$2,412,099	\$2,508,233
Wholesale trade	1,312,469	998,213	1,404,602	2,038,824	1,916,152
Construction	1,237,221	1,001,491	1,207,882	1,442,939	1,775,214
Information	722,322	1,075,821	997,429	1,073,011	1,885,562
Professional, scientific, technical services				957,186	953,927
Accommodation and food services	1,609,541	829,253	1,157,533	576,178	626,006
Real estate, rental, leasing	110,993	212,961	112,232	202,931	209,753
Manufacturing	405,606	464,892	210,371	378,300	339,856
Admin, supp, remed services				187,007	220,482
Other services				129,175	134,319
Other	108,533	105,115	116,669	178,357	186,182
<b>Total</b>	<b>\$8,122,843</b>	<b>\$7,674,488</b>	<b>\$8,054,154</b>	<b>\$9,576,007</b>	<b>\$10,755,686</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**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Retail trade	\$2,693,069	\$2,862,393	\$2,636,007	\$2,660,629	\$2,679,046
Wholesale trade	1,372,642	1,306,267	911,702	1,057,129	914,654
Construction	2,532,150	1,922,867	1,883,587	2,038,018	1,433,788
Information	1,254,407	554,324	492,863	403,623	344,136
Professional, scientific, technical services	635,885	432,359	326,240	561,669	534,827
Accommodation and food services	685,535	678,197	647,083	697,014	724,495
Real estate, rental, leasing	228,520	230,538	188,787	179,855	171,944
Manufacturing	424,598	377,019	211,566	149,227	187,089
Admin, supp, remed services	266,664	253,074	200,105	233,155	233,104
Other services	150,918	133,389	148,760	223,163	278,395
Other	633,155	733,565	512,235	558,650	630,764
<b>Total</b>	<b><u>\$10,877,543</u></b>	<b><u>\$9,483,992</u></b>	<b><u>\$8,158,935</u></b>	<b><u>\$8,762,132</u></b>	<b><u>\$8,132,242</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>
2002	1.9%	6.5%	.4%	8.8%
2003	1.9%	6.5%	.4%	8.8%
2004	1.9%	6.5%	.4%	8.8%
2005	1.9%	6.5%	.4%	8.8%
2006	1.9%	6.5%	.4%	8.8%
2007	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%

**Snohomish County**

<b>Year</b>	<b>Local</b>	<b>State</b>	<b>Rapid Transit</b>	<b>Total Sales Tax</b>
2002	2.0%	6.5%	.4%	8.9%
2003	2.0%	6.5%	.4%	8.9%
2004	2.0%	6.5%	.4%	8.9%
2005	2.0%	6.5%	.4%	8.9%
2006	2.0%	6.5%	.4%	8.9%
2007	2.0%	6.5%	.4%	8.9%
2008	2.0%	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%

