City of Bothell, Washington
Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2012

City of Bothell

City of Bothell™

City Of Bothell, Washington

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended December 31, 2012

PREPARED BY THE FINANCE DEPARTMENT

Tami Schackman
Finance Director

Maureen Werts
Deputy Finance Director

Dave Buzard
Senior Financial Analyst

Ted Reijonen
Senior Financial Analyst

Joe Kinney
Senior Financial Analyst

Linli Moat
Senior Accounting Specialist

Laura Moon
Financial Information Specialist

City of Bothell, Washington
Comprehensive Annual Financial Report
For The Fiscal Year Ended December 31, 2012

Table of Contents

I. **Introductory Section** **Page**

Letter of Transmittal ..... i-viii
Certificate of Achievement for Excellence in Financial Reporting ix
City of Bothell Organizational Chart x
City of Bothell Elected Officials xi

II. **Financial Section**

Independent Auditor's Report ..... i-iii

A. Management's Discussion and Analysis 1-14

B. Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position 1
Statement of Activities 2-3

Governmental Fund Statements

Balance Sheet 4
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position 5
Statement of Revenues, Expenditures, and Changes in Fund Balances 6
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities 7

Proprietary Fund Statements

Statement of Net Position 8
Statement of Revenues, Expenses, and Changes in Fund Net Position 9
Statement of Cash Flows 10

Fiduciary Fund Statements

Statement of Fiduciary Net Position 11
Statement of Changes in Fiduciary Net Position 12

Notes to Financial Statements 13-56

C. Required Supplementary Information

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

General Fund 1
Arterial Street Fund 2
Park Cumulative Reserve Fund 3

D. Combining Financial Statements

Non-Major Funds – Other Governmental Funds

Combining Balance Sheet 2
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 3

Budget to Actual Comparisons Non-Major – Other Governmental Funds

Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual

Street Fund 4
Drug Forfeitures Fund 5
Cemetery Endowment Fund 6
2008 General Obligation Refund Bond Fund 7

Internal Service Funds

Combining Statement of Net Position 9
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position 10
Combining Statement of Cash Flows 11

Agency Fund

Statement of Changes in Assets and Liabilities - Agency Trust Fund 13

E. Supplemental Information

Budget to Actual Comparisons for the Operating Accounts of the Enterprise and Internal Service Funds of the Primary Government

Schedule of Operations – Water Fund 1
Schedule of Operations – Sewer Fund 2
Schedule of Operations – Storm Drain Fund 3
Schedule of Operations – Equipment Rental Fund 4
Schedule of Operations – Self Insurance Fund 5
Schedule of Operations – Asset Replacement Fund 6

Schedules

Schedule of Expenditures of Federal Awards 7
Schedule of State and Local Financial Assistance 8
General Obligation Bonds Refunding 2008 9
Bond Anticipation Note #1 10
Bond Anticipation Note #2 11
Public Works Trust Fund Loan PW-98-791-007 12
Capital Improvements Fund 13

III. Statistical Section

Introduction i

Financial Trends

Net Position by Component 1-2
Change in Net Position 3-4
Fund Balances of Governmental Funds 5-6
Changes in Fund Balances of Governmental Funds 7-8

Revenue Capacity

Assessed Value of Taxable Property 9
Direct and Overlapping Property Tax Rates 10
Principal Property Tax Payers 11
Property Tax Levies and Collections 12
Sales Tax Revenue by Category 13-14
Direct and Overlapping Sales Tax Rates 15

Debt Capacity

Ratios of Outstanding Debt by Type 17-18
Ratios of General Bonded Debt Outstanding 19
Computation of Direct and Overlapping Debt 20
Legal Debt Margin Information 21-22
Pledged-Revenue Coverage 23-24

Demographic and Economic Information

Demographic and Economic Statistics 25
Principal Employers 26

Operating Information

Full-time Equivalent City Government Employees by Function/Program 27-28
Operating Indicators by Function/Program 29-30
Capital Asset Statistics by Function/Program 31-32

Introductory Section

June 30, 2013

City of Bothell™

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, 2012 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, 2012 was conducted between April and June of 2013, 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.

18305 101st Ave. NE
Bothell, WA 98011
425.486.3256
www.ci.bothell.wa.us

Printed on recycled paper using vegetable-based inks

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, 2012 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 2012, 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 34,000. Located within the Seattle metropolitan area, the City straddles two counties (King and Snohomish) and comprises 12.6 square miles. In 2012, Bothell ranked number 31 among the largest cities in the State of Washington.

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

Bothell's three business parks, dubbed "The Technology Corridor", provide an appealing location for advanced biotechnology firms, wireless communications, medical device manufacturing and medical research. The corridor includes a state-designated innovation partnership zone facilitated by University of Washington-Bothell, Cascadia Community College, and private sector businesses. Major firms include: AT&T (the largest communications holding company in the world based on revenue generation), 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). The City does not levy a business and occupation tax, unlike some neighboring communities, thereby offering Bothell a competitive advantage with employers.

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

McMenamins, one of the top 50 largest craft breweries in the United States, will begin construction in the summer of 2013 transforming the historic Anderson school building into a 70-room hotel. The hotel and associated buildings will include a restaurant, brewpub, movie theatre, and live music entertainment venue.

A unique element of the agreement with McMenamins provides free use of the former Northshore Pool for Bothell citizens for a period of 15 years. McMenamins is scheduled to open in 2014.

Economic Condition

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

Bothell's largest revenue stream, sales tax, continued to lag budget expectations during 2012. Due to the postponement of multiple development projects, construction sales tax ended the biennium well under budget, however, fourth quarter receipts showed a significant increase (25%) over the same period in 2011, clearly demonstrating that the post-Great Recession development is forging ahead. Property tax remained stable throughout the economic recovery. During the 2011-2012 biennium, changes in the interpretation of federal law produced a loss of the broadband utility tax. While initially the lost revenue stream resulted in a budget shortfall, 2012 utility tax receipts saw a modest increase over 2011.

Puget Sound economists expect the state economy to grow somewhat faster than the national economy. Positive signs include the housing recovery and its impacts on the construction sector, the Boeing backlog, and continued growth in software employment. The region's unemployment rate at the end of 2012 was 6.5%. By the end of March 2013, the Seattle-Bellevue-Everett unemployment rate had fallen to 5.5%.

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 and its slow recovery are prime examples of why adequate operating reserves are necessary and how the use of these monies is imperative to sustaining vital City services through extraordinary economic periods. When spending down operating reserves is necessary, City Management develops and implements a well-defined fiscal plan to replenish reserves.

Major Initiatives

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

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

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

Bothell continues to invest in its ambitious 2011-2017 Capital Facilities Plan (CFP). To date the City has invested over $90 million in vital capital projects as part of a $150 million program of planned infrastructure improvements. Major funding sources for these projects come from real estate excise tax, utility user fees, mitigation/impact fees, grants, bonds and proceeds from the sale of City-owned surplus property. Much of the City's 7-year CFP spending plan centers on the revitalization of Bothell's historic downtown.

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

For the past two years Bothell has been preparing to implement nine proposed King County annexations via interlocal agreement. Negotiations are continuing into 2013, and if successful, the City Council will move forward in the annexation process. The annexation squares off Bothell's boundaries and eliminates numerous irregularities thereby supporting more efficient delivery of urban services. Annexation provides incremental growth of approximately $770 million to the City's property tax base, as well as, 6,080 additional residents. Three separate economic studies indicate a net positive fiscal and operational impact for both current Bothell residents and those in the annexation area.

RELEVANT FINANCIAL POLICIES

Risk Management

Bothell utilizes a Self-Insurance Fund for its Risk Management program and is a member of an insurance investment pool, which is administered by the Washington Cities Insurance Authority (WCIA). The insurance investment pool is discussed in detail in the Notes to the Basic Financial Statements.

Debt Administration

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

The City's general government long-term debt currently consists of one voted General Obligation (GO) bond with an outstanding balance of $3,225,000, and a Public Works Trust Fund loan with $675,589 outstanding as of December 31, 2012.

In 2012, Bothell City Council authorized a $7 million short-term limited BAN to pay the final balance owed to the Northshore School District (NSD) for property purchased to carry out public improvements related to the downtown revitalization. In March 2013, the maturity date of the Note was extended through May 2013. The extension was put in place to provide staff time to secure long-term financing. The outstanding balance on the Note at March 1, 2013 was $4 million. On May 21, 2013, City Council approved a 20-year, Bank Qualified (BQ), General Obligation (GO) Bond to generate a maximum of $10 million in proceeds to provide longer-term financing to accommodate the timetable necessary for closing the sale of the final two NSD properties (Lots L and O), with prospective buyers/developers and to fund other capital investments. Lots L and O are expected to be sold in the next biennium. Proceeds from the sale of Lots L and O is projected to be between $7 and $8 million.

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

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, 2011. This was the eleventh 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 2012 CAFR to the GFOA to determine this report's eligibility for a certificate. Staff believes the City's 2012 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 2012 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

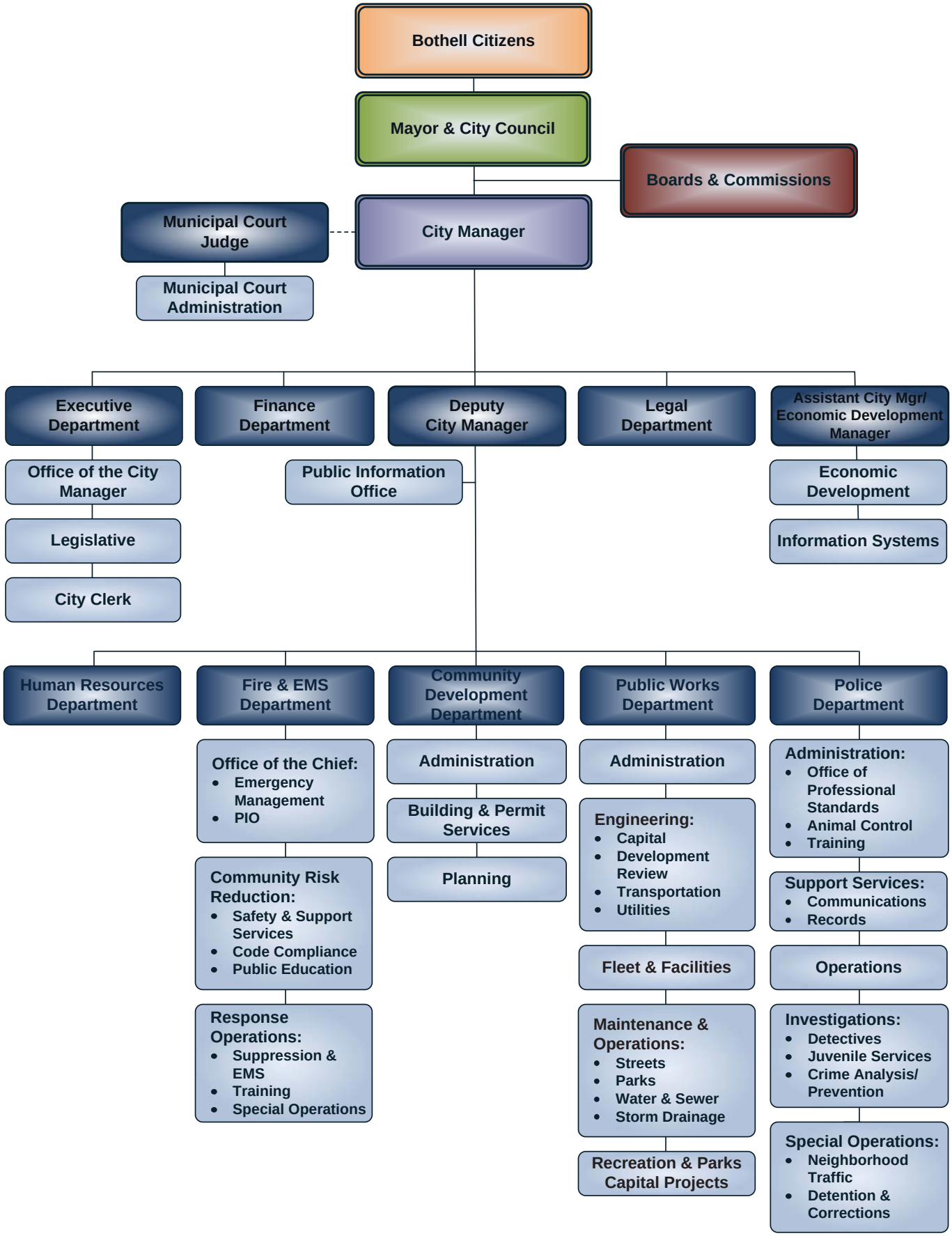
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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

President

Executive Director

City of Bothell
Organizational Chart



City of Bothell
Elected Officials

Deputy Mayor
Joshua Freed

Andy Rheaume

Del Spivey

MAYOR
Mark Lamb

Bill Evans

Tom Agnew

Patrick Ewing

Executive Staff
(Officials as of December 31, 2012)

City Manager	Robert S. Stowe
Deputy City Manager	Steve Anderson
Assistant City Manager/Economic Development Manager	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
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

June 24, 2013

Mayor and City Council
City of Bothell
Bothell, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, King County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, King County, Washington, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A1 through A14 and budgetary comparison information on pages C1 through C3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as Combining Financial Statements on pages D2 through D13 and Supplemental Information on pages E1 through E13 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

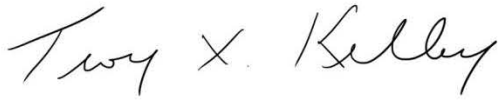
financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 24, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY
STATE AUDITOR

City of Bothell™

Management's Discussion & Analysis

Management's Discussion and Analysis

The discussion and analysis section of the City of Bothell's Comprehensive Annual Financial Report (CAFR) is prepared by City management to provide CAFR users an overview of the City's financial activity and performance for the fiscal year ended December 31, 2012. Users are encouraged to consider Management's Discussion and Analysis in conjunction with additional information furnished in the letter of transmittal (Introductory Section) and the City's financial statements (Financial Section).

2012 Financial Highlights

- Net position equaled $793,677,200 at the end of 2012.
- Net position decreased by $29,538,856, or 3.59% compared to 2011.
- Unrestricted net position amounted to $6,688,966 ($3,614,460 for governmental activities and $3,074,506 for business-type activities).
- Long-term debt decreased by $4,834,760.
- Total governmental fund balances at year-end totaled $10,227,209.
- Total governmental fund revenues decreased $2,296,408, or 4.75%.
- Total governmental fund expenditures decreased $16,936,677, or 21.62%.
- Governmental fund expenditures, excluding transfers, exceeded governmental fund revenue by $15,300,615.
- Fund balance for the General Fund at year-end totaled $3,124,698.
- Total General Fund revenues increased $2,148,393 or 6.35%.
- Total General Fund expenditures decreased $174,170, or 0.49%.
- General Fund, revenues excluding transfers, exceeded General Fund expenditures by $359,635.

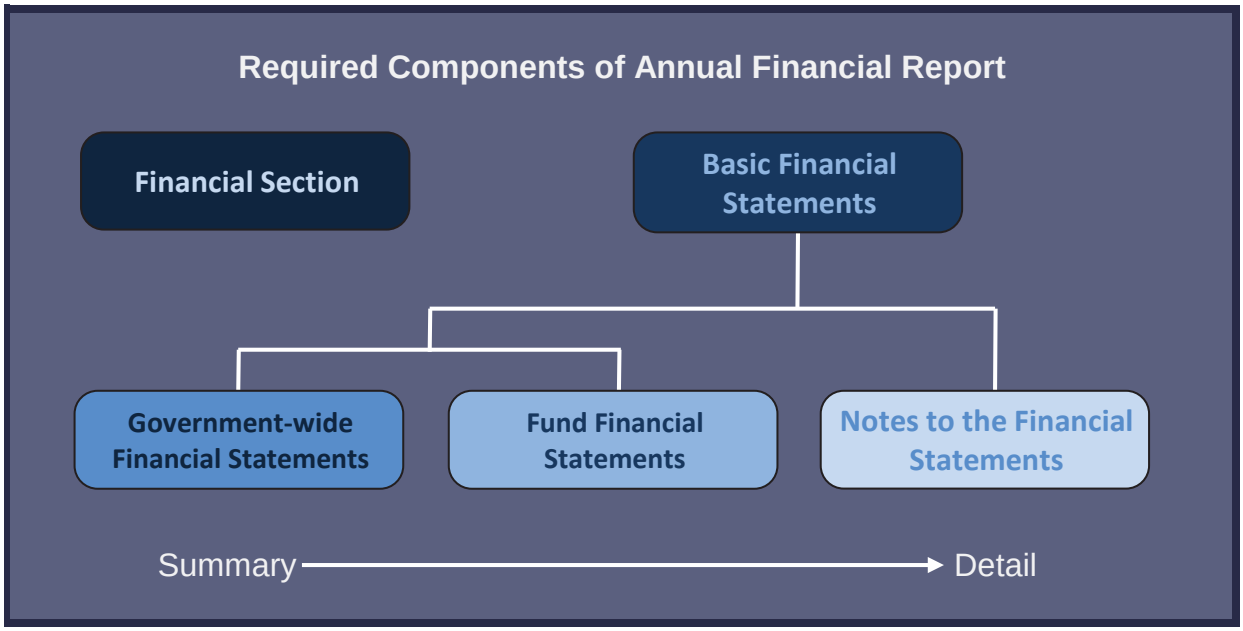
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components:

1) Government-wide financial statements.
2) Fund financial statements.
3) Notes to the financial statements (see Figure 1).

The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

Figure 1



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

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

The final section of the basic financial statements is the notes. The notes to the financial statements further detail some of the data contained in those statements. Following the notes, supplemental information provides details about the City's individual funds and contains budgetary information required by the general statutes.

Government-Wide Financial Statements

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

The **Statement of Net Position** presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement is similar to the balance sheet of a private-sector business, and increases and decreases in net position over time should serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **Statement of Activities** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

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

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

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. In 2011, the City implemented Statement No. 54 of the Governmental Accounting Standards Board (GASB): Fund Balance Reporting and Governmental Fund Type Definitions. In previous financial reports, fund balance for governmental funds focused on whether resources were available for appropriations and presentation distinguished unrestricted fund balance (available for appropriation) from reserved fund balance (not available for appropriation). The new fund balance components focus on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in the fund can be spent. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the City's programs.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison to governmental activities in the government-wide financial statements.

The City maintains 11 governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statements pertaining to revenues, expenditures, and changes in fund balances for the General, 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 the Financial Section IIC of the Required Supplemental Information section.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm 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 the Financial Section IIB of this report.

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

Notes to the Financial Statements. The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. The notes to the financial statement are presented in the Financial Section IIB of this report immediately following the basic financial statements.

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

Government-Wide Financial Analysis

Statement of Net Position

The statement of net position serves as a useful indicator of the City's financial position. As of December 31, 2012, the City's assets exceeded liabilities by $793,677,200. Net investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City's net position (98.38%), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens - consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The following is a condensed version of the government-wide statement of net position for 2012 compared to 2011.

City of Bothell's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2012	2011	2012	2011	2012
Current and other assets	$23,581,834	$18,315,791	$5,352,444	$5,904,785	$28,934,278	$24,220,576
Capital assets	815,400,492	784,057,919	33,448,973	33,860,655	848,849,465	817,918,574
Total assets	838,982,326	802,373,710	38,801,417	39,765,440	877,783,742	842,139,150
Long-term debt	45,005,264	40,619,742	2,934,317	2,559,450	47,939,581	43,179,192
Other liabilities	6,471,720	4,336,337	1,434,846	946,423	7,906,566	5,282,759
Total liabilities	51,476,984	44,956,079	4,369,163	3,505,873	55,846,147	48,461,951
Net position						
Net investment in capital assets	772,845,492	746,225,080	32,660,784	33,185,063	805,506,276	779,410,143
Restricted	9,780,831	7,578,091			9,780,831	7,578,091
Unrestricted	4,879,019	3,614,460	1,771,470	3,074,506	6,650,489	6,688,966
Total net position	**$787,505,342**	**$757,417,631**	**$34,432,254**	**$36,259,569**	**$821,937,597**	**$793,677,200**

The City's $3,614,460 in unrestricted governmental net position is available for appropriation in order to meet the needs of its citizens and to satisfy its creditors.

At the end of the 2012 fiscal year, all three categories of net position 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 net investment in capital assets, net of related debt, and a negative balance in unrestricted net position of $55,647.

Changes in Net Position

The following table reflects increases or decreases in net position resulting from the City's operating activities. The table shows revenues, expenses, and related changes in net position for the governmental activities separate from the business-type activities for 2011 and 2012. Bothell's net position from operations decreased citywide by $28,538,856 during 2012.

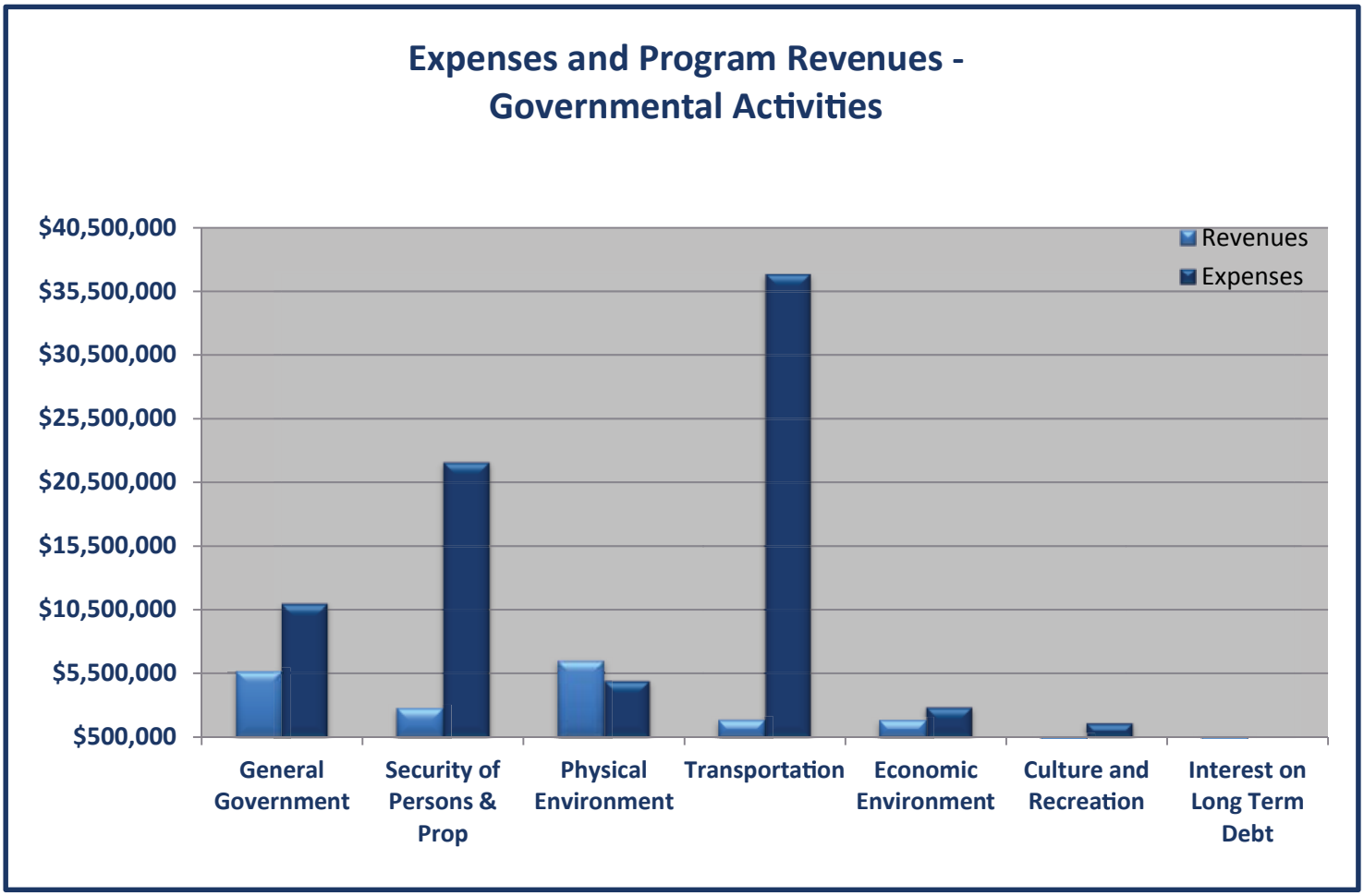
Changes in Net Position

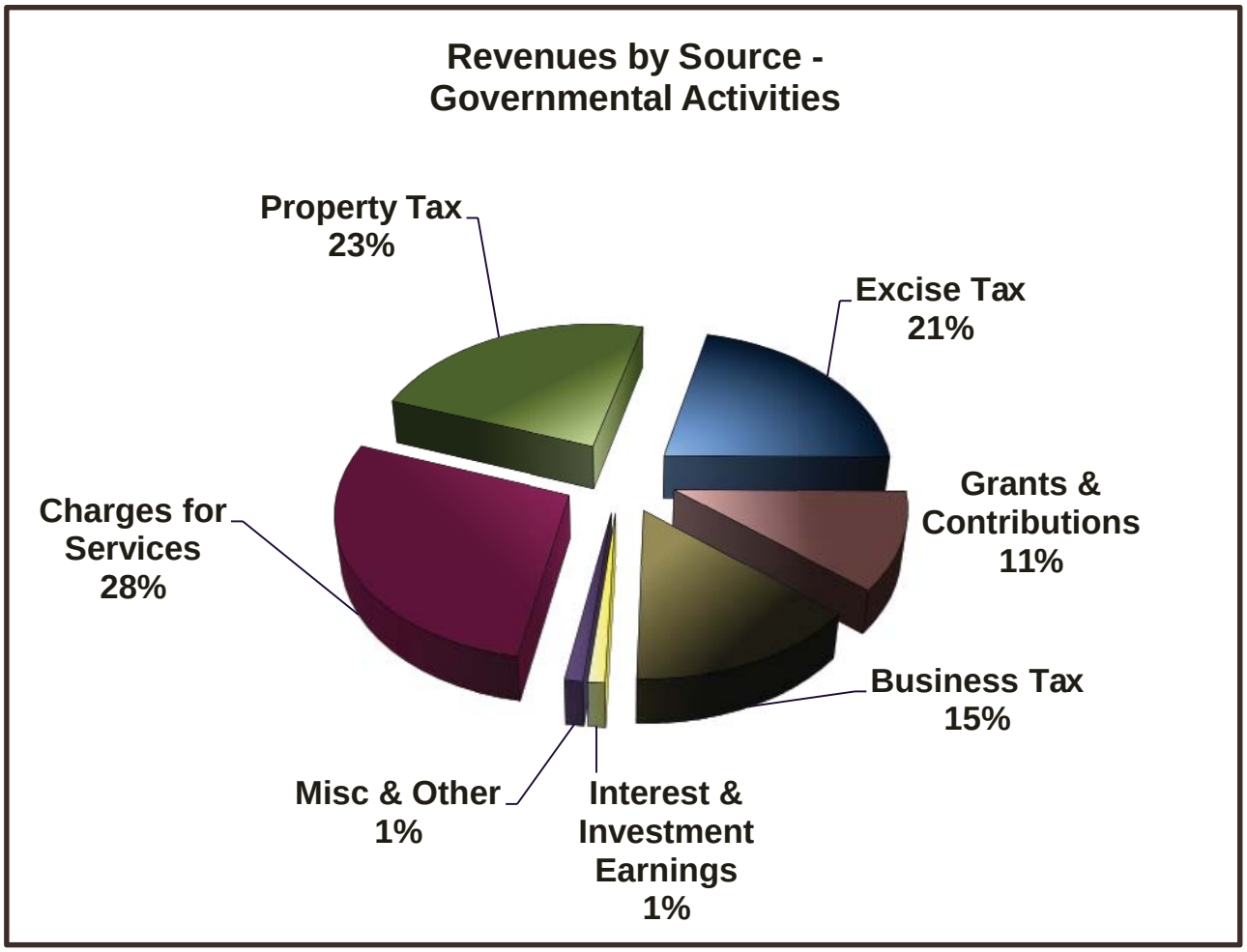
	2011			2012		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues						
Charges for services	$10,865,532	$11,149,883	$22,015,415	$13,632,450	$12,941,864	$26,574,314
Operating grants and contributions	360,152		360,152	969,659		969,659
Capital grants and contributions	10,650,614	241,500	10,892,114	4,324,101	164,800	4,488,901
General revenues						
Property tax	10,963,812		10,963,812	11,128,474		11,128,474
Excise tax	9,960,281		9,960,281	10,341,621		10,341,621
Business tax	6,795,259		6,795,259	6,972,159		6,972,159
Interest and investment earnings	310,195	1,350	311,545	512,991	4,685	517,676
Miscellaneous	516,090		516,090	540,813		540,813
Total revenues	50,421,936	11,392,733	61,814,669	48,422,268	13,111,349	61,533,617
Program expenses including indirect expenses						
General government	9,877,418		9,877,418	10,969,744		10,969,744
Security of persons and property	21,575,204		21,575,204	22,078,983		22,078,983
Physical environment	6,398,497		6,398,497	4,914,790		4,914,790
Transportation	34,044,668		34,044,668	36,833,751		36,833,751
Economic environment	3,298,490		3,298,490	2,860,182		2,860,182
Culture and recreation				1,613,519		1,613,519
Interest and fiscal charges	581,295		581,295	517,471		517,471
Water		3,708,205	3,708,205		3,369,337	3,369,337
Sewer		5,454,241	5,454,241		4,976,045	4,976,045
Storm drain		2,864,914	2,864,914		2,938,653	2,938,653
Total expenses	75,775,571	12,027,360	87,802,932	79,788,440	11,284,035	91,072,475
Excess (deficiency)	(25,353,638)	(634,627)	(25,988,265)	(31,366,171)	1,827,315	(29,538,856)
Change in net position	**($25,353,638)**	**($634,627)**	**($25,988,265)**	**($31,366,171)**	**$1,827,315**	**($29,538,856)**
Net position beginning	$811,901,576	$35,066,881	$846,968,458	$787,505,342	$34,432,254	$821,937,596
Prior year adjustment	957,403		957,403	1,278,460		1,278,460
Net position ending	**$787,505,342**	**$34,432,254**	**$821,937,596**	**$757,417,631**	**$36,259,569**	**$793,677,200**

Governmental Activities. Governmental activities decreased the City's net position by $31,366,171. Governmental activities account for 95% of the City's net position.

The key factors impacting the decrease in 2012 net position are described below:

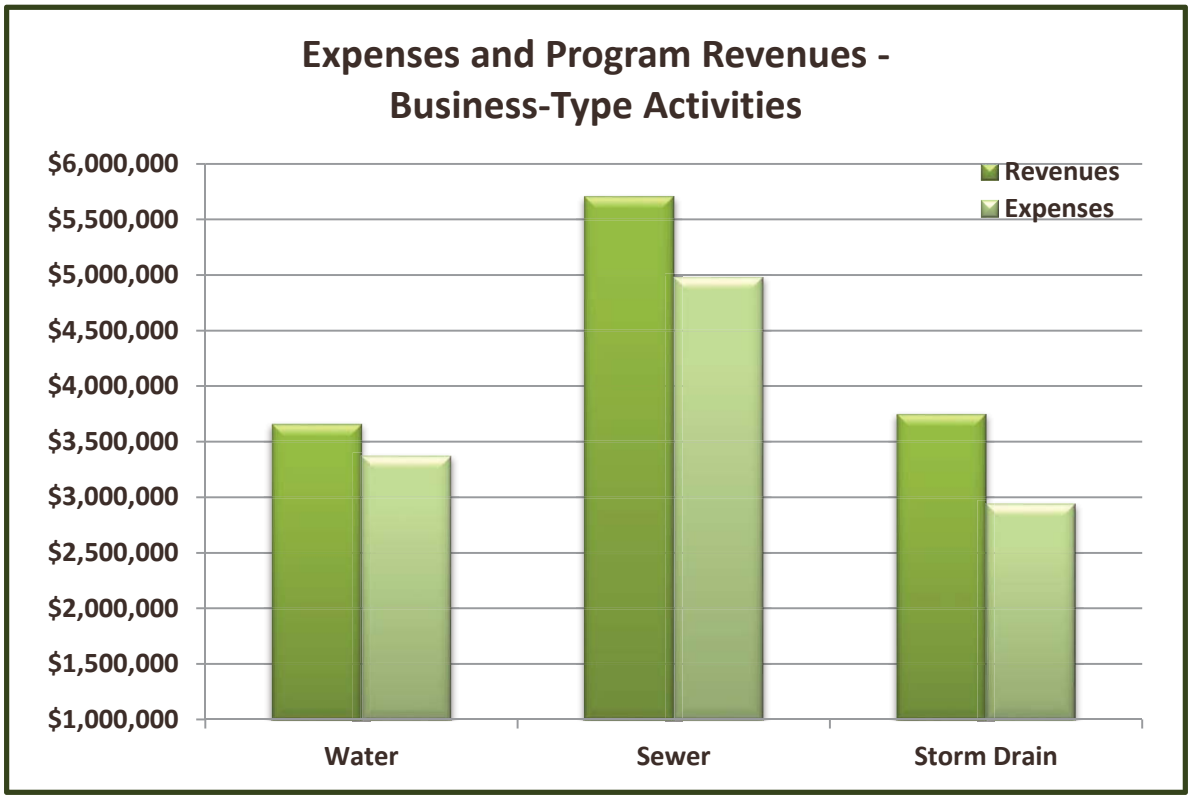
- ($37,784,832) decrease related to the depreciation of infrastructure assets.
- $12,124,363 increase in capital assets, which will be depreciated over their useful life.
- ($4,394,321) decrease in fund balance.
- $5,031,600 increase in donated assets, which will be depreciated over their useful life.
- $11,272,161 increase attributable to bond principal payments and other long term loan payment that reduce long-term liabilities on the Statement of Net Position.
- ($6,550,000) increase in loan proceeds liability related to the issuance of a 2012 bond anticipation note (BAN).
- ($45,430) increase in compensated absences liability.
- ($294,864) increase in long-term liabilities for other post-employment benefits.
- ($570,406) 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.