Source: Washington State Department of Revenue

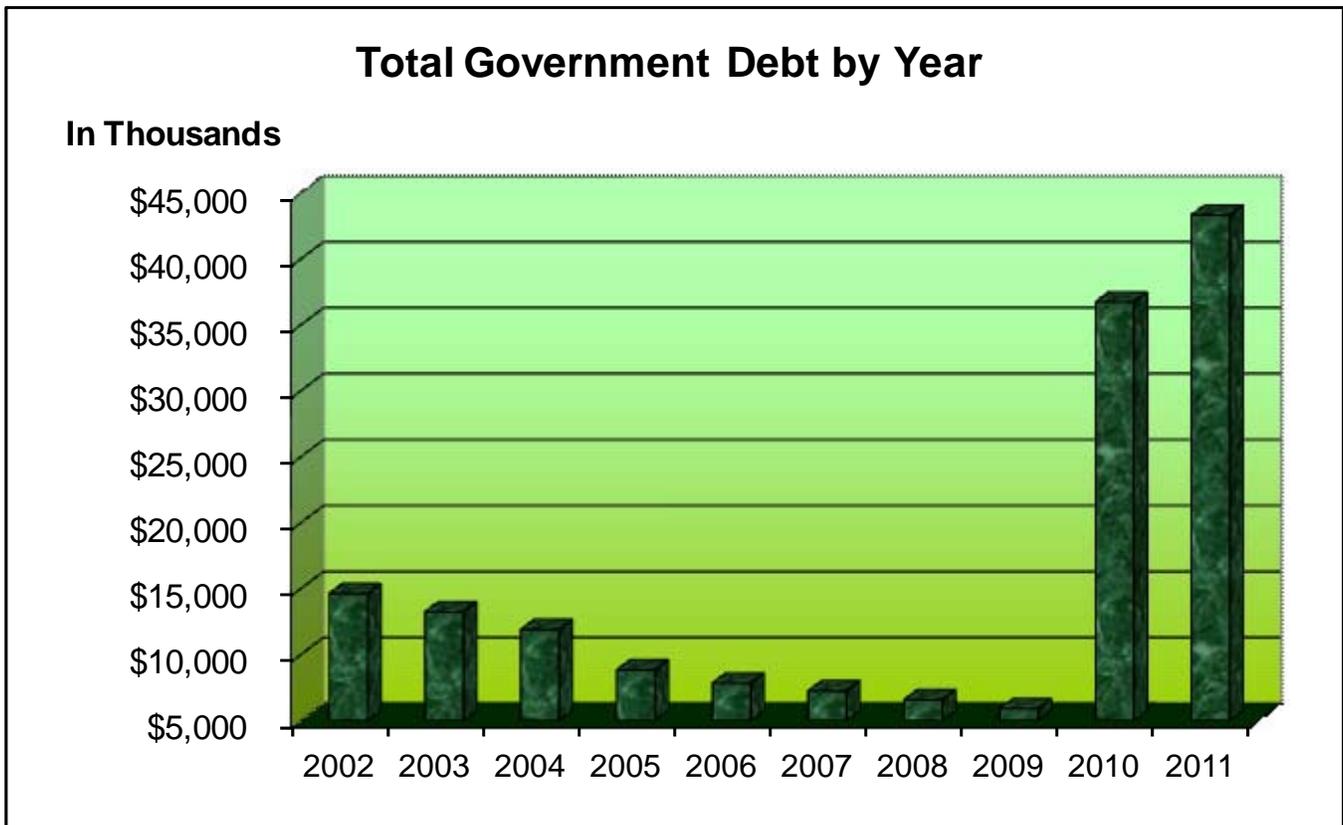


City of Bothell™

# City of Bothell

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

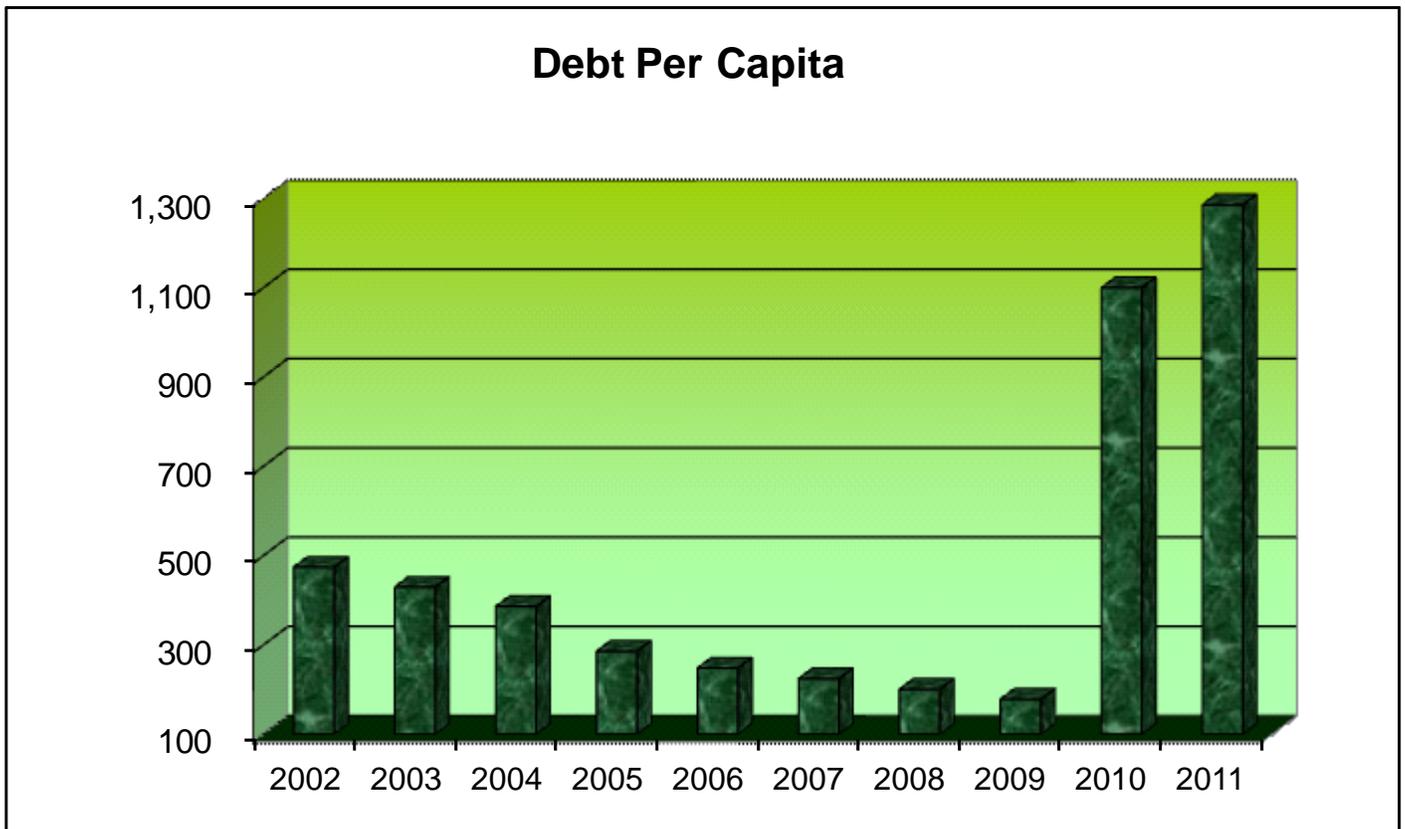
Year	Government Activities			Business-Type Activities		
	General Obligation	Special Assessment	Term Loan Payable	Water Bonds	Sewer Bonds	Term Loan Payable
2002	\$10,615,000	\$1,586,025	\$237,036	\$435,000	\$180,000	\$1,591,578
2003	9,975,000	882,008	203,174	335,000	180,000	1,688,979
2004	9,305,000	645,000	169,312	230,000		1,576,380
2005	6,835,000	305,000	135,450	115,000		1,463,781
2006	6,405,000		101,588			1,351,183
2007	5,955,000		67,726			1,238,584
2008	5,435,000		33,864			1,125,985
2009	4,910,000					1,013,388
2010	17,106,611		18,750,000			900,787
2011	33,805,000		8,750,000			788,188