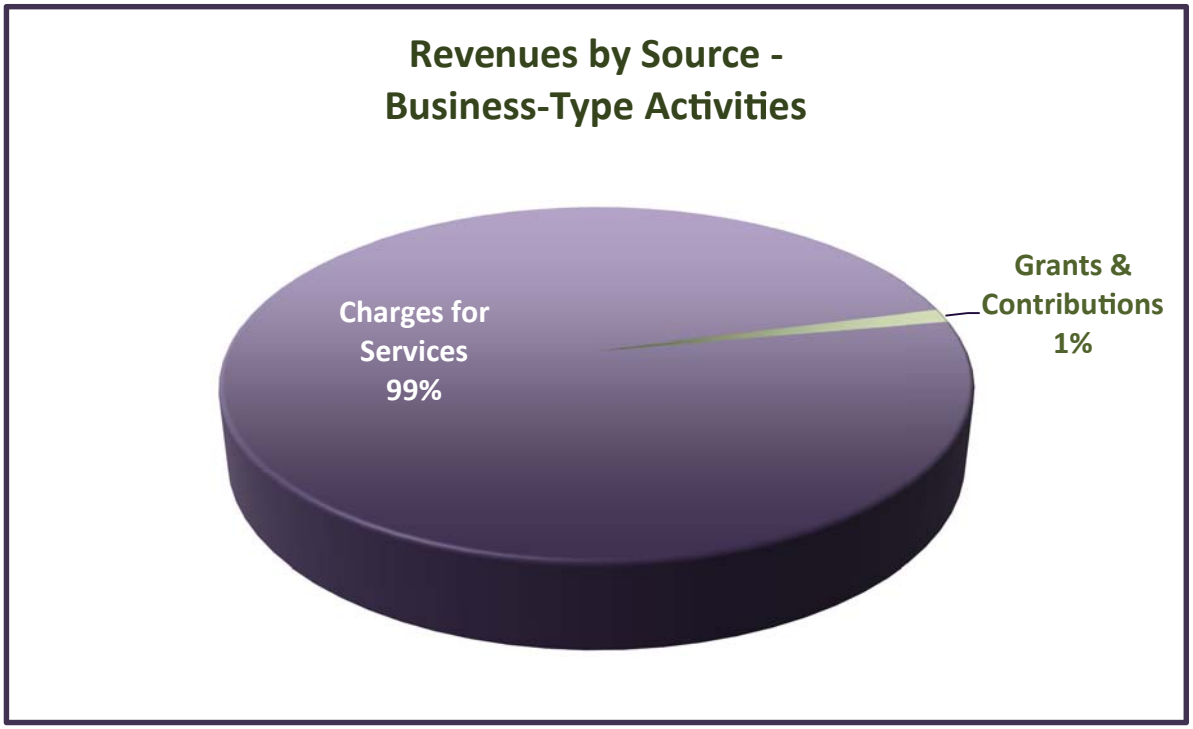




Business-Type Activities. Business-type activities increased the City's net position by $1,827,315. Business-type activities account for 4.6% of the City's net position. The key components of this increase were reduced expenses and increased program revenues.

In 2012, the overall net position of the City did not materially change (3.7%), however, it is important to note that during the 2011-2012 biennium, the City's financial position narrowed due to strategic investment in the revitalization of Bothell's historic downtown as prescribed in the City's adopted Capital Facilities Plan (CFP) which is projected to generate significant increases in major General Fund revenue streams.


Expenses and Program Revenues - Business-Type Activities
$6,000,000
$5,500,000
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
Revenues
Expenses
Water
Sewer
Storm Drain


Revenues by Source - Business-Type Activities
Charges for Services 99%
Grants & Contributions 1%

Financial Analysis of the Governmental Funds

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

Bothell's ongoing emphasis on downtown revitalization continued throughout 2012. The City invested $12,124,363 in capital infrastructure during 2012. At year-end, $30,072,265 remained in construction in progress.

At December 31, 2012, the City's governmental funds reported a combined fund balance of $10,227,209. Fund balance for Governmental funds decreased by $2,936,844, or 22.31%. The City's major governmental funds (General, Arterial Street, Park Cumulative Reserve, and Capital Improvements) experienced a combination of the following: General Fund decreased $582,301 while Capital Improvements decreased $4,088,874 due to reduced intergovernmental revenue. The Arterial Street and Park Cumulative Reserve Funds showed increases of $664,925 and $1,042,502 respectively. Other Governmental Funds also increased slightly at $46,904.

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 2012 fiscal year, the unrestricted fund balance in the General Fund amounted to $2,581,426. This figure includes a reimbursement of approximately $1.7 million from the City's Capital Improvements Fund that stems from an interfund transfer made from the General Fund to the Capital Improvements Fund in late 2009. This transaction was made prior to the City issuing a Local Infrastructure Financing Tool (LIFT) bond anticipation note (BAN) to postpone the issuance of debt and circumventing unnecessary financing costs. As in years subsequent to 2010, these funds are assigned for future capital investment. (See Basic Financial Statements)

In 2012, the General Fund revenues, excluding transfers, exceeded expenditures by $359,635. The following table reflects fund balance variances for the General Fund between 2012 and 2011:

	2012	2011	Variance Increase/ (Decrease)	% Variance
Revenue & Other Financing Sources	$35,975,704	$35,738,610	$237,094	0.7%
Expenditures & Other Financing Uses	36,558,005	36,485,379	72,626	(0.4%)
Revenue Over (Under) Expenditures	**(582,301)**	**(746,770)**	**309,719**	
Beginning Fund Balance	3,706,999	4,052,528	(345,529)	
Prior Year Adjustment		401,241	(401,241)	
Ending Fund Balance	**$3,124,698**	**$3,706,999**	**($582,301)**	**(8.5%)**

General Fund Budgetary Highlights: Generally, budget amendments fall into one of four categories: 1) amendments made to adjust original estimates once more precise data is available; 2) amendments made to recognize new funding sources; 3) allocation of transfers in accordance with fiscal policy; and 4) increases in appropriations necessary to maintain services.

During the 2012 fiscal year, the Council modified the City's adopted budget on one occasion. The 2012 budget amendment was adopted by ordinance on November 13, 2012. The net impact on the General Fund was a reduction of $450,000 in fund balance.

The General Fund 2012 amended budgetary highlights are as follows:

- $450,000 net decrease in revenues resulting from operating transfers:
- $350,000 transfer to the Street Fund to replace lost street light fee revenue
- $100,000 transfer to the Fleet Management Fund to offset higher than projected fuel and service costs

For the 2011-2012 biennium, General Fund outflows exceeded inflows by $1,329,071 and inflows fell short of projections by $8,123,366 or 10.4% of the overall biennial projections. Total General Fund outflows for the biennium were $73,043,383. Economic volatility prescribed continuous realignment of inflows and outflows during the 2011-2012 biennium.

Significant differences between the General Fund's authorized 2011-2012 budget and actual inflows and outflows were required as follows:

- Retail sales tax finished $2,775,343 less than projected.
- Construction sales tax receipts were $1,195,604 under projection.
- Utility taxes were $2.77 million below projections - mainly due to gas and telephone (broadband services) utility shortfalls.
- Interest earnings trailed behind projections by $471,956.
- Salary and benefit expenditures were under projection by $2,329,023.
- Maintenance and operating expenditures were behind projections by $1,410,891.
- Capital expenditures were $250,699 less than projected.
- Transfers-out ended $1.52 million under their projections because interfund transfers for vehicle asset replacement did not occur.

- Reduction of $1.5 million in operating reserve approved by City Council to fill budget gap primarily created by unexpected loss of long relied on revenue streams (street light fee and telephone/broadband utility tax).

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position are as follows: Water $1,484,425; Sewer $1,645,728; and Storm Drain ($55,647). 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 position for each proprietary fund is as follows: Water increased $287,259; Sewer increased $730,169; and Storm Drain increased $809,887. 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, 2012 totaled $817,918,574 (net of accumulated depreciation). These assets include bridges, rights-of-way, buildings, streets and sidewalks, land, machinery and equipment, and vehicles.

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
Land and land improvements	$67,260,870	$58,300,094	$285,302	$285,302	$67,546,172	$58,585,395
Infrastructure rights-of-way	70,572,924	71,043,127	15,006	15,006	70,587,930	71,058,133
Buildings	17,181,504	16,739,980	7,788,832	7,624,133	24,970,336	24,364,113
Improvements	42,855,167	42,835,258	24,266,727	23,435,709	67,121,894	66,270,968
Infrastructure	588,592,976	557,654,763			588,592,976	557,654,763
Vehicles	2,260,083	1,959,438	30,100	10,027	2,290,183	1,969,465
Machinery & equipment	891,982	752,994	284,737	238,261	1,176,719	991,256
Construction in progress	25,784,985	30,072,265	778,270	2,252,217	26,563,255	32,324,481
Intangible asset		4,700,000				
Total	**$815,400,492**	**$784,057,919**	**$33,448,974**	**$33,860,655**	**$848,849,465**	**$817,918,574**

Capital Asset and Debt Administration

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

Long-Term Debt. As of December 31, 2012, the City had total debt outstanding of $38,508,428.

Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
General obligation debt	$3,805,000	$3,225,000			$3,805,000	$3,225,000
Bond anticipation note	30,000,000	34,607,839			30,000,000	34,607,839
Other debt	8,750,000		788,188	675,589	9,538,188	675,589
Total	**$42,555,000**	**$37,832,839**	**$788,188**	**$675,589**	**$43,343,188**	**$38,508,428**

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 $443,073,249 as of January 1, 2013. The City had $3,225,000 in voter approved bonds outstanding at December 31, 2012. Additional information regarding the City's long-term debt is located in the Financial Section IIB, Note 13.

Economic Factors and Next Year's Budget and Rates

- While growth remains slow, Puget Sound economists continue to expect the state economy to grow somewhat faster than the national economy in 2013. Positive signs include the housing recovery and its impacts on the construction sector, the Boeing backlog, as well as continued growth in software employment.
- The construction and housing markets are showing signs of a recovering economy and local economists predict housing prices to increase 7.8% during 2013.
- In 2012, regional employment grew at a rate of 2.7%, twice the national pace. The Seattle-Bellevue-Everett unemployment rate at the end of 2012 was 6.5%. As of March 2013, the local unemployment rate had fallen further to 5.5%.
- City fees increase annually on January 1 of each year, in line with the previous year's June-to-June Consumer Price Index (CPI), which is published by the Bureau of Labor Statistics. Based on the 2012 CPI, City fees increased 2.7% in 2013.
- City Council approved a 1% property tax levy for 2013 and proposed the same for 2014. A 1% property tax increase amounts to approximately $92,000 per year for the City. There has not been an increase in property taxes since 2006.

Biennial Budget Highlights for the Period Ending December 31, 2012

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 early 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. These measures included a new Motor Vehicle Accident (MVA) fee, increases in EMS Transport and business license fees, and personnel concessions from bargaining groups.

Fund balance in the City's General Fund amounted to 8.7% of operating expenditures at December 31, 2012.

Total capital outlay expenditures in governmental funds amounted to $29,106,487 during 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 2012, Council approved the following utility rate increases to pay for utility expenses and capital projects identified in the City's 2013-2019 Capital Facilities Plan: 1.5% increase in water, 9.1% increase in sewer and a 9% increase in storm drain. These rate adjustments took effect on January 1, 2013.

Requests for Information
The CAFR is designed to provide a general overview of the City of Bothell's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial data should be addressed to:

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

Basic Financial Statements

City of Bothell
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$1,919,068	$664,088	$2,583,156
Investments	8,028,880	3,445,607	11,474,487
Receivables (net)	8,107,886	1,795,092	9,902,978
Taxes receivable	259,957		259,957
Capital assets:			
Non-depreciable	164,115,485	2,552,524	166,668,009
Depreciable, net	619,942,434	31,308,131	651,250,564
Total assets	802,373,710	39,765,441	842,139,151
LIABILITIES			
Accounts payable	3,209,624	946,422	4,156,047
Unearned revenue	1,126,712		1,126,712
Long-term liabilities (see Note 13)			
Due within one year	6,650,951	464,457	7,115,409
Due in more than one year	33,968,791	2,094,993	36,063,784
Total liabilities	44,956,079	3,505,873	48,461,951
NET POSITION			
Net investment in capital assets	746,225,080	33,185,063	779,410,143
Restricted for:			
Transportation	2,208,426		2,208,426
Parks & Recreation	1,707,797		1,707,797
Capital projects	2,976,365		2,976,365
Street maintenance	258		258
Drug forfeitures	25,573		25,573
Debt service	100,080		100,080
Cemetery	16,321		16,321
Other purpose	543,272		543,272
Unrestricted (deficit)	3,614,460	3,074,506	6,688,966
Total net position	**$757,417,631**	**$36,259,569**	**$793,677,200**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Activities
For the Year Ended December 31, 2012

		Program Revenues		
Functions/program	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Government activities:				
General government	$10,969,744	$4,841,692	$814,017	
Security of persons and property	22,078,983	2,663,755	74,301	
Physical environment	4,914,790	2,078,244	81,341	4,324,101
Transportation	36,833,751	1,818,764		
Economic environment	2,860,182	1,961,284		
Culture and recreation	1,613,519	268,711		
Interest and fiscal charges	517,471			
Total governmental activities	**79,788,440**	**13,632,450**	**969,659**	**4,324,101**
Business-type activities:				
Water	3,369,337	3,656,582		
Sewer	4,976,045	5,639,707		66,100
Storm drain	2,938,653	3,645,575		98,700
Total business-type activities	**11,284,035**	**12,941,864**	**-**	**164,800**
Total primary government	**$91,072,475**	**$26,574,315**	**$969,659**	**$4,488,901**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Activities
For the Year Ended December 31, 2012

	Net (Expense) Revenues and Changes in Net Position		
Functions/program	**Assets Governmental Activities**	**Primary Government Business-Type Activities**	**Total**
Primary government:			
Government activities:			
General government	($5,314,035)		($5,314,035)
Security of persons and property	(19,340,926)		(19,340,926)
Physical environment	1,568,896		1,568,896
Transportation	(35,014,987)		(35,014,987)
Economic environment	(898,898)		(898,898)
Culture and recreation	(1,344,808)		(1,344,808)
Interest and fiscal charges	(517,471)		(517,471)
Total governmental activities	**(60,862,229)**		
Business-type activities:			
Water		287,245	287,245
Sewer		729,762	729,762
Storm drain		805,622	805,622
Total business-type activities		**1,822,629**	
Total primary government	**($60,862,229)**	**$1,822,629**	**($59,039,599)**
General Revenues:			
Property tax	$11,128,474		$11,128,474
Excise tax	10,341,621		10,341,621
Business tax	6,972,159		6,972,159
Interest and investment earnings	512,991	4,685	517,676
Miscellaneous	540,813		540,813
Total general revenues	29,496,058	4,685	29,500,743
Change in net position	(31,366,171)	1,827,315	(29,538,856)
Net position - beginning	787,505,342	34,432,254	821,937,596
Prior year adjustment	1,278,460		1,278,460
Net position - ending	**$757,417,631**	**$36,259,569**	**$793,677,200**

The accompanying notes are an integral part of this statement

City of Bothell
Balance Sheet
Governmental Funds
December 31, 2012

	General	Special Revenue Fund Arterial Street	Special Revenue Fund Park Cum Reserve	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current cash & cash equivalents	$841,286	$249,660	$178,764	$392,431	$190,894	$1,853,034
Investments	636,645	2,420,314	1,529,033	1,400,000	84,090	6,070,082
Receivables (net of allowances)						
Taxes	240,411				19,546	259,957
Accounts receivable	1,404,828			786,242		2,191,070
Due from other governmental units	2,471,517			1,508,859	130,305	4,110,681
TOTAL ASSETS	**$5,594,687**	**$2,669,974**	**$1,707,797**	**$4,087,531**	**$424,835**	**$14,484,824**
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	$355,882			$1,111,167	$139,407	$1,606,456
Unearned revenue	645,854	461,548			19,311	1,126,712
Deposits payable	58,787					58,787
Compensated absences					30,568	30,568
Payroll payable	1,409,466				25,625	1,435,091
Total liabilities	2,469,989	461,548	-	1,111,167	214,911	4,257,614
Fund balances						
Nonspendable	16,750					16,750
Restricted	526,522	2,208,426	1,707,797	2,976,365	142,231	7,561,341
Committed					67,692	67,692
Assigned	1,711,130					1,711,130
Unassigned	870,296					870,296
Total fund balances	3,124,698	2,208,426	1,707,797	2,976,365	209,924	10,227,209
TOTAL LIABILITIES AND FUND BALANCES	**$5,594,687**	**$2,669,974**	**$1,707,797**	**$4,087,531**	**$424,835**	**$14,484,824**

The accompanying notes are an integral part of this statement

City of Bothell
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
December 31, 2012

Total fund balances for the governmental funds		$10,227,209
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
Non-depreciable assets	164,115,485	
Depreciable assets (net)	619,942,434	784,057,919
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position are:		3,705,407
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	(1,391,274)	
Other post-employment benefits payable	(1,348,791)	
Bonds and note payable	(37,832,839)	(40,572,904)
Total net position of governmental activities		**$757,417,631**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Special Revenue Fund Arterial Street	Special Revenue Fund Park Cum Reserve	Capital Projects Fund Capital Improvements	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$25,609,645		$42,201	$2,024,661	$765,746	$28,442,253
Licenses and permits	1,697,643				63,577	1,761,220
Intergovernmental revenues	2,911,915	6,335		4,317,766	779,217	8,015,234
Charges for services	4,542,601	1,718,304	179,017		27,356	6,467,279
Fines and forfeitures	421,304					421,304
Interest earnings	509,319	48	69		198	509,634
Contributions	45,595			10		45,605
Other revenue	237,680			193,706	4,100	435,486
Total revenue	35,975,704	1,724,687	221,287	6,536,143	1,640,194	46,098,015
EXPENDITURES						
Current						
General government	8,248,283					8,248,283
Security of persons and property	20,292,352					20,292,352
Transportation					1,725,232	1,725,232
Physical environment	4,185,398					4,185,398
Economic environment	2,860,182					2,860,182
Other expenditures					2,436	2,436
Debt service						
Debt service - principal				10,692,161	580,000	11,272,161
Debt Issue costs				170,753		170,753
Debt service - interest				376,812	140,658	517,471
Capital outlay						
Capital outlay	29,854	241		12,094,267		12,124,363
Total expenditures	35,616,069	241	-	23,333,993	2,448,326	61,398,630
Excess of revenue over (under) expenditures	359,635	1,724,446	221,287	(16,797,850)	(808,132)	(15,300,615)
OTHER FINANCING SOURCES (USES)						
Bond anticipation note - issuance of debt				6,550,000		6,550,000
Transfer in				1,551,452	855,036	2,406,488
Transfer out	(941,936)	(1,536,765)				(2,478,701)
Total other financing sources	(941,936)	(1,536,765)	-	8,101,452	855,036	6,477,786
SPECIAL ITEMS						
Proceeds from sales of capital assets				4,607,525		4,607,525
Net change in fund balances	(582,301)	187,680	221,287	(4,088,874)	46,904	(4,215,304)
FUND BALANCES - JANUARY 1, 2012	3,706,999	1,563,501	665,295	7,065,239	163,020	13,164,053
Prior year adjustment		457,245	821,215			1,278,460
FUND BALANCES - DECEMBER 31, 2012	**$3,124,698**	**$2,208,426**	**$1,707,797**	**$2,976,365**	**$209,924**	**$10,227,209**

The accompanying notes are an integral part of this statement

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, 2012

Net change in fund balances - total governmental funds	($4,215,304)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	
Donated capital assets	5,031,600
Expenditures for capital assets	12,124,363
Sales of capital assets	(10,333,459)
Depreciation	(37,784,832)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of position.	
Principal payments	11,272,161
Bond anticipation note and loan proceeds are the other financing sources in governmental funds, but increase long-term liabilities in the statement of position.	
Bond anticipation note proceed	(6,550,000)
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	(45,430)
Change in other post-employment benefits payable	(294,864)
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.	(570,406)
Change in net position of governmental activities	**($31,366,171)**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain	Total	
ASSETS					
Current assets					
Cash and cash equivalents	$271,941	$178,643	$213,504	$664,088	$66,033
Investments	1,105,890	806,640	1,533,076	3,445,607	1,958,798
Accounts receivable	473,034	1,034,596	92,848	1,600,478	24,063
Due from other governments	3,790	102	189,922	193,814	72
Advances receivable					250,000
Special assessments receivable		800		800	
Total current assets	1,854,656	2,020,781	2,029,349	5,904,787	2,298,967
Non-current assets					
Advances receivable					1,532,000
Capital assets, net of depreciation					
Land	122,175	163,126		285,302	
Right of way			15,006	15,006	
Buildings	2,540,614	2,893,551	2,189,968	7,624,133	
Improvements other than buildings	9,104,638	6,078,493	8,252,579	23,435,709	738,256
Equipment		143,550	94,711	238,261	180,218
Vehicles			10,027	10,027	1,943,518
Construction in progress	227,889	515,250	1,509,077	2,252,217	
Total capital assets, net of depreciation	11,995,316	9,793,970	12,071,369	33,860,655	2,861,992
Total non-current assets	11,995,316	9,793,970	12,071,369	33,860,655	4,393,992
Total assets	13,849,971	11,814,752	14,100,718	39,765,441	6,692,959
LIABILITIES					
Current liabilities					
Accounts payable	301,909	309,561	179,430	790,900	92,139
Payroll payable	42,431	40,883	72,209	155,522	17,152
Compensated absences	25,891	24,610	51,358	101,859	16,270
Current portion of loans payable	112,599			112,599	
Current portion of advances payable			250,000	250,000	
Total current liabilities	482,830	375,053	552,996	1,410,880	125,560
Non-current liabilities					
Loans payable	562,993			562,993	
Advances payable			1,532,000	1,532,000	
Total non-current liabilities	562,993	-	1,532,000	2,094,993	-
Total liabilities	1,045,823	375,053	2,084,996	3,505,873	125,560
NET POSITION					
Net investment in capital assets	11,319,724	9,793,970	12,071,369	33,185,063	2,861,992
Unrestricted	1,484,425	1,645,728	(55,647)	3,074,506	3,705,407
Total net position	**$12,804,149**	**$11,439,698**	**$12,015,722**	**$36,259,569**	**$6,567,399**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain	Total	
OPERATING REVENUES					
Charges for services	$3,636,582	$5,614,769	$3,515,598	$12,766,949	$1,916,233
Intergovernmental revenues	20,000	24,938	129,977	174,915	13,342
Total operating revenue	3,656,582	5,639,707	3,645,575	12,941,864	1,929,575
OPERATING EXPENSES					
Administrative and general	434,211	442,082	1,241,992	2,118,286	1,164,529
Purchased water	1,183,907			1,183,907	
Metro service		3,110,051		3,110,051	
Maintenance and operations	735,676	681,086	1,200,126	2,616,888	700,925
Customer accounts	137,332	136,663		273,995	
Taxes	397,290	282,287	50,123	729,699	
Depreciation and amortization	473,602	323,875	443,176	1,240,653	769,819
Total operating expenses	3,362,018	4,976,045	2,935,416	11,273,479	2,635,274
OPERATING INCOME (LOSS)	294,564	663,662	710,159	1,668,385	(705,699)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	14	406	4,265	4,685	59,722
Gain (loss) on disposition of capital assets					3,357
Interest expense	(7,319)		(3,237)	(10,556)	
Total non-operating revenue (expense)	(7,305)	406	1,028	(5,870)	63,079
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	**287,259**	**664,069**	**711,187**	**1,662,515**	**(642,620)**
Transfers in					264,922
Transfers out					(192,708)
Capital contributions from developers		66,100	98,700	164,800	
CHANGE IN NET POSITION	287,259	730,169	809,887	1,827,315	(570,406)
NET POSITION - BEGINNING	12,516,889	10,709,530	11,205,835	34,432,254	7,137,805
NET POSITION - ENDING	**$12,804,148**	**$11,439,699**	**$12,015,722**	**$36,259,569**	**$6,567,399**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Water	Sewer	Storm Drain	Total	
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from customers	$3,656,582	$5,705,807	$3,744,275	$13,106,664	$1,929,575
Cash paid to employees	(573,509)	(553,528)	(1,013,094)	(2,140,131)	(256,218)
Cash paid to suppliers for goods and services	(2,487,961)	(4,042,914)	(1,904,001)	(8,434,876)	(1,379,830)
Cash paid for taxes	(397,290)	(282,287)	(50,123)	(729,699)	
Net cash provided by operating activities	197,823	827,078	777,057	1,801,958	293,527
CASH FLOW FROM NON-CAPITAL ACTIVITIES					
Transfers out					(192,708)
Transfers in					264,922
Net cash provided from non-capital activities	-	-	-	-	72,214
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(219,853)	(326,805)	(940,876)	(1,487,534)	(389,575)
Interest paid on capital debt	(7,319)		(3,237)	(10,556)	
Proceeds from the sale of capital assets					59,722
Net cash (used) by capital and related activities	(227,172)	(326,805)	(944,113)	(1,498,090)	(329,852)
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	(1,100,014)	(800,016)	(1,500,078)	(3,400,108)	(300,120)
Interest and dividends	14	406	4,265	4,685	3,357
Net cash provided by investing activities	(1,100,000)	(799,609)	(1,495,813)	(3,395,422)	(296,763)
Net increase (decrease) in cash and cash equivalents	(1,129,349)	(299,336)	(1,662,868)	(3,091,554)	(260,875)
Balances - January 1	1,401,290	477,979	1,876,372	3,755,641	326,908
Balances - December 31	**$271,941**	**$178,643**	**$213,504**	**$664,088**	**$66,033**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$294,564	$663,662	$710,159	$1,668,385	($705,699)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	473,602	323,875	443,176	1,240,653	769,819
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(18,804)	(63,489)	(92,080)	(174,373)	(24,063)
Decrease (increase) in due from other governments	14,290	273	(86,132)	(71,569)	(72)
Decrease (increase) in special assessments deferred		2,152		2,152	
Decrease (increase) in loan receivable					250,000
Increase (decrease) in non-capital accounts payable	(448,203)	(94,782)	50,462	(492,523)	6,435
Increase (decrease) in intrerfund loan payable			(250,000)	(250,000)	
Increase (decrease) in interest payable	(563)			(563)	
Increase (decrease) in compensated absences payable	(5,711)	(6,206)	(352)	(12,269)	(3,585)
Increase (decrease) in payroll payable	1,246	1,593	1,824	4,663	691
Increase (decrease) in contracts payable	(112,599)			(112,599)	
Net cash provided by operating activities	**$197,823**	**$827,078**	**$777,057**	**$1,801,958**	**$293,527**
Noncash investing, capital and financing activities					
increase (decrease) in fair value of investments	-	-	-	-	-
Capital contributions from developers		$66,100	$98,100	$164,800	

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2012

	Pension Trust	Agency
	Firemen's Pension Reserve	Trust
ASSETS		
Cash and cash equivalents	$76,127	$183,105
Total receivables	76,127	183,105
Investments, at fair value		
State investment pool	218,407	
Total investments	218,407	-
Total assets	$294,534	$183,105
LIABILITIES		
Refunds payable and others		$149,686
Accounts payable		33,419
Total liabilities	-	$183,105
NET POSITION		
Held in trust for pension benefits	**$294,534**	**-**

The accompanying notes are an integral part of this statement

City of Bothell
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	Pension Trust
	Firemen's Pension Reserve
ADDITIONS	
Contributions	
Employer	$48,036
Total contributions	48,036
Investment earnings	
Interest	515
Total investment earnings	515
Total additions	48,551
DEDUCTIONS	
Benefits	40,783
Total deductions	40,783
Change in net position	7,768
Net position - beginning	286,767
Net position - ending	**$294,534**

The accompanying notes are an integral part of this statement

Notes to Financial Statements
December 31, 2012

1) Summary of Significant Accounting Policies 14-21
Reporting Entity 14
Basic Financial Statements – Fund Financial Statements 14-16
Basic Financial Statements – Government–Wide Statements 16-19
Basis of Accounting 19-20
Encumbrances 20
Financial Statement Accounts 20-21
2) Compliance and Accountability 22-23
Procedures for Adopting the Original Budget 22
Amending the Budget 23
3) Deposits and Investments 24-25
Deposits 25
Investments 24-25
4) Property Taxes 26
5) Capital Assets and Depreciation 27-29
General Policies 27
Governmental Capital Assets 27
Proprietary Fund Capital Assets 27
Depreciation 27
6) Pensions 30-35
Public Employees' Retirement System (PERS) - Plans 1, 2, and 3 30-32
Law Enforcement Officers' and Fire Fighters' Retirement System
(LEOFF) - Plans 1 and 2 32-33
Public Safety Employees Retirement System (PSERS) Plan 2 33-34
Other Retirement Systems 35
7) Other Employee Benefits 36
Compensated Absences 36
Deferred Compensation 36
Post-Employment Benefits 36
8) Post-Employment Benefits Other than Pensions 37-39
9) Contingencies 40
10) Risk Management 41
11) Interfund Activities 42
12) Net Position 43
13) Long-Term Debt 44-46
14) Fund Restatements 47
15) Impact Fees 48
16) Pollution Remediation Obligations 49-50
17) Leases 51
18) Fund Balance Reporting 52-54
19) Special Item 55
20) Subsequent Events 56

City of Bothell

Notes to Financial Statements
January 1, 2012 through December 31, 2012

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 of Bothell has implemented all applicable GASB statements through Statement 63.

REPORTING ENTITY

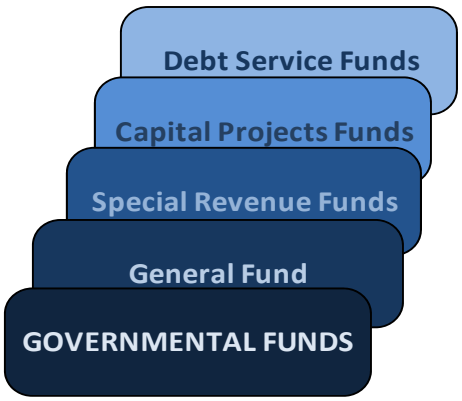
As required by GAAP, the City's financial statements present the City of Bothell, the primary government. There are no component units included in these statements.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

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

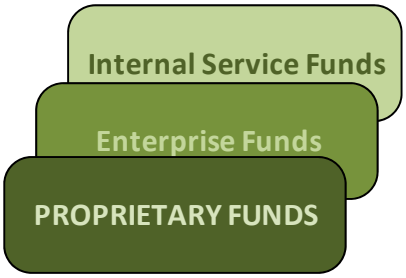
The City uses the following fund types:



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

The following is a description of the governmental funds of the City:

- The General Fund is the City's general operating fund. It is used to account for all financial resources except those required to be accounted for in other funds.
- Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- Capital project funds are used to account for financial resources for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).
- Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

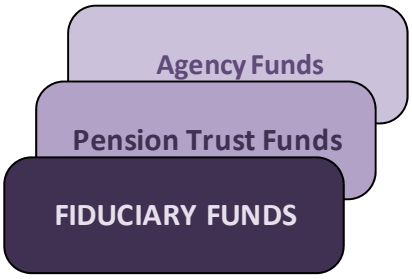


Proprietary Funds:
Proprietary fund measurement focuses on determining operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and from producing and delivering goods in connection with a proprietary fund's principle ongoing operation. The principal operating revenues of the City's Water, Sewer, and Storm 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 position, using accounting principles similar to proprietary funds.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

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

The components of the City's net position are: net investment in capital assets, restricted net position, and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities. Fiduciary funds are excluded from government-wide statements.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities - general government, security of persons and property, physical environment, transportation, economic environment, mental and physical health, culture and recreation, water, sewer (wastewater), and storm drain (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 position 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 is a special revenue fund used to account for proceeds of restricted revenues dedicated to street construction and transportation improvement projects. The main source of revenue is impact fees. Impact fees are transferred to the Capital Improvement Fund in a reimbursement manner for right-of-way acquisition, design and construction of roadways, sidewalks, street lighting, traffic signals, and landscaping.

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.

Local Improvement District (LID) Control Funds

LID Control Funds accounts for special assessment bonds. These are not a direct responsibility of the City, but are funded from a collection of special assessment payments to finance public improvements or services deemed to benefit the properties against which the special assessments are levied.

Drug Forfeiture Fund

This fund accounts for monies seized from drug policing activities.

Cemetery Endowment Fund

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

General Obligation (GO) Bond Funds

GO Bond Funds are created to provide for the retirement of general purpose bonds issued for City facilities or equipment. When capital expenditures are funded by debt authorized by voter approval, the revenues generated to retire these debts come from property taxes. Debt issued that is not guaranteed by property tax revenue depends on other sources of general City revenue in order to retire debt.

Construction and Acquisition Fund

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

LID Guaranty Fund

The LID Guaranty Fund accounts for surplus from the LID Control Fund. This fund was established for the purpose of guaranteeing the payment of local improvement bonds.

Internal Service Funds

Equipment Rental Fund

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

Self Insurance Fund

The Self Insurance Fund accounts for the costs of administering the City's self-insurance liability, property insurance risks, and employee benefits.