# City of Bothell

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

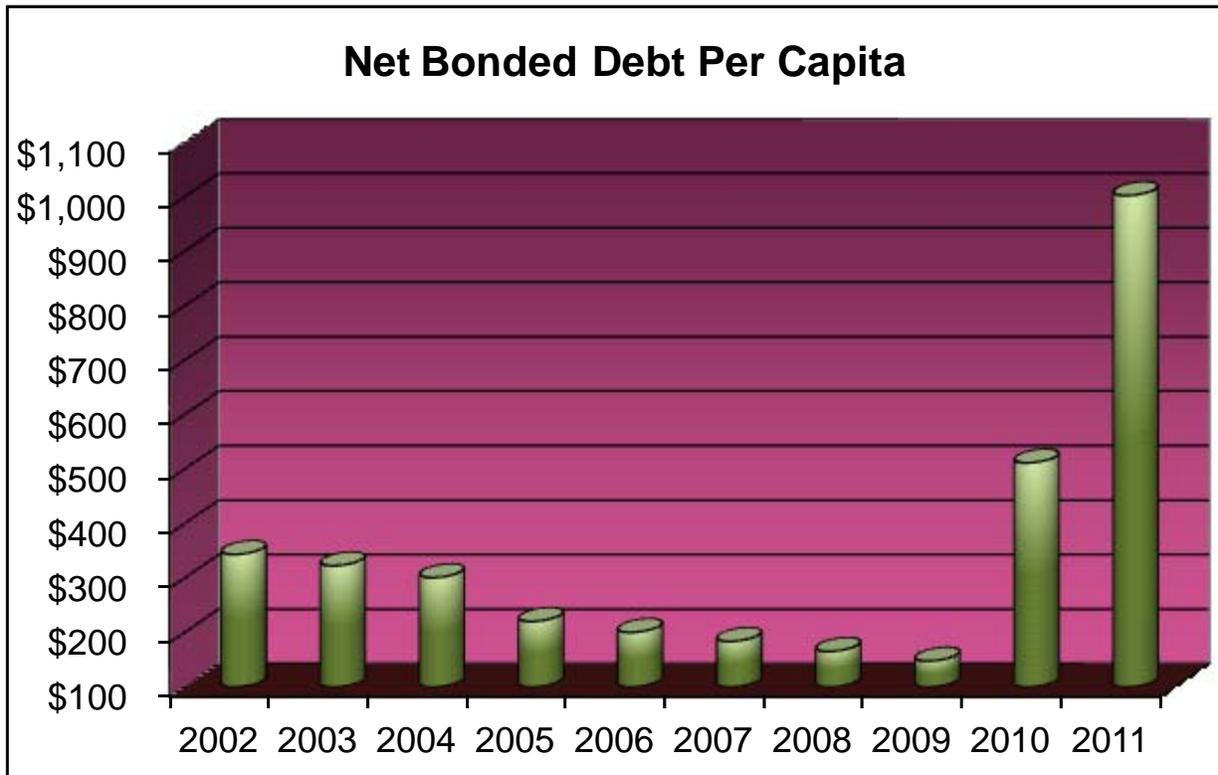
Total Primary Government	Per Capita Income	Percentage of Personal Income	Population	Debt Per Capita	Year
\$14,644,639	\$44,313	1.07	30,910	474	2002
13,264,161	44,482	0.96	30,910	429	2003
11,925,692	49,286	0.78	30,930	386	2004
8,854,231	48,789	0.59	31,000	286	2005
7,857,771	52,655	0.47	31,690	248	2006
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
43,343,188	49,115	2.62	33,720	1,285	2011