Asset Replacement Fund

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

Fiduciary Funds

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

Firemen's Pension Reserve Fund

This pension trust fund is used to account for monies accrued prior to the City's participation in the Washington Law Enforcement Officers and Fire Fighters Retirement System (LEOFF) pension system, and yearly receipts of the fire insurance premium tax. Reserve resources are utilized to supplement annuity benefit payments for LEOFF I retirees (Refer to Note 6).

Agency Fund

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

BASIS OF ACCOUNTING

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

Accrual

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

Modified Accrual

The governmental funds financial statements are presented using the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, both measurable and available. "Available" means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period.

The City considers all revenue reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is

incurred. The exception to this general rule is that principal and interest on general obligation long-term debt (if any) is recognized when due.

ENCUMBRANCES

Encumbrances represent commitments for unperformed goods or service contracts. Encumbrance accounting, (under which purchase orders, contracts, and other commitments for expenditure of resources are recorded to reserve the proper appropriation), is utilized in the governmental funds.

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

FINANCIAL STATEMENT ACCOUNTS

Cash and Cash Equivalents

The City has defined cash and cash equivalents as cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

These amounts are classified on the balance sheet or in the statement of net position within cash and cash equivalents or investments in the various funds. The interest on these investments is prorated to the applicable funds.

Investments

Investments for the government are reported at fair value. The state's local Government Investment Pool (LGIP) investment pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares (Refer to Note 3).

Receivables

Taxes receivable consist of property taxes and related interest and penalties (Refer to Note 4). Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year. Customer accounts receivable consist of amounts owed from private individuals or organizations for goods and services including amounts owed for billings that have not yet been prepared.

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

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

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

Inventories

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

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

Capital Assets and Depreciation

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

Revenues

Most governmental fund revenues are accrued. Property taxes are billed and collected within the same period the taxes are levied. Subsidies and grants made to proprietary funds, for either capital or current operations, are reported as non-operating revenue based on GASB Statement No. 33.

In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses (and the recipient recognizes receivables and revenue) when eligibility and time requirements are met.

Resources transmitted before the eligibility requirements are met are reported as advances by the provider (and deferred revenue by the recipient).

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

Expenditures

Expenditures are recognized when the related fund liability is incurred.

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 Position. The actual medical costs are reported as expenditures in the year they are incurred. (Refer to Note 8).

Interfund Activity

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

Comparative Data

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

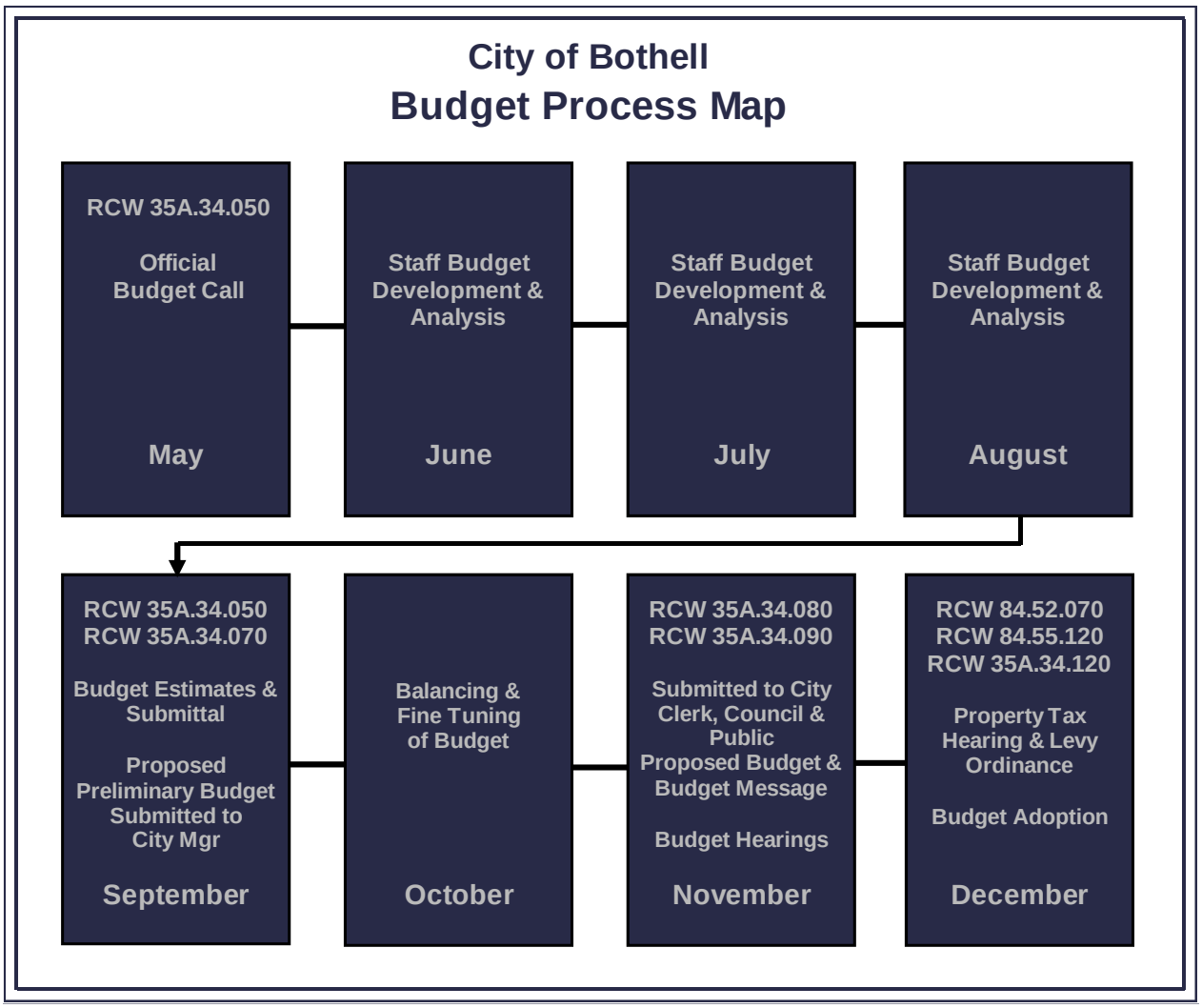
NOTE 2
Compliance and Accountability

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

PROCEDURES FOR ADOPTING THE ORIGINAL BUDGET

The City's biennial budget procedures are mandated by the Revised Code of Washington, Chapter 35A.34. Steps in the budget process are as follows:

1) Prior to October 1, the City Manager submits a proposed operating budget to the Council for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures/ expenses and the means of financing them.
2) A public hearing is conducted to obtain taxpayer comments.
3) During the month of December, the budget is legally enacted through the passage of an ordinance.
4) Revisions that alter any fund's appropriation must be approved by the City Council.



AMENDING THE BUDGET

The budget, as adopted, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, but the City Council (following a hearing) must approve supplemental or additional appropriations. The City's budget was amended once during the fiscal year.

The 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	$78,556,380
Street Fund	3,684,507	3,624,334	4,034,507	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	6,517,133	8,153,207
Equipment Rental Fund	2,957,338	2,957,579	3,057,338	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	104,600	80,000
Total	**$213,976,153**	**$219,906,096**	**$214,881,322**	**$220,936,265**

NOTE 3
Deposits and Investments

DEPOSITS

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

INVESTMENTS

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

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

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

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

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

As of December 31, 2012, the City had the following investments and maturities.

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less Than 1	1-2	More Than 2
State Investment Pool	$2,466,041	$2,466,041		
Bonds of State or Local Government	9,226,853	1,666,493	3,760,837	3,799,524
Total	**$11,692,894**	**$4,132,534**	**$3,760,837**	**$3,799,524**
	Percent of Total	**35%**	**32%**	**32%**

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, 2012, the City's investments in the State Investment Pool were rated AAA by Standard & Poor's, and Aaa by Moody's Investors Service. The City's investments in commercial paper were rated A1 by Standard & Poor's.

The City's investments in US Agencies were rated Baa2, Aa1, A1, Aa2 and Aaa by Moody's Investors Service, and AAA, AA+, AA, A, A+ and AA- by Standard & Poor's.

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

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

Portfolio Diversification

Instrument Type	Percentage	Amount
State Investment Pool	21%	$2,466,041
Bonds of State or Local Government	79%	9,226,853
Total Investments	**100%**	**$11,692,894**

Deposit and Investment Reconciliation

Amounts reported in the fund statements are as follows:

Government Funds	Amount
Cash	$1,919,068
Investments	8,028,880
Proprietary Funds	**Amount**
Cash & cash equivalents	$664,088
Investments	3,445,607
Fiduciary Funds	**Amount**
Cash & cash equivalents	$259,233
Investments	218,407
Total	**$14,535,282**

Cash, deposits, and investments are as follows:

Cash on hand	$1,750
Checking accounts	2,840,637
State or local government	9,226,853
State investment pool	2,466,041
Total	**$14,535,282**

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 2012, the City's General Tax Levy was $1.49 per $1,000, and the Special Tax Levy was $0.13 per $1,000. The total assessed valuation was $5,907,643,322.

2012 Assessed Valuation	
Snohomish County	$2,783,336,543
King County	3,124,306,779
Total	**$5,907,643,322**

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 position.

DEPRECIATION

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

- ➔ Building and structures 30-50 years
- ➔ Other improvements 20-60 years
- ➔ Machinery and equipment 5-20 years
- ➔ Vehicles 5-20 years
- ➔ Infrastructure 20-50 years

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

Government Activities	Amount
General government	$483,252
Security of persons & property	620,626
Transportation	35,108,519
Physical environment	2,026,363
Culture & recreation	315,891
Total Governmental Activities Depreciation Expense	**$38,554,651**

Business-Type Activities	Amount
Water	$473,605
Sewer	323,875
Storm drain	443,176
Total Business-Type Activities Depreciation Expense	**$1,240,656**

Construction Commitments as of December 31, 2012

Government Activities	Construction In Progress	Remaining Commitment
Canyon Park Radio Project	$30,160	
SR 522 Ph 1 Wayne Curve		181,628
SR 522 Bothell Crossroads	14,169,076	14,295,751
SR 527 Widening: 240th St SE to 228th St SE	1,626,194	29,499
SR 527Multiway Boulevard	4,012,618	61,466
Neighborhood Traffic Calming	2,531	
Citywide ITS		195,314
240th St SE Bridge Replacement		190,844
Bridge Rehab & Seismic Retrofit 240th	253,133	38,180
SR 522 Phase 2 Stage 2	2,171,450	4,253,398
SR 522 Stage 2B	100,364	
Sidewalk/Walkway Program	93,192	166,372
Main Street Extension	205,869	53,725
NE 185th Improvement	233,107	
Collector Corridor traffic Safety Program		1,293
Annual Arterial Overlay Program	79,609	11,022
Main Street Enhancement	257,437	45,496
Pop Keeney Road	199,999	188,095
North Creek Trail Section 3	269,954	83,591
Downtown Soil/Ground Cleanup	4,569,036	59,613
City Hall/Dawson Replacement	1,407,219	95,441
North Creek Field 3	74,950	
North Shore SD Property		4,677
Park Master Planning; Bothell Landing	171,734	7,082
Park at Bothell Landing	14,686	5,000
SR 522 Property	40,758	
NC Trail Schnitzer (Sec 2 Stg 2)		7,394
North Creek Park (Sec 2 Stg 2 Ph 2)		3,186
NC Trail NE 195th (Sec 1 stg 1)		345
Half Acre Open Space	68,175	54,209
SR 522 Ph1, Stage 3 Improvements	1,187	
North Creek Forest	19,828	3,934
Total Governmental Activities	**$30,072,265**	**$20,036,556**
Business -Type Activities		
Reclaimed Water System	$47,683	$5,648
Water Main Replacement Bothell Crossroads	184,500	
Penn Park Reservoir	2,030	
Downtown Revitalization Utility - Water	3,178	
Sewer Replacement Program	22,779	
Sewer Main Replacement Bothell Crossroads	199,952	
Infiltration & Inflow Program	72,705	
Lift Station #2 Phase 2	146,694	24,788
Promontory Hillside Sewer Replacement	53,586	12,747
Downtown Revitalization Utility - Sewer	10,034	
Annual Stormwater Capital Projects	25,450	
North Creek TMDL Plan	7,040	
North Creek Habitat Improvement	39,636	
Flood Mit: 120th Ave NE	739	
Flood Mit: Filbert Ck & N Ck	138,448	
Horse Creek Improvements	1,232,275	286,747
Sammamish River Side Channel	65,490	25,427
Total Business-Type Activities	**$2,252,217**	**$355,357**

Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$67,260,870	$1,372,682	$10,333,459	$58,300,094
Infrastructure right-of-way	70,572,924	470,203		71,043,127
Construction in progress	25,784,985	12,513,937	8,226,658	30,072,265
Total capital not being depreciated	**$163,618,780**	**$14,356,823**	**$18,560,117**	**$159,415,485**
Other capital assets:				
Buildings	$21,072,305			$21,072,305
Improvements	54,168,126	3,082,748		57,250,874
Infrastructure	1,538,580,144	3,277,765		1,541,857,909
Vehicles	7,035,751	249,811	496,730	6,788,832
Equipment	4,614,813	105,048	892,364	3,827,498
Intangible Asset		4,700,000		4,700,000
Total other capital assets at historical cost	**$1,625,471,140**	**$11,415,373**	**$1,389,094**	**$1,635,497,419**
Less accumulated depreciation for:				
Buildings	$3,890,801	$441,524		$4,332,325
Improvements	11,312,958	3,102,657		14,415,616
Infrastructure	949,987,169	34,215,978		984,203,147
Vehicles	4,775,669	550,456	496,730	4,829,394
Machinery & equipment	3,722,831	244,036	892,364	3,074,503
Total accumulated depreciation	**$973,689,428**	**$38,554,651**	**$1,389,094**	**$1,010,854,985**
Governmental activities capital assets, net	**$815,400,492**	**($12,782,456)**	**$18,560,117**	**$784,057,919**
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	$778,270	$1,487,534	$13,587	$2,252,217
Infrastructure right-of-way	15,006			15,006
Land and improvements	285,302			285,302
Total capital not being depreciated	**$1,078,577**	**$1,487,534**	**$13,587**	**$2,552,524**
Other capital assets:				
Buildings	$8,442,610			$8,442,610
Intangible plant	411,179			411,179
Improvements	40,865,733	178,387		41,044,120
Vehicles	716,366			716,366
Machinery & equipment	519,911			519,911
Total other capital assets at historical cost	**$50,955,798**	**$178,387**	**-**	**$51,134,185**
Less accumulated depreciation for:				
Buildings	$653,778	$164,699		$818,477
Intangible plant	411,179			411,179
Improvements	16,599,006	1,009,405		17,608,410
Vehicles	686,265	20,073		706,339
Machinery & equipment	235,174	46,476		281,649
Total accumulated depreciation	**$18,585,401**	**$1,240,653**	**-**	**$19,826,054**
Business-type activities capital assets, net	**$33,448,974**	**$425,268**	**$13,587**	**$33,860,655**

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.

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

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

Plan Description

PERS is a cost sharing, multiple employer, defined benefit pension plan. Membership in the plan includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges in a judicial retirement system); employees of legislative committees; college and university employees (who are not in national higher education retirement programs); judges of district and municipal courts; non-certificated employees of school districts; and employees of local government.

The PERS system includes three plans. Participants who joined the system by September 30, 1977 are Plan 1 members. Those joining thereafter are enrolled in either Plan 2 or Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits are vested after completion of five years of eligible service in both Plan 1 and Plan 2. Vesting levels vary for Plan 3. Retirement benefit provisions are established in State statutes, and may be amended only by the State Legislature.

Plan 1 members are eligible for retirement at any age after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the Average Final Compensation (AFC) per year of service, and is capped at 60%. The AFC is the monthly average of an employee's 24-consecutive highest-paid service credit months. If qualified, a cost-of-living allowance is granted at age 66. It is based on the number of service credit years, and is capped at 3% annually.

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

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

The defined contribution component is based entirely on the members' contributions, the investment earnings on those contributions, and (if an annuity is taken) the age at which they can take payment.

Judicial Benefit Multiplier (JBM) program was created to provide judicial members of PERS an increased retirement benefit multiplier. Newly elected or appointed justices on or after January 1, 2007 are mandated into Plan 2. Members may retire at age 65 with 5 years of service, or at age 55 with 20 years of service. The annual pension is 3.5% of the AFC per year of service. JMB retirements prior to age 65 are actuarially reduced. There is no cap on service credit years. A cost of living allowance is granted and is capped at 3% annually.

Funding Policy

Each biennium the State's Pension Funding Council adopts Plan 1 employer contribution rates, as well as Plan 2 employer and employee contribution rates. Employee contribution rates for Plan 1 are established by statute at 6%, and do not vary from year to year. The employer and employee rates for Plan 2 are set by the director of the Department of Retirement Systems (DRS), based on a recommendation by the Office of the State Actuary. Employee contribution rates for Plan 3 are set by statute. All employers are required to contribute at the level established by state law. The methods used to determine the contribution requirements are established under state statute in accordance with RCW Chapters 41.40 and 41.45.