## 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
2002	\$10,615,000	\$3,478,795,405	0.31	30,910	343
2003	9,975,000	3,779,893,625	0.26	30,910	323
2004	9,305,000	4,207,508,700	0.22	30,930	301
2005	6,835,000	4,560,988,322	0.15	31,000	220
2006	6,405,000	5,294,124,779	0.12	31,960	200
2007	5,955,000	5,677,353,475	0.10	32,400	184
2008	5,435,000	6,899,208,239	0.08	32,860	165
2009	4,910,000	6,921,004,324	0.07	33,240	148
2010	17,106,611	6,583,442,392	0.26	33,430	512
2011	33,805,000	6,337,894,408	0.53	33,720	1,003



**City of Bothell**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2011**

**Overlapping Debt**

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
King County	924,690,136	1.92%	17,737,053
Snohomish County	274,404,971	7.39%	20,290,951
Northshore School District	327,231,092	48.63%	159,147,074
Evergreen Hospital	33,932,240	17.52%	5,944,332
Port of Seattle	336,120,000	1.92%	6,447,326
Northshore Parks & Rec	2,312,624	48.69%	1,126,019
King County Library System	123,116,633	3.05%	3,753,192
<b>Total overlapping debt</b>	<b><u>\$2,021,807,696</u></b>		<b><u>\$214,445,947</u></b>

**Direct Debt**

City of Bothell	<u>\$33,805,000</u>	100.00%	<u>\$33,805,000</u>
<b>Total direct and overlapping debt</b>	<b><u>\$2,055,612,696</u></b>		<b><u>\$248,250,947</u></b>

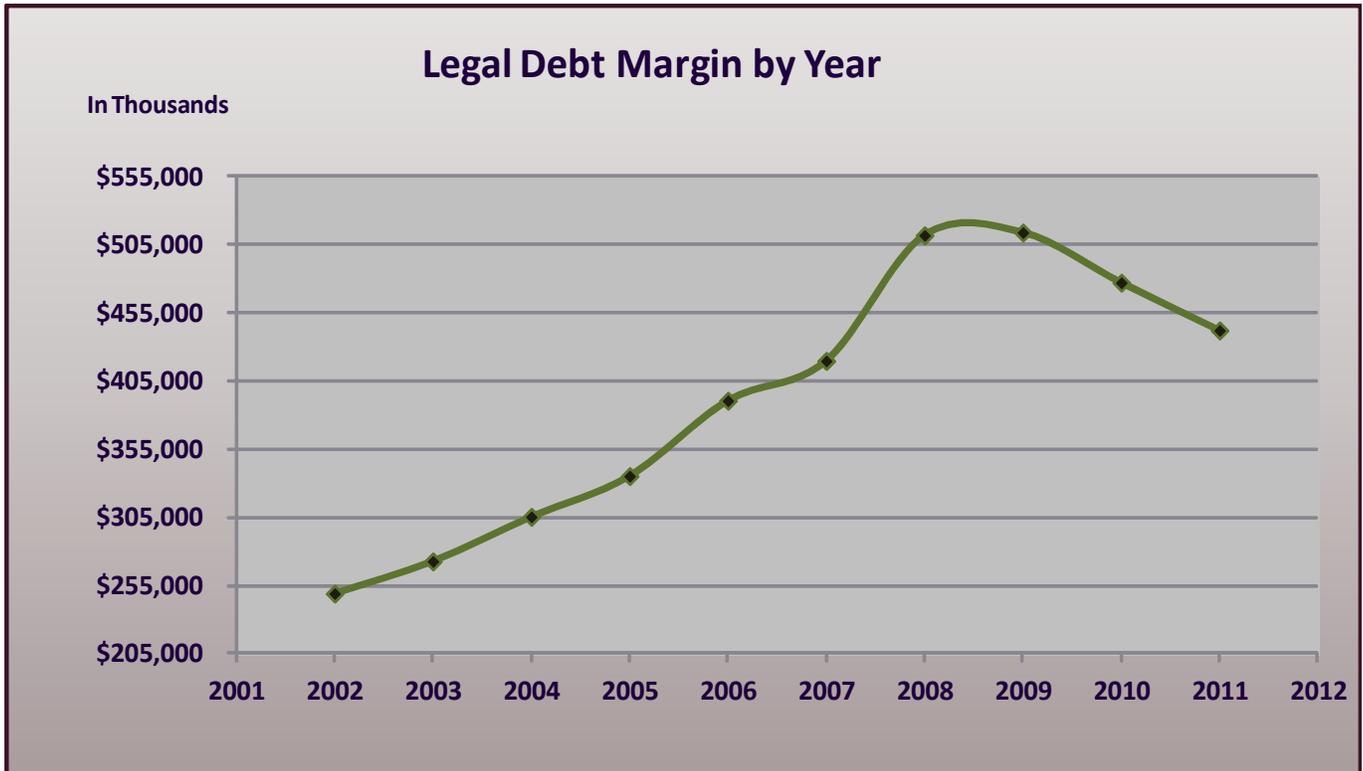
**Note:** Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Bothell. This process recognizes 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.

# City of Bothell

## Legal Debt Margin Information

### Last Ten Fiscal Years

	2002	2003	2004	2005	2006
Assessed value	\$3,463,959,318	\$3,769,106,025	\$4,195,825,835	\$4,560,988,322	\$5,294,124,779
Debt limit (7.5% of assessed value)	259,796,949	282,682,952	314,686,938	342,074,124	397,059,358
Debt applicable to limit					
General obligation bonds	10,615,000	9,975,000	9,305,000	6,835,000	6,405,000
Less: amount set aside for repayment of general obligation debt	76,112	165,183	156,038	165,957	89,748
Total net debt applicable to limit	10,538,888	9,809,817	9,148,962	6,669,043	6,315,252
<b>Legal debt margin</b>	<b>\$249,258,061</b>	<b>\$272,873,134</b>	<b>\$305,537,976</b>	<b>\$335,405,081</b>	<b>\$390,744,106</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	4.09%	3.53%	2.96%	2.00%	1.61%



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

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Assessed value	\$5,677,353,475	\$6,899,208,239	\$6,921,004,324	\$6,583,442,392	\$6,337,894,408
Debt limit (7.5% of assessed value)	425,801,511	517,440,618	519,075,324	493,758,179	475,342,081
Debt applicable to limit					
General obligation bonds	5,955,000	5,435,000	4,910,000	17,106,611	33,805,000
Less: amount set aside for repayment of general obligation debt	104,488	124,082	16,204	719,926	775,244
Total net debt applicable to limit	5,850,512	5,310,918	4,893,796	16,386,685	33,029,756
<b>Legal debt margin</b>	<b>\$419,950,999</b>	<b>\$512,129,700</b>	<b>\$514,181,529</b>	<b>\$477,371,494</b>	<b>\$442,312,325</b>
<b>Total net debt applicable to the limit as a percentage of debt limit</b>	1.40%	1.05%	0.95%	3.46%	7.11%

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

Year	Water Revenue Bonds					Coverage
	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
2002	\$3,095,813	\$1,985,629	\$1,110,184	\$100,000	\$27,865	8.68
2003	3,217,421	2,318,462	898,959	100,000	22,865	7.32
2004	3,272,470	2,532,960	739,510	105,000	17,675	6.03
2005	3,046,850	2,004,053	1,042,797	115,000	6,210	8.60
2006	4,067,661	2,577,874	1,489,787			
2007	3,898,335	2,528,733	1,369,602			
2008	3,442,357	2,787,482	654,875			
2009	3,731,390	2,800,841	930,549			
2010	3,093,581	2,808,274	285,307			
2011	3,196,598	3,233,750	(37,152)			