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

PERS	Plan 1	Plan 2	Plan 3
Employer*	7.21%	7.21%	7.21%
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
2012	$15,216	$808,992	$70,244
2011	18,905	704,490	53,546
2010	15,410	577,958	39,678

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, 2012 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
2012	-	$605,411
2011	-	578,304
2010	-	583,707

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 statue 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, 2012 are as follows:

PSERS Plan 2	
Employer*	8.87%
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
2012	$10,140
2011	9,426
2010	8,966

OTHER RETIREMENT SYSTEMS

Fire Fighter's Pension Fund

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

The City's obligation under the system is composed of excess benefits over LEOFF for fire fighters retired after March 1, 1970, who are members of the system. An actuarial study was done in 1969 to determine the funding requirements. The Finance Director and the State Auditor's Office concluded that a new actuarial study was not necessary due to the limited number of employees participating in the fund (three) and the fund's relative immateriality. It is the City's opinion that it will be able to meet any future funding requirements.

The fire insurance premium for 2012 was $48,036 which was sufficient to pay the 2012 Firemen's Pension Fund expenses of $40,783.

Volunteer Fire Fighters' Relief and Pension Fund

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

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

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

Government Activities	1/1/2012	Increases	Decreases	12/31/2012
Governmental funds	$1,396,337	$2,362,288	$2,320,514	$1,438,112
Total Compensated Absences	**$1,396,337**	**$2,362,288**	**$2,320,514**	**$1,438,112**

Estimate of amount due within one year $1.4 million.

Business-Type Activities	1/1/2012	Increases	Decreases	12/31/2012
Enterprise funds	$114,128	$158,240	$170,508	$101,860
Total Compensated Absences	**$114,128**	**$158,240**	**$170,508**	**$101,860**

Estimate of amount due within one year $102 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 $1,348,792 is included as a noncurrent liability on the Statement of Net Position.

Determination of Annual Required Contribution	Fiscal Year Ending 12/31/2012
Normal Cost at Year End	-
Amortization of UAAL*	504,379
Annual Required Contribution	504,379

*Unfunded Actuarial Accrued Liability (UAAL)

Determination of Net OPEB Obligation	Fiscal Year Ending 12/31/2012
Annual Required Contribution	$504,379
Interest on Prior Year Net OPEB Obligation	47,427
Adjustment to ARC	(98,135)
Annual OPEB Cost	453,671
Contributions Made	158,807
Increase in Net OPEB Obligation	294,865
Net OPEB Obligation-Beginning of Year	$1,053,927
Net OPEB Obligation-Ending of Year	$1,348,792

Funded Status and Funding Progress

As of January 1, 2012 the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was $5,416,802 and the actuarial value of the assets was $0 resulting in a UAAL of $5,416,802.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	-	$6,280,456	$6,280,456	0%	$584,797	1073.95%
12/31/2009	-	5,987,508	5,987,508	0%	557,520	1073.96%
12/31/2010	-	5,784,108	5,784,108	0%	538,580	1073.95%
12/31/2011	-	5,563,967	5,563,967	0%	518,082	1073.95%
12/31/2012	-	5,416,802	5,416,802	0%	504,379	1073.95%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the alternative measurement method permitted under GASB Statement No. 45. The City has 21 inactive members and no active members. Retirement, disablement, termination and mortality rates were assumed to follow the LEOFF I rates used in the June 30, 2009 actuarial valuation report issued by the Office of the State Actuary (OSA).

Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF I medical study performed in 2011. The results were based on grouped data. Post-retirement benefits were estimated at 10% inflation, 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 15 years. These assumptions are individually and collectively reasonable for the purposes of this valuation. The methods and assumptions used are in line with the LEOFF I 2009 medical report issued by OSA.

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the preceding years were as follows:

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

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 2012.

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 153 members.

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

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are $4 million per occurrence in the self-insured layer, and $16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are $20 million per occurrence subject to aggregate sub-limits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to $750,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

WCIA's in-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts with claims investigation consultants for personnel issues, land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside independent actuary. Assessments cover loss adjustment, loss, and administrative expenses. As outlined in the interlocal agreement, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasure 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 seven 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 2012.

Interfund Transfers

Description	General Fund	Street Fund	Capital Improvement Fund	Equipment Rental	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		$855,036		$43,500	$43,400		$941,936
Arterial Street Fund			1,536,765				1,536,765
Equipment Rental Fund						178,022	178,022
Asset Replacement Fund	180,000		14,686				14,686
Total Transferred In	$180,000	$855,036	$1,551,452	$43,500	$43,400	$178,022	$2,671,410

Transfers are used to:

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

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

Interfund Loans provide a mechanism for one fund to borrow from another and must be approved by the legislative body. Reciprocal in activity, interfund loans are reported as interfund receivables by the lender fund and interfund payables by the borrower fund. Interfund loans are not treated as capital-related for purposes of classifying net position. Governmental funds report the issuance of a long-term interfund loan as a balance sheet item (advances payable) rather than in the operating statement (other financing sources). Repayment terms are 3 years from date of fund transfer. The remaining $1,782,000 balance of the 2010 Asset Replacement Fund loan to the Storm Drain Fund was extended by ordinance 18 months to coincide with issuance of utility revenue bonds per the City's Capital Facilities Plan to inexpensively fund capital projects.

NOTE 12
Net Position

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

- The net investment in capital assets component is intended to reflect the portion of net position associated with non-liquid capital assets, less outstanding related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Additionally, until all infrastructure assets are reported, infrastructure-related debt would reduce the investment in other non-infrastructure capital assets. Liabilities to other funds of the government, such as interfund loans, are not treated as debt for the purpose of calculating net investments in capital assets.
- The restricted component consists of liquid assets generated from revenues and not bond proceeds, which have third party (statutory, bond covenant, or granting agency) limitations on their use. The City would typically use restricted assets first as appropriate opportunities arise, but reserves the right to selectively defer use to a future project or replacement equipment acquisition.
- The unrestricted component represents un-appropriated, unrestricted liquid assets that City management may designate to expend for specified purposes in future periods. Council action is required to appropriate the actual expenses. Unrestricted net position amount may be a deficit to the extent that a government has elected to fund certain long-term liabilities as they come due rather than when they are incurred.

NOTE 13
Long-Term Debt

Long-Term Debt

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

GO Bond (Refunding) - In 1997 the City issued voter-approved general obligation bonds to fund construction of the City's Public Safety Building. The debt service is being repaid with excess levy receipts. In 2008, the City refinanced the bonds providing citizens with a net savings of approximately $530,000. These bonds mature on December 1, 2017.

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

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

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

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

In 2012 the Bothell City Council authorized a $7,000,000 short-term limited BAN to pay the final balance owed to the Northshore School District for property purchased and to carry out public improvements related to the downtown revitalization. The balance as of December 31, 2012 was $4,607,839.

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 $675,589. Under an agreement made in 1998, the City makes an annual payment to Snohomish County, who then makes payment to the State of Washington for PWA loan 98-791-007.

Public Works Trust Fund (PWTF) Construction Loan – In 2011, the City was awarded an $8,000,000 PWTF construction loan. This loan is allocated to the Bothell Crossroads SR-522 realignment construction project. No funds were used in 2012.

In 2012, the City was awarded an $800,000 PWTF loan for Horse Creek improvements. No funds were drawn down in 2012.

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

Schedule of Long Term Debt

Year	GO Bonds		Other Debt		Totals
	Principal	Interest	Principal	Interest	
Governmental Activities					
2013	$605,000	$122,050	$4,607,839	$360,451	$5,695,340
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
Subtotal	**$3,225,000**	**$383,525**	**$34,607,839**	**$389,951**	**$38,606,315**
Business-Type Activities					
2013			$112,599	$6,756	$119,355
2014			112,599	5,630	118,229
2015			112,599	4,504	117,103
2016			112,599	3,378	115,977
2017			112,599	2,252	114,851
2018			112,599	1,126	113,725
Subtotal			**$675,589**	**$23,646**	**$699,238**
Total	**$3,225,000**	**$383,525**	**$35,283,428**	**$413,597**	**$39,305,553**

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, 2012, City debt limits were based on assessed property totaling $5,907,643,322.

Debt Capacity as of January 1, 2013

Regular levy assessed value less annexations $5,907,643,322

Item	Without a Vote	With a Vote of the People			Total Capacity
	1.5%	1.0%	2.5%	2.5%	7.5%
Legal limit	$88,614,650	$59,076,433	$147,691,083	$147,691,083	$443,073,249
Outstanding net debt	34,507,759	3,225,000			37,732,759
Margin available	**$54,106,891**	**$55,851,433**	**$147,691,083**	**$147,691,083**	**$405,340,490**

Changes in Long-Term Liabilities

Long-Term Liability

Description	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
GO Refund Bond	$3,805,000		$580,000	$3,225,000	$605,000
Bond Anticipation Note		6,550,000	1,942,161	4,607,839	4,607,839
Bond Anticipation Note	30,000,000			30,000,000	
Northshore School District Loan	8,750,000		8,750,000		
OPEB/LEOFF	1,053,927	294,864		1,348,791	
Compensated Absences	1,396,337	2,362,288	2,320,514	1,438,112	1,438,112
Subtotal	**$45,005,264**	**$9,207,152**	**$13,592,675**	**$40,619,742**	**$6,650,951**
Business-Type Activities					
PWA Loan 98-791-007	$788,188		$112,599	$675,589	$112,599
Interfund Loan	2,032,000		250,000	1,782,000	250,000
Compensated Absences	114,128	158,240	170,508	101,860	101,860
Subtotal	**$2,934,316**	**$158,240**	**$533,107**	**$2,559,449**	**$464,459**
Total	**$47,939,580**	**$9,365,392**	**$14,125,782**	**$43,179,190**	**$7,115,410**

Capital Related Long-Term Liability

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/12	Issued	Redeemed	Balance 12/31/12	Due Within One Year
Governmental Activities									
GO Refund Bond	5/20/2008	12/1/2017	3.5-4.0%	$6,070,000	$3,805,000		$580,000	$3,225,000	$605,000
Northshore School District Loan	8/1/2010	8/1/2012		18,750,000	8,750,000		8,750,000		
Bond Anticipation Note	8/1/2012	1/30/2013	1.25 - 1.75%	6,550,000		6,550,000	1,942,161	4,607,839	4,607,839
Bond Anticipation Note	9/28/2011	1/28/2014	1.18%	30,000,000	30,000,000			30,000,000	
Subtotal				**$61,370,000**	**$42,555,000**	**$6,550,000**	**$11,272,161**	**$37,832,839**	**$5,212,839**
Business-Type Activities									
PWA Loan 98-791-007	10/15/1998	10/13/2018	1.00%	$1,890,000	$788,188		$112,599	$675,589	$112,599
Subtotal				**$1,890,000**	**$788,188**	**-**	**$112,599**	**$675,589**	**$112,599**
Total				**$63,260,000**	**$43,343,188**	**$6,550,000**	**$11,384,760**	**$38,508,428**	**$5,325,438**

NOTE 14
Fund Restatements

In past years, Washington entities reported impact fee revenues differently. Some recognized the revenue when the fees were spent while others recognized revenue when they received the fee from the developer.

In 2012, this inconsistency in recognizing impact fee revenue is being corrected in accordance with GASB Statement 33, thereby recognizing revenue when the impact fee generating development commences.

The following chart reflects fund restatements accordingly.

Fund Restatements	
Park Cumulative Reserve	$821,215
Arterial Street Fund	457,245
Total Adjustments	**$1,278,460**

NOTE 15
Impact Fees

Park Impact Fees

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

Park impact fees held for reserve in the Park Cumulative Reserve Fund totaled $1,707,797 as of December 31, 2012.

Traffic Impact Fees

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

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

Traffic impact fees are held in the Arterial Street Fund. Traffic impact fees are held in the impact fee fund until the City Council appropriates the monies toward approved capital improvement projects.

Traffic impact fees held for reserve in the Arterial Street Fund totaled $2,208,426 as of December 31, 2012.

NOTE 16
Pollution Remediation Obligations

In 2010, the City implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This statement requires disclosure of "obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities", and identifies five distinct "obligating events" that require the City to disclose the potential future outlays associated with remediation of contaminated sites.

Once any of the five events occurs, the City documents the components of expected pollution remediation outlays that are reasonably estimable. The City then determines if some or all of the future outlays are subject to capitalization under GASB Statement No. 49 and records those expenditures accordingly.

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

Beginning in 2010, the City purchased properties for a downtown revitalization plan. As of December 31, 2012, 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 12/31/2012	Future Petroleum	Future Solvents	Total
Bothell Landing	$664,083	$800,000	$600,000	$2,064,083
Bothell Riverside	389,875	50,000	600,000	1,039,875
Bothell Paint	746,516	400,000		1,146,516
Hertz Rentals	691,675	150,000	400,000	1,241,675
116th Partners Group - (Clean)	32,199			32,199
McDonalds - (Clean)	8,070			8,070
Northshore School District	1,686,868			1,686,868
Bothell City Hall - (Case Property)	86,425		3,200,000	3,286,425
Other Sites	142,536	1,000,000		1,142,536
Upgradient Solvent Sources			3,500,000	3,500,000

NOTE 17
Leases

Operating Leases

As of December 31, 2012, the City has two operating lease agreements:

1) Northshore School District Operational Facility Lease.

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

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

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

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

NOTE 18
Fund Balance Reporting

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

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

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

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

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

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

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

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

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

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

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

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

The City strives to maintain an operating reserve equal to or greater than 15% of operating expenditures. Adequate reserves help ensure that a municipality's immediate operating and capital obligations can be met without compromising the City's fiscal stability or impacting citizen services should unanticipated revenue shortfalls or expenditure outflows arise.

The Great Recession is a prime example of why adequate operating reserves are necessary and how the use of these monies is imperative to sustaining vital City services through extraordinary economic periods. When spending operating reserves becomes necessary, such as in the 2011-2012 biennium, City Management promptly develops and implements a well-defined fiscal plan to replenish reserves.

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

Nonspendable	Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)
Restricted	Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
Committed	Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action (Resolution by City Council) to remove or change the constraint
Assigned	Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; the expression of intent does not have to be made prior to year end.
Unassigned	Amounts that are available for any purpose; these amounts are reported only in the general fund.

2012 Governmental Funds Ending Balance

		Special Revenue Fund		Capital Projects Fund	Other	Total
	General	Arterial Street	Park Cum Reserve	Capital Improvements	Governmental Funds	Governmental Funds
Fund Balances:						
***Nonspendable:**						
Advance travel	$15,000					$15,000
Imprest funds	1,750					1,750
***Restricted for:**						
Parks donations	18,128					18,128
Police donations	50,370					50,370
Fire donations	80,294					80,294
Comm. Dev. donations	2,469					2,469
Tourism	180,268					180,268
Tourism capital	194,992					194,992
Transportation		2,208,426				2,208,426
Parks and recreation			1,707,797			1,707,797
Capital projects				2,976,365		2,976,365
Street maintenance					258	258
Drug forfeitures					25,573	25,573
Debt service					100,080	100,080
Cemetery services					16,321	16,321
***Committed to:**						
Cemetery services					67,692	67,692
***Assigned to:**						
Capital projects	1,711,130					1,711,130
***Unassigned:**	870,296					870,296
	$3,124,698	**$2,208,426**	**$1,707,797**	**$2,976,365**	**$209,924**	**$10,227,209**

***New fund balance classifications**

NOTE 19
Special Item

In 2009, the City entered into a purchase and sale agreement with the Northshore School District to purchase 18 acres of downtown property for $21 million. Final payment on the property was made in August 2012.

In 2010, the City Council approved a purchase and sale agreement with McMenamins to redevelop 5.41 acres of the 18 acres. McMenamins is transforming the historic Anderson Building into a 70-room hotel. The hotel and associated buildings will become a full-service "McMenamins Complex" including a restaurant, pub, movie theater, and live music entertainment venue.

A unique element of the agreement with McMenamins provides free use of the former Northshore Pool for Bothell citizens for a period of 15 years.

Under this public benefit agreement, McMenamins will operate the pool and make it available without charge to Bothell residents, provide community conference room and meeting space, and maintain a community garden, all for a period of 15 years from the date that all portions of the project are opened to the public. This public benefit is valued at $4.7 million. Depreciation of the pool will begin once the project is available for public use.

McMenamins is on schedule to start construction in the summer of 2013 and opening is anticipated in 2014.

NOTE 20
Subsequent Events

On March 5, 2013, City Council authorized an extension of the Northshore School District property General Obligation Bond Anticipation Note (BAN) maturity date through May 31, 2013. The extension period for the original $7 million note provides time to put in place longer-term financing to accommodate the time period associated with closing the property with prospective buyers. Interest payments on the Note are funded from existing capital monies per the City's 2011-2017 CFP.

On April 9, 2013, City Council approved extension of the interfund loan from the Asset Replacement Fund to the Storm Drain Fund. As of December 31, 2012, $1,782,000 remains outstanding and the 18 month loan extension is desired to align repayment with the issuance of a combined 2014 utility revenue bond per the City's 2013-2017 CFP.

A physical inventory and review of water meters began in late 2012 and continued into 2013. During the review it was discovered that a commercial account was incorrectly charged for sewer on a meter that was used solely for the purpose of a cooling plant and water was not being discharged through the sewer system.

In early 2013, the City worked with King County to determine credit amount due to the City and the customer. The net result was a loss of approximately $176,600 to the Sewer Fund. This amount will be reflected as a prior period adjustment in the 2013 financial statements.

On May 21, 2013, City Council approved issuance of a maximum $10 million Bank Qualified (BQ), GO Bond to provide longer-term financing for the City's $7 million short-term note. The bond also funds various other CFP projects.

Required Supplementary Information

City of Bothell

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Taxes	$58,343,576	$58,343,576	$25,079,355	$25,609,645	$50,689,000	($7,654,576)
Licenses and permits	2,464,674	2,464,674	1,028,825	1,697,643	2,726,468	261,794
Intergovernmental revenues	4,870,560	4,870,560	2,502,089	2,911,915	5,414,004	543,444
Charges for services	9,388,170	9,388,170	4,072,037	4,542,601	8,614,639	(773,531)
Fines and forfeitures	1,067,400	1,067,400	387,550	421,304	808,854	(258,546)
Interest earnings	1,300,000	1,300,000	304,260	509,319	813,579	(486,421)
Proceeds from sale of capital assets						
Contributions	50,000	50,000	50,930	46,437	97,367	47,367
Other revenue	442,000	442,000	402,265	236,839	639,103	197,103
Total revenues	77,926,380	77,926,380	33,827,311	35,975,704	69,803,014	(8,123,366)
EXPENDITURES						
Current						
General government	18,272,025	18,272,025	8,702,807	8,233,796	16,936,603	1,335,422
Security of persons and property	42,937,981	42,937,981	19,958,652	20,292,352	40,251,004	2,686,977
Physical environment	8,848,420	8,848,420	4,183,070	4,185,398	8,368,468	479,952
Economic environment	5,951,584	5,951,584	2,864,765	2,860,182	5,724,947	226,637
Debt service						
Debt service - interest						
Capital outlay	361,498	361,498	80,945	29,854	110,799	250,699
Total expenditures	76,371,508	76,371,508	35,790,239	35,601,582	71,391,821	4,979,687
Excess of revenue over (under) expenditures	1,554,872	1,554,872	(1,962,928)	374,122	(1,588,807)	(3,143,679)
OTHER FINANCING SOURCES (USES)						
Bond anticipation note			1,711,130		1,711,130	1,711,130
Pass-through grant expenditure				(14,486)	(14,486)	(14,486)
Transfers in	180,000	200,169	200,169		200,169	
Transfers out	(1,734,872)	(2,184,872)	(695,140)	(941,936)	(1,637,076)	547,796
Total other financing sources	(1,554,872)	(1,984,703)	1,216,159	(956,422)	259,736	2,244,440
Net change in fund balances		(429,831)	(746,770)	(582,301)	(1,329,071)	(899,239)
FUND BALANCES - JANUARY 1, 2012	5,678,747	5,678,747	4,052,527		4,052,527	(1,626,220)
Prior year adjustment			401,241		401,241	401,241
FUND BALANCES - DECEMBER 31, 2012	**$5,678,747**	**$5,248,916**	**$3,706,999**	**($582,301)**	**$3,124,698**	**($2,124,218)**

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, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Intergovernmental revenues			$1,785	$6,335	$8,120	$8,120
Charges for services	5,166,016	5,166,016	607,870	1,718,304	2,326,174	(2,839,842)
Interest earnings	2,000	2,000	1,597	48	1,645	(355)
Contributions						
Total revenues	5,168,016	5,168,016	611,252	1,724,687	2,335,939	(2,832,077)
EXPENDITURES						
Current						
Construction projects			1,073	241	1,315	(1,315)
Debt Service - principal						
Debt Service - interest						
Total expenditures			1,073	241	1,315	(1,315)
Excess of revenue over (under) expenditures	5,168,016	5,168,016	610,179	1,724,446	2,334,625	(2,833,391)
OTHER FINANCING SOURCES (USES)						
Transfers out	(5,203,000)	(5,203,000)	(1,166,401)	(1,536,765)	(2,703,166)	2,499,834
Total other financing sources	(5,203,000)	(5,203,000)	(1,166,401)	(1,536,765)	(2,703,166)	2,499,834
Net change in fund balances	(34,984)	(34,984)	(556,222)	187,680	(368,542)	(333,558)
FUND BALANCES - JANUARY 1, 2012	1,072,114	1,072,114	1,563,560		1,563,560	491,446
Prior year adjustment			556,163	457,245	1,013,408	1,013,408
FUND BALANCES - DECEMBER 31, 2012	**$1,037,130**	**$1,037,130**	**$1,563,501**	**$644,926**	**$2,208,426**	**$1,171,296**

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, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Charges for service	$400,000	$400,000		$179,017	$179,017	($220,983)
Taxes	80,000	80,000	41,704	42,201	83,905	3,905
Investment interest			411	69	480	480
Total revenues	480,000	480,000	42,116	221,287	263,402	(216,598)
Excess of revenues over (under) expenditures	480,000	480,000	42,116	221,287	263,402	(216,598)
OTHER FINANCING SOURCES (USES)						
Transfers out		(50,000)	(49,334)		(49,334)	666
Total other financing sources	-	(50,000)	(49,334)	-	(49,334)	666
Net change in fund balances	480,000	430,000	(7,219)	221,287	214,068	(215,932)
FUND BALANCES - JANUARY 1, 2011	1,233,293	1,233,293	672,514		672,514	(560,779)
Prior year adjustment				821,215	821,215	821,215
FUND BALANCES - DECEMBER 31, 2012	**$1,713,293**	**$1,663,293**	**$665,295**	**$1,042,501**	**$1,707,797**	**$44,504**

GAAP serves as the budgetary basis of accounting

City of Bothell™

Combining Financial Statements

Non-Major Governmental Funds

Special Revenue Funds

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

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

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

Permanent Funds

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

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

Debt Service Funds

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

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

City of Bothell
Combining Balance Sheet
Other Governmental Funds
December 31, 2012

	Special Revenue Funds			Permanent Fund	Debt Service Fund	
	Street	Drug Forfeitures	Total Special Revenue Funds	Cemetery Endowment	2008 GO Refunding Bond	Total Other Governmental Funds
ASSETS						
Current cash & cash equivalents	$55,147	$24,719	$79,866	$777	$110,251	$190,894
Investments		853	853	83,237		84,090
Receivables (net of allowances)						
Taxes	235		235		19,311	19,546
Due from other governmental units	130,305		130,305			130,305
TOTAL ASSETS	**$185,687**	**$25,573**	**$211,260**	**$84,013**	**$129,561**	**$424,835**
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	$129,236		$129,236		$10,171	$139,407
Compensated absences	30,568		30,568			30,568
Payroll payable	25,625		25,625			25,625
Unearned revenue					19,311	19,311
Total liabilities	185,429	-	185,429	-	29,481	214,911
Fund balances						
Restricted	258	25,573	25,831	16,321	100,080	142,231
Committed				67,692		67,692
Total fund balances	258	25,573	25,831	84,013	100,080	209,924
TOTAL LIABILITIES AND FUND BALANCES	**$185,687**	**$25,573**	**$211,260**	**$84,013**	**$129,561**	**$424,835**

City of Bothell

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended December 31, 2012

	Special Revenue Funds			Permanent Fund	Debt Service Fund	
	Street	Drug Forfeitures	Total Special Revenue Funds	Cemetery Endowment	2008 GO Refunding Bond	Total Other Governmental Funds
REVENUES						
Taxes					$765,746	$765,746
Licenses and permits	63,577		63,577			63,577
Intergovernmental revenue	779,217		779,217			779,217
Interest earnings		2	2	196		198
Charges for services	3,847	23,509	27,356			27,356
Other revenue	4,100		4,100			4,100
Total revenues	850,741	23,511	874,252	196	765,746	1,640,194
EXPENDITURES						
Current						
Transportation	1,725,232		1,725,232			1,725,232
Other expenditures		1,476	1,476	657	303	2,436
Debt service						
Principal retirement					580,000	580,000
Interest					140,658	140,658
Total expenditures	1,725,232	1,476	1,726,708	657	720,961	2,448,326
Excess of revenue over (under) expenditures	(874,491)	22,035	(852,456)	(461)	44,785	(808,132)
OTHER FINANCING SOURCES (USES)						
Transfers in	855,036		855,036			855,036
Total other financing sources	855,036	-	855,036	-	-	855,036
Net change in fund balances	(19,455)	22,035	2,580	(461)	44,785	46,904
FUND BALANCES - JANUARY 1, 2012	19,714	3,537	23,251	84,474	55,295	163,020
FUND BALANCES - DECEMBER 31, 2012	**$258**	**$25,573**	**$25,831**	**$84,013**	**$100,080**	**$209,924**

City of Bothell
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Street Fund
For the Year Ended December 31, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Licenses and permits	$120,000	$120,000	$52,724	$63,577	$116,301	($3,699)
Charges for services	615,000	315,000	17,038	3,847	20,885	(294,115)
Intergovernmental revenue	1,649,435	1,649,435	777,027	779,217	1,556,244	(93,191)
Miscellaneous			3,383	4,100	7,483	7,483
Total revenues	2,384,435	2,084,435	850,172	850,741	1,700,913	(383,522)
EXPENDITURES						
Current						
Personnel services	1,470,675	1,470,675	738,403	688,747	1,427,150	43,525
Operating supplies	348,534	247,170	41,574	89,243	130,817	116,353
Taxes	2,000	2,000	269	163	432	1,568
Capital outlay						
Other services and charges	1,803,125	1,904,489	952,092	947,080	1,899,172	5,317
Total expenditures	3,624,334	3,624,334	1,732,338	1,725,232	3,457,571	166,763
Excess of revenue over (under) expenditures	(1,239,899)	(1,539,899)	(882,166)	(874,491)	(1,756,658)	(216,759)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,300,072	1,950,072	857,740	855,036	1,712,776	(237,296)
Total other financing sources	1,300,072	1,950,072	857,740	855,036	1,712,776	(237,296)
Net change in fund balances	60,173	410,173	(24,426)	(19,455)	(43,882)	(454,055)
FUND BALANCES - JANUARY 1, 2011	301,623	301,623	44,140		44,140	(257,483)
FUND BALANCES - DECEMBER 31, 2012	**$361,796**	**$711,796**	**$19,714**	**($19,455)**	**$258**	**($711,538)**

City of Bothell
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Drug Forfeitures Fund
For the Year Ended December 31, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Charges for services	$44,000	$44,000	$6,058	$23,509	$29,567	($14,433)
Interest earnings			8	2	10	10
Total revenues	44,000	44,000	6,066	23,511	29,577	(14,423)
EXPENDITURES						
Current						
Personnel services						
Operating supplies	14,400	14,400	1,308	1,476	2,784	11,616
Other services and charges	29,000	29,000	26,082		26,082	2,918
Total expenditures	43,400	43,400	27,390	1,476	28,866	14,534
Excess of revenue over (under) expenditures	600	600	(21,324)	22,035	711	111
OTHER FINANCING SOURCES (USES)						
Transfers out						
Total other financing sources	-	-	-	-	-	-
Net change in fund balances	600	600	(21,324)	22,035	711	111
FUND BALANCES - JANUARY 1, 2011	20,711	20,711	24,861		24,861	4,150
FUND BALANCES - DECEMBER 31, 2012	**$21,311**	**$21,311**	**$3,537**	**$22,035**	**$25,573**	**$4,262**

City of Bothell

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Cemetery Endowment Fund
For the Year Ended December 31, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Interest earnings			$235	$196	$431	$431
Total revenues	-	-	235	196	431	431
EXPENDITURES						
Other services and charges	12,000	12,000		657	657	11,343
Total expenditures	12,000	12,000	-	657	657	11,343
Excess of revenue over (under) expenditures	(12,000)	(12,000)	235	(461)	(226)	11,774
Net change in fund balances	(12,000)	(12,000)	235	(461)	(226)	11,774
FUND BALANCES - JANUARY 1, 2011	84,192	84,192	84,239		84,239	47
FUND BALANCES - DECEMBER 31, 2012	**$72,192**	**$72,192**	**$84,474**	**($461)**	**$84,013**	**$11,821**

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, 2012

	Budgeted Amounts 2011-2012		2011 Actual Amounts	2012 Actual Amounts	Total 2011-2012	Variance with Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
REVENUES						
Taxes	$1,500,000	$1,500,000	$775,244	$765,746	$1,540,990	$40,990
Total revenues	1,500,000	1,500,000	775,244	765,746	1,540,990	40,990
EXPENDITURES						
Current						
Principal retirement	1,140,000	1,140,000	560,000	580,000	1,140,000	
Interest	304,300	304,300	160,317	140,658	300,975	3,325
Miscellaneous	25,700	25,700	302	303	604	25,096
Total expenditures	1,470,000	1,470,000	720,618	720,961	1,441,579	28,421
Excess of revenue over (under) expenditures	30,000	30,000	54,626	44,785	99,411	69,411
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total other financing sources	-	-	-	-	-	-
Net change in fund balances	30,000	30,000	54,626	44,785	99,411	69,411
FUND BALANCES - JANUARY 1, 2011	31,232	31,232	669		669	(30,563)
FUND BALANCES - DECEMBER 31, 2012	**$61,232**	**$61,232**	**$55,295**	**$44,785**	**$100,080**	**$38,848**

Internal Service Funds

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

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

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

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

City of Bothell
Combining Statement of Net Position
Internal Service Funds
December 31, 2012

	Governmental Activities Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	Total
ASSETS				
Current assets				
Cash and cash equivalents	$39,167	$1,797	$25,069	$66,033
Investments	20,619		1,938,180	1,958,798
Accounts receivable		24,063		24,063
Due from other governments	72			72
Advances receivable			250,000	250,000
Total current assets	59,858	25,860	2,213,249	2,298,967
Non-current assets				
Advances receivable			1,532,000	1,532,000
Capital assets, net of depreciation:				
Equipment - shop	7,482		172,736	180,218
Equipment - vehicles			1,943,518	1,943,518
Improvements	6,111		732,145	738,256
Total capital assets, net of depreciation	13,593		2,848,399	2,861,992
Total non-current assets	13,593	-	4,380,399	4,393,992
Total assets	73,450	25,860	6,593,648	6,692,959
LIABILITIES				
Current liabilities				
Accounts payable	49,895	15,576	26,668	92,139
Payroll payable	12,517	4,635		17,152
Compensated absences	11,022	5,247		16,270
Total liabilities	73,434	25,459	26,668	125,560
NET POSITION				
Net investment in capital assets	13,593		2,848,399	2,861,992
Unrestricted	(13,576)	402	3,718,582	3,705,407
Total net position	**$17**	**$402**	**$6,566,981**	**$6,567,399**

City of Bothell

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2012

	Governmental Activities Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	Total
Operating revenues				
Charges for services	$980,646	$935,587		$1,916,233
Intergovernmental revenues	4,118	9,223		13,342
Total operating revenues	984,764	944,810	-	1,929,575
Operating expenses				
Maintenance and operations	688,794		12,131	700,925
Administration	174,816	989,712		1,164,529
Depreciation & amortization	3,342		766,478	769,819
Total operating expenses	866,952	989,712	778,609	2,635,274
Operating income (loss)	117,812	(44,902)	(778,609)	(705,699)
Non-operating revenue (expense)				
Gain (loss) on disposition of capital assets			59,722	59,722
Interest earnings	49		3,308	3,357
Total non-operating revenues (expenses)	49	-	63,030	63,079
Income (loss) before transfers	117,861	(44,902)	(715,579)	(642,620)
Transfers in	43,500	43,400	178,022	264,922
Transfers out	(178,022)		(14,686)	(192,708)
Change in net position	(16,661)	(1,502)	(552,243)	(570,406)
Net position - beginning	16,678	1,904	7,119,223	7,137,805
Net position - ending	**$17**	**$402**	**$6,566,981**	**$6,567,399**