- 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**

Special Assessment Bonds						
Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Year
			Principal	Interest		
\$362,967	\$27	\$362,940		\$78,108	4.65	2002
286,890	391	286,499	780,000	72,945	0.34	2003
262,299	435	261,864	155,000	36,700	1.37	2004
241,460	265	241,195	340,000	29,775	0.65	2005
216,153		216,153	305,000	14,280	0.68	2006
207,391		207,391				2007
195,375	517,883	(322,508)				2008
						2009
						2010
						2011

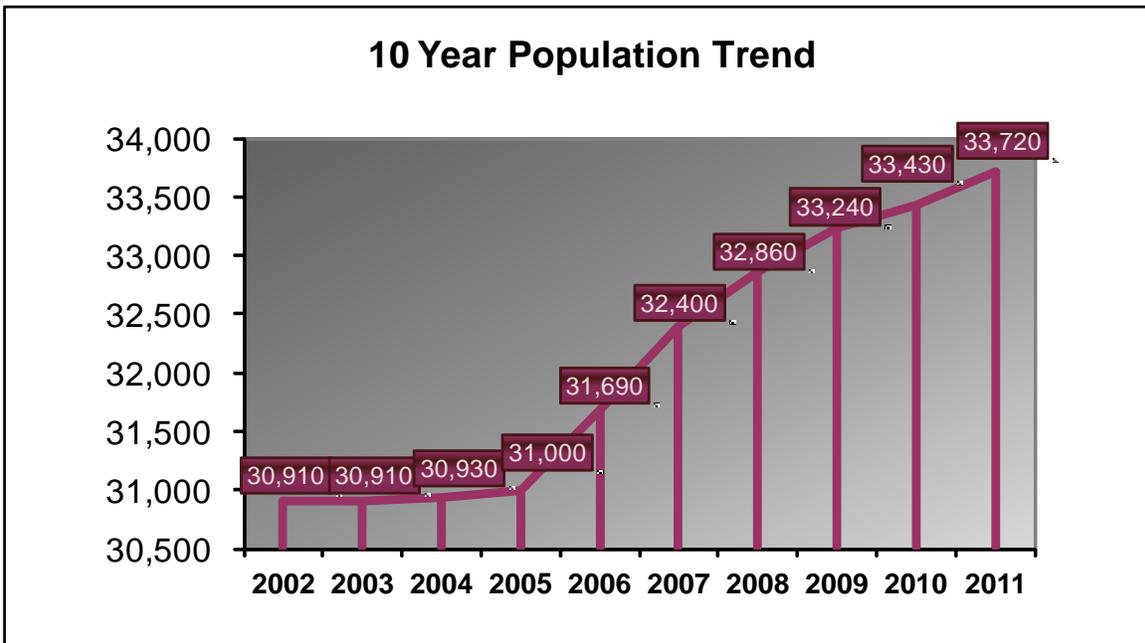
# City of Bothell

## 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
2002	30,910	\$1,369,715	\$44,313	36	13.1	23,472	2.80%
2003	30,910	1,374,939	44,482	36	13.1	23,314	7.30%
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	NA	NA	38	13.7	27,598	7.90%

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

NA = Not Available



**City of Bothell**  
**Principal Employers**  
**Current Year and Ten Years Ago**

<b>Employer</b>	<b>2011</b>			<b>2002</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
AT&T Mobile	1,968	1	8.43%	2,521	1	NA
Northshore School District	1,800	2	7.71%			
Phillips Ultrasound	1,116	3	4.78%			
T-Mobile	655	4	2.80%			
University of Washington-Bothell	499	5	2.14%			
Vertafore Inc	450	6	1.93%			
Seattle Genetics Inc	441	7	1.89%			
Panasonic (Matsushita) Avionics	434	8	1.86%			
Puget Sound Energy	433	9	1.85%	407	9	NA
Allstate Insurance Co	300	10	1.28%			
Seattle Times				420	8	NA
Immunex				501	5	NA
ATL Ultrasound				1,593	2	NA
Matsushita Avionics Systems				576	3	NA
Speigel Group Teleservices				508	4	NA
Icos				466	6	NA
Allstate Insurance				420	7	NA
Home Depot				313	10	NA
<b>Total</b>	<b>8,096</b>		<b>34.67%</b>	<b>7,725</b>		<b>NA</b>

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

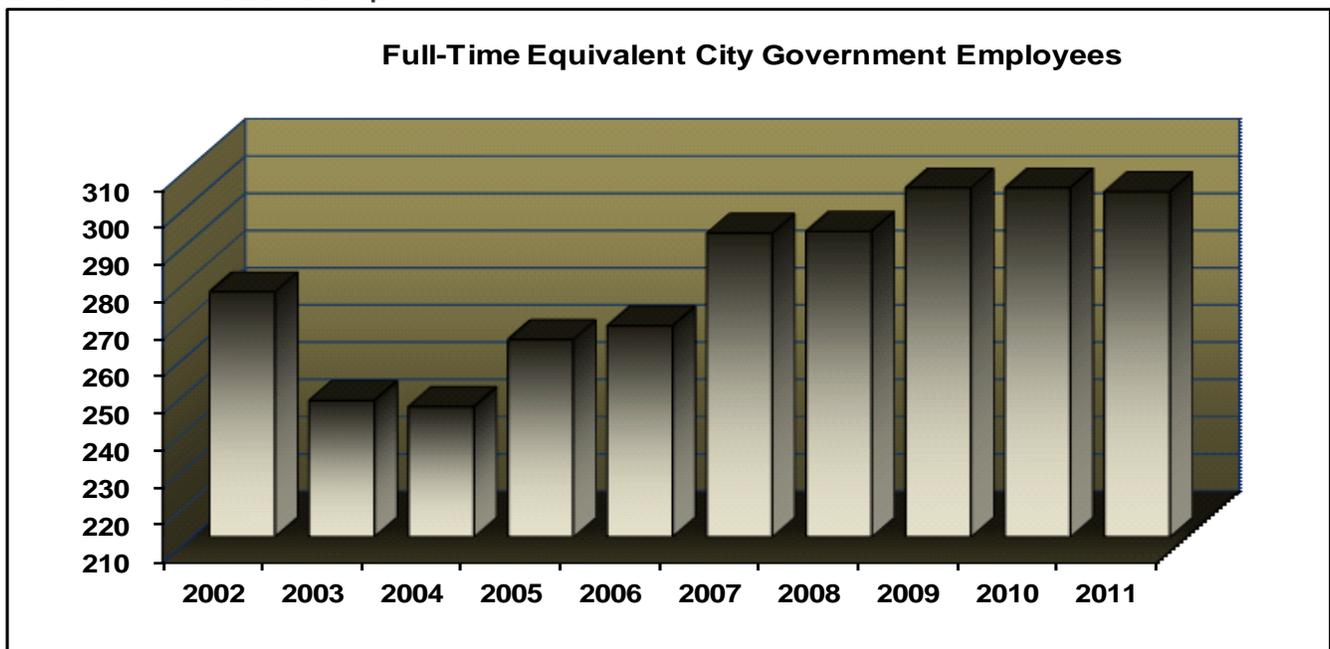
**NA = Not Available**

# City of Bothell

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

Function/Program	Full-Time Equivalent Employees as of December 31				
	2002	2003	2004	2005	2006
Executive					
Legislative	7.00	7.00	7.00	7.00	7.00
Judicial	3.50	3.00	3.00	3.00	3.50
City Manager	6.00	5.00	5.00	6.00	7.00
City Clerk	5.50	3.75	3.75	3.25	3.25
Information Technology	7.00	6.91	6.91	6.50	6.00
Non-Dept/Tourism					0.50
Finance	10.00	7.91	7.91	6.80	6.80
Legal	3.00	3.00	3.00	2.56	2.56
Human Resources	4.00	4.93	4.93	5.50	5.00
Police					
Officers	53.00	53.00	54.00	54.00	54.00
Civilians	27.75	26.25	25.25	26.75	26.75
Fire					
Firefighters and officers	55.00	55.00	54.00	54.00	54.00
Civilians	5.50	4.50	5.50	5.50	6.50
Community Development	32.75	21.75	21.75	20.00	20.00
Public Works					
Facilities	1.40	1.00	1.00	1.33	1.33
Engineering	12.00	11.00	11.00	16.75	17.75
Parks & Recreation	15.43	9.63	8.00	9.53	10.19
Street	8.88	6.33	6.33	8.05	8.05
Water	5.89	5.81	5.81	6.86	6.86
Sewer	3.83	3.76	3.76	6.66	6.66
Storm Drain	4.58	4.69	4.69	9.79	9.79
Fleet	3.80	2.41	2.41	2.48	2.48
Self-Insurance/Risk Mgmt				.70	.70
<b>Totals</b>	<b>275.81</b>	<b>246.63</b>	<b>245.00</b>	<b>263.01</b>	<b>266.67</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				
	2007	2008	2009	2010	2011
Executive					
Legislative	7.00	7.00	7.00	7.00	7.00
Judicial	4.00	4.00	4.00	4.00	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	7.00	7.00	10.00	10.00	10.00
Non-Dept/Tourism	0.50	1.00	1.00	1.00	1.00
Finance	7.80	7.80	8.25	8.25	8.25
Legal	2.56	2.56	3.56	3.56	3.56
Human Resources	5.00	5.00	6.00	6.00	6.00
Police					
Officers	57.00	57.00	58.00	58.00	58.00
Civilians	26.75	26.75	25.75	25.75	25.75
Fire					
Firefighters and officers	57.00	57.00	57.00	57.00	57.00
Civilians	6.75	6.75	7.75	7.75	7.75
Community Development	24.00	24.00	22.50	22.50	21.00
Public Works					
Facilities	1.33	1.33	4.71	4.71	4.71
Engineering	23.80	23.80	26.27	26.27	26.27
Parks & Recreation	10.79	10.79	10.42	10.42	10.42
Street	7.54	7.54	7.80	7.80	7.80
Water	8.78	8.78	8.83	8.83	8.83
Sewer	8.38	8.38	8.41	8.41	8.41
Storm Drain	12.82	12.82	13.31	13.31	13.31
Fleet	2.33	2.33	2.72	2.72	2.72
Self-Insurance/Risk Mgmt	.70	.70	.70	.70	.70
<b>Totals</b>	<b>291.58</b>	<b>292.08</b>	<b>303.73</b>	<b>303.73</b>	<b>302.73</b>

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

Page 1 of 2

Function/Program	2002	2003	2004	2005	2006
<b>Police</b>					
Calls for service	20,503	20,886	20,575	26,984	27,628
Physical arrests	NA	NA	NA	1,733	2,288
Traffic violations	NA	NA	NA	4,212	4,584
<b>Fire</b>					
Emergency alarms	4,382	4,507	4,480	4,333	4,961
Inspections	1,673	1,725	1,698	1,465	1,413
<b>Community Development</b>					
Building permits issued	814	865	703	824	896
Building inspections	3,571	4,600	3,710	3,920	6,073
<b>Parks and Recreation</b>					
Field & shelter bookings	NA	NA	NA	NA	996
<b>Water</b>					
Units served	3,082	3,091	NA	NA	NA
Water main breaks					
Average daily consumption (thousands of gallons)	1,490	1,490	1,490	NA	1,488

**Sources: City Departments**

**NA = Not Available**

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

Function/Program	2007	2008	2009	2010	2011
<b>Police</b>					
Calls for service	23,214	25,650	25,678	26,909	25,071
Physical arrests	2,203	2,298	1,969	1,975	1,568
Traffic violations	5,081	3,928	4,272	5,188	3,828
<b>Fire</b>					
Emergency alarms	4,432	4,261	4,378	4,788	4,975
Inspections	1,523	1,133	1,043	1,231	1,193
<b>Community Development</b>					
Building permits issued	1,472	1,142	408	392	464
Building inspections	7,254	4,342	2,922	3,772	3,132
<b>Parks and Recreation</b>					
Field & shelter bookings	1,471	1,644	2,288	2,437	2,332
<b>Water</b>					
Units served	3,803	3,868	3,874	3,945	3,950
Water main breaks	3	3	3	5	2
Average daily consumption (thousands of gallons)	2,010	1,538	1,591	1,376	1,287

**Sources: City Departments**

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

<b>Function/Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Public Safety</b>					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
<b>Public Works - Streets</b>					
Streets (miles)	322	322	322	322	322
Street lights	1,907	1,907	1,907	1,907	1,907
<b>Parks and Recreation</b>					
Acreage	196	201	201.64	200.84	200.84
Parks	23	23	26	25	25
<b>Water</b>					
Water mains (miles)	71	71	71	71	71.5
<b>Sewer/Storm Drain</b>					
Sanitary sewers (miles)	57	57	57	57	57.3
Storm sewers (miles)	108	108	108	108	109.4

**Sources: City Departments**

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

<b>Function/Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Public Safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Public Works - Streets					
Streets (miles)	322	325	326	326	326
Street lights	1,907	1,907	1,957	1,957	1,957
Parks and Recreation					
Acreage	200.84	200.84	201.02	201.02	237.23
Parks	25	25	23	23	23
Water					
Water mains (miles)	71.5	71.5	72.5	72.5	72.5
Sewer/Storm Drain					
Sanitary sewers (miles)	57.4	57.4	58.2	58.2	58.6
Storm sewers (miles)	109.7	109.7	110	110	110

**Sources: City Departments**



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