City of Bothell
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2012

	Governmental Activities Internal Service Funds			
	Equipment Rental	Self Insurance	Asset Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$984,764	$944,810		$1,929,575
Cash paid to employees for services	(182,729)	(73,489)		(256,218)
Cash paid to suppliers for goods and services	(674,661)	(943,064)	237,895	(1,379,830)
Net cash provided (used) by operating activities	127,375	(71,743)	237,895	293,527
CASH FLOWS FROM NON-OPERATING ACTIVITIES				
Transfers out	(178,022)		(14,686)	(192,708)
Transfers in	43,500	43,400	178,022	264,922
Net cash provided (used) by non-operating activities	(134,522)	43,400	163,336	72,214
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets			(389,575)	(389,575)
Proceeds from sales of capital assets			59,722	59,722
Net cash provided (used) by capital and related financing activities	-	-	(329,852)	(329,852)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	(49)		(300,071)	(300,120)
Interest and dividends	49		3,308	3,357
Net cash provided by investing activities	-	-	(296,763)	(296,763)
Net increase (decrease) in cash and cash equivalents	(7,147)	(28,343)	(225,384)	(260,875)
Balances - beginning	46,314	30,140	250,454	326,908
Balances - ending	**$39,167**	**$1,797**	**$25,069**	**$66,033**
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$117,812	($44,902)	($778,609)	($705,699)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	3,342		766,478	769,819
Change in assets and liabilities:				
Decrease (increase) in accounts receivable		(24,063)		(24,063)
Decrease (increase) in loan receivable			250,000	250,000
Decrease (increase) in due from other governments	(72)			(72)
Increase (decrease) in accounts payable	8,163	(1,755)	27	6,435
Increase (decrease) in compensated absences payable	(2,813)	(772)		(3,585)
Increase (decrease) in payroll payable	942	(251)		691
Net cash provided by operating activities	**$127,375**	**($71,743)**	**$237,895**	**$293,527**
Noncash investing, capital, and financing activities:				
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, 2012

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
ASSETS				
Cash	$179,079	$963,698	$959,672	$183,105
Total Assets	**$179,079**	**$963,698**	**$959,672**	**$183,105**
LIABILITIES				
Accounts payable	$29,911	$477,463	$480,971	$33,419
Deposits payable	149,167	483,391	483,909	149,686
Other liabilities		2,150	2,150	
Total Liabilities	**$179,079**	**$963,004**	**$967,030**	**$183,105**

City of Bothell™

Supplemental Information

City of Bothell
Schedule of Operations – Budget to Actual
Water Fund
For the Year Ended December 31, 2012

	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)
OPERATING REVENUES						
Intergovernmental revenues	$15,000	$15,000	$13,975	$20,000	$33,975	$18,975
Charges for services	7,549,539	7,549,539	3,196,598	3,636,582	6,833,180	(716,359)
Total operating revenues	7,564,539	7,564,539	3,210,573	3,656,582	6,867,155	(697,384)
OPERATING EXPENSES						
Administrative and general	957,488	957,488	482,451	434,211	916,662	40,826
Purchase water	3,069,997	3,069,997	1,562,666	1,183,907	2,746,573	323,424
Maintenance and operation	1,742,251	1,742,251	773,331	735,676	1,509,006	233,245
Customer accounts	264,455	264,455	136,144	137,332	273,476	(9,021)
Taxes	603,000	603,000	279,158	397,290	676,447	(73,447)
Capital outlay	769,343	769,343				769,343
Debt	225,200	225,200				225,200
Depreciation and amortization	800,000	800,000	466,010	473,602	939,612	(139,612)
Total operating expenses	8,431,734	8,431,734	3,699,760	3,362,018	7,061,778	1,369,956
OPERATING INCOME (LOSS)	(867,195)	(867,195)	(489,187)	294,564	(194,623)	672,572
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings	10,390	10,390	264	14	277	(10,113)
Interest expense	(16,890)	(16,890)	(8,445)	(7,319)	(15,764)	1,126
Total non-operating revenue (expense)	(6,500)	(6,500)	(8,181)	(7,305)	(15,486)	(8,986)
Income (loss) before contributions and transfers	(873,695)	(873,695)	(497,368)	287,259	(210,109)	663,586
Contributions			23,000		23,000	23,000
Net position - beginning, January 1, 2011	13,527,678	13,527,678	12,991,258		12,991,258	(536,420)
Net position - ending, December 31, 2012	**$12,653,983**	**$12,653,983**	**$12,516,889**	**$287,259**	**$12,804,148**	**$150,165**

This schedule is presented as supplemental information

City of Bothell
Schedule of Operations – Budget to Actual
Sewer Fund
For the Year Ended December 31, 2012

	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)
OPERATING REVENUES						
Intergovernmental revenues				$24,938	$24,938	$24,938
Charges for services	11,232,663	11,232,663	5,012,251	5,614,769	10,627,020	(605,643)
Total operating revenues	11,232,663	11,232,663	5,012,251	5,639,707	10,651,959	(580,704)
OPERATING EXPENSES						
Administrative and general	912,035	912,035	462,479	442,082	904,561	7,474
Metro service	7,303,635	7,303,635	3,546,825	3,110,051	6,656,876	646,759
Maintenance and operation	1,483,509	1,483,509	710,267	681,086	1,391,353	92,156
Customer accounts	267,775	267,775	133,835	136,663	270,498	(2,723)
Taxes	626,000	626,000	282,287	282,287	564,574	61,426
Capital outlay	763,782	763,782				763,782
Depreciation and amortization	545,000	545,000	318,549	323,875	642,424	(97,424)
Total operating expenses	11,901,736	11,901,736	5,454,241	4,976,045	10,430,286	1,471,450
OPERATING INCOME (LOSS)	(669,073)	(669,073)	(441,990)	663,662	221,672	890,745
NON-OPERATING REVENUE (EXPENSE)						
Investment earnings	16,818	16,818	582	406	988	(15,830)
Total non-operating revenue (expense)	16,818	16,818	582	406	988	(15,830)
Income (loss) before contributions and transfers	(652,255)	(652,255)	(441,409)	664,069	222,660	874,915
Contributions			30,600	66,100	96,700	96,700
Net position - beginning, January 1, 2011	11,310,226	11,310,226	11,120,338		11,120,338	(189,888)
Net position - ending, December 31, 2012	**$10,657,971**	**$10,657,971**	**$10,709,530**	**$730,169**	**$11,439,699**	**$781,728**

This schedule is presented as supplemental information

City of Bothell
Schedule of Operations – Budget to Actual
Storm Drain Fund
For the Year Ended December 31, 2012

	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)
OPERATING REVENUES						
Intergovernmental revenues	$808,698	$808,698	$269,228	$129,977	$399,205	($409,493)
Charges for services	5,297,153	5,672,153	2,657,831	3,515,598	6,173,429	501,276
Other	21,000	21,000				(21,000)
Total operating revenues	6,126,851	6,501,851	2,927,059	3,645,575	6,572,634	70,783
OPERATING EXPENSES						
Administrative and general	2,359,987	2,359,987	1,178,118	1,241,992	2,420,110	(60,123)
Maintenance and operation	2,706,084	2,706,084	1,201,030	1,200,126	2,401,156	304,928
Taxes	50,000	50,000	41,953	50,123	92,076	(42,076)
Capital outlay	1,538,996	1,738,996				1,738,996
Depreciation and amortization	760,000	760,000	440,355	443,176	883,531	(123,531)
Total operating expenses	7,415,067	7,615,067	2,861,456	2,935,416	5,796,873	1,818,194
OPERATING INCOME (LOSS)	(1,288,216)	(1,113,216)	65,603	710,159	775,761	1,888,977
NON-OPERATING REVENUE (EXPENSE)						
Loan	(500,000)	(500,000)				500,000
Investment earnings	15,282	15,282	505	4,265	4,770	(10,512)
Interest expense	(38,140)	(38,140)	(3,458)	(3,237)	(6,695)	31,445
Total non-operating revenue (expense)	(522,858)	(522,858)	(2,953)	1,028	(1,925)	520,933
Income (loss) before contributions and transfers	(1,811,074)	(1,636,074)	62,649	711,187	773,836	2,409,910
Contributions			187,900	98,700	286,600	286,600
Net position - beginning, January 1, 2011	13,602,861	13,602,861	10,955,286		10,955,286	(2,647,575)
Net position - ending, December 31, 2012	**$11,791,787**	**$11,966,787**	**$11,205,835**	**$809,887**	**$12,015,722**	**$48,935**

This schedule is presented as supplemental information

City of Bothell
Schedule of Operations – Budget to Actual
Equipment Rental Fund
For the Year Ended December 31, 2012

	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)
OPERATING REVENUES						
Charges for services	$2,957,338	$2,957,338	$941,514	$980,646	$1,922,160	($1,035,178)
Proceeds from sale of capital assets						
Intergovernmental revenue				4,118	4,118	4,118
Total operating revenues	2,957,338	2,957,338	941,514	984,764	1,926,278	(1,031,060)
OPERATING EXPENSES						
Administrative and general	356,701	356,701	188,126	174,816	362,942	(6,241)
Maintenance and operation	1,248,788	1,248,788	686,143	688,794	1,374,937	(126,149)
Depreciation			3,342	3,342	6,684	(6,684)
Total operating expenses	1,605,489	1,605,489	877,610	866,952	1,744,562	(139,073)
OPERATING INCOME (LOSS)	1,351,849	1,351,849	63,903	117,812	181,716	(1,170,133)
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings			109	49	158	158
Total non-operating revenue (expense)	-	-	109	49	158	158
Income (loss) before contributions and transfers	1,351,849	1,351,849	64,012	117,861	181,873	(1,169,976)
Transfers out	(1,352,090)	(1,352,090)	(178,022)	(178,022)	(356,044)	996,046
Transfers in		100,000		43,500	43,500	(56,500)
Net position - beginning, January 1, 2011	40,306	40,306	130,687		130,687	90,381
Net position - ending, December 31, 2012	**$40,065**	**$140,065**	**$16,678**	**($16,661)**	**$17**	**($140,049)**

This schedule is presented as supplemental information

City of Bothell
Schedule of Operations – Budget to Actual
Self Insurance Fund
For the Year Ended December 31, 2012

	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)
OPERATING REVENUES						
Insurance recovery	$50,000	$50,000	$30,707		$30,707	($19,293)
Intergovernmental revenues				9,223	9,223	9,223
Charges for insurance premiums	1,633,278	1,633,278	794,236	935,587	1,729,823	96,545
Total operating revenues	1,683,278	1,683,278	824,943	944,810	1,769,753	86,475
OPERATING EXPENSES						
Administrative and general	1,633,277	1,633,277	750,727	989,712	1,740,439	(107,162)
Health insurance services	434,800	434,800	214,704		214,704	220,096
Total operating expenses	2,068,077	2,068,077	965,431	989,712	1,955,143	112,934
OPERATING INCOME (LOSS)	(384,799)	(384,799)	(140,487)	(44,902)	(185,390)	199,409
NON-OPERATING REVENUES (EXPENSES)						
Investment earnings						
Total non-operating revenue (expense)	-	-	-	-	-	-
Income (loss) before contributions and transfers	(384,799)	(384,799)	(140,487)	(44,902)	(185,390)	199,409
Transfers in	434,800	434,800	137,400	43,400	180,800	(254,000)
Net position - beginning, January 1, 2011	5,148	5,148	4,991		4,991	(157)
Net position - ending, December 31, 2012	**$55,149**	**$55,149**	**$1,904**	**($1,502)**	**$402**	**($54,747)**

This schedule is presented as supplemental information

City of Bothell
Schedule of Operations – Budget to Actual
Asset Replacement Fund
For the Year Ended December 31, 2012

	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)
OPERATING REVENUES						
Intergovernmental revenue			$8,008		$8,008	$8,008
Total operating revenues	-	-	8,008	-	8,008	8,008
OPERATING EXPENSES						
Capital outlay	1,981,135	1,981,135				1,981,135
Maintenance and operations			60,603	12,131	72,735	(72,735)
Administrative and general	362,326	362,326				362,326
Depreciation	1,295,000	1,295,000	775,839	766,478	1,542,316	(247,316)
Total operating expenses	3,638,461	3,638,461	836,442	778,609	1,615,051	2,023,410
OPERATING INCOME (LOSS)	(3,638,461)	(3,638,461)	(828,434)	(778,609)	(1,607,043)	2,031,418
NON-OPERATING REVENUES (EXPENSES)						
Interest earnings	86,502	86,502	3,575	3,308	6,883	(79,619)
Loan	500,000	500,000				(500,000)
Proceeds from the sale of capital assets	118,500	118,500	19,762	59,722	79,484	(39,016)
Total non-operating revenue (expense)	705,002	705,002	23,337	63,030	86,367	(618,635)
Income (loss) before contributions and transfers	(2,933,459)	(2,933,459)	(805,098)	(715,579)	(1,520,676)	1,412,783
Transfers in	1,352,090	1,352,090	178,022	178,022	356,044	(996,046)
Transfers out	(380,000)	(680,000)	(554,500)	(14,686)	(569,186)	110,814
Net position - beginning, January 1, 2011	5,694,336	5,694,336	8,300,799		8,300,799	2,606,463
Net position - ending, December 31, 2012	**$3,732,967**	**$3,432,967**	**$7,119,223**	**($552,243)**	**$6,566,981**	**$3,134,014**

This schedule is presented as supplemental information

City of Bothell
Schedule 16
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

Grantor/Pass Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenditures Direct	Pass-Through	Total
Department of Homeland Security/Pierce County Emergency Management					
National Urban Search and Rescue (US&R) Response System (97.025)					
Hurricane Sandy Response Effort	97.025	EMW-2008-CA-1509		$981	$981
Department of Homeland Security/Washington State Military Department					
Disaster Grants - Public Assistance (97.036)					
Severe Winter Storm Flooding/Landslide/Mudslides	97.036	D12-041		93,875	93,875
Emergency Management Performance Grant (97.042)					
Emergency Management Performance Grant	97.042	E12-044		1,933	1,933
Emergency Management Performance Grant	97.042	E12-314		10,787	10,787
Emergency Management Performance Grant	97.042	E13-198		6,164	6,164
		Subtotal	-	18,884	18,884
		Dept of Homeland Security Total	**-**	**113,740**	**113,740**
Department of Transportation/Washington State DOT					
Highway Planning & Construction (20.205)					
240th Street Bridge Replacement	20.205	BRM-2459 (001)		479,638	479,638
Citywide ITS Improvements	20.205	CM-0110 (006)		148,661	148,661
North Creek Trail Section 3	20.205	CM-STPE-0110 (011)		103,643	103,643
SR522 - Widening & Realign @ Wayne Curve	20.205	STPF-STPUL-0522 (032)		425,389	425,389
SR522 Multi-Modal Corridor - Stage 2	20.205	STPF-STPUL-0522 (051)		360,409	360,409
SR524, Filbert Road	20.205	ER-0801 (133)		184	184
SR527 Improvements	20.205	STPUL-0527 (005)		246,115	246,115
		Subtotal	-	1,764,039	1,764,039
Department of Transportation/Washington Traffic Safety Commission					
Alcohol Impaired Driving Countermeasures Incentive (20.601)					
DUI Emphasis Patrols	20.601	NA		1,237	1,237
Department of Transportation/Washington Traffic Safety Commission					
Safety Belt Performance Grants (20.609)					
Target Zero Emphasis Patrols	20.609	NA		1,866	1,866
		Dept of Transportation Total	**-**	**1,767,142**	**1,767,142**
Environmental Protection Agency/Washington State Department of Ecology					
Puget Sound Action Agenda: Tech Investigations/Implementation Assistance Program (66.123)					
Nearshore Estuary Program Watershed Protection/Rest	66.123	C1200179		69,792	69,792
		Environmental Protection Agency Total		**69,792**	**69,792**
		Total Federal Assistance for 2012	**-**	**$1,950,674**	**$1,950,674**

Note 1 - Basis of Accounting

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

Note 2 - Program Costs

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

This schedule is presented as supplemental information

City of Bothell
Schedule 16
Schedule of State and Local Financial Assistance
For the Year Ended December 31, 2012

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
King Conservation District			
Sammamish River Side Channel Restoration	337.07.00	NA	$25,000
Youth Water Education/Conservation Program	337.07.00	NA	7,474
King Conservation District Total			**32,474**
King County			
Epi-Pen Partial Reimbursement Grant	337.09.01	NA	787
Local Hazardous Waste Management Program	337.07.00	EHS2303	12,452
Project RAMPART	337.09.01	EMS2761	3,988
SR 522 Phase 1 Improvement Project	337.07.01	NA	18,902
Waste Reduction & Recycling	337.07.00	529821	33,025
King County Total			**69,154**
Washington State Department of Commerce			
Innovation Partnership Zone Grant	334.04.20	S13-97205-008	14,486
Washington State Dept of Health Total			**14,486**
Washington State Department of Ecology			
Bothell Crossroads Contamination	334.03.10	G1100263	90,772
Comprehensive Shoreline Master Program Update	334.03.10	G1000013	5,275
Coordinated Prevention Grant	334.03.10	G1200293	33,786
Municipal Stormwater Capacity Grant	334.03.10	G1100021	59,411
Washington State Dept of Ecology Total			**189,244**
Washington State Department of Health			
EMS Prehospital Participation Grant	334.04.90	SFY2012	1,534
Washington State Dept of Health Total			**1,534**
Washington State Department of Transportation (WSDOT)			
SR 522 Multi-Modal Corridor Projects	334.03.20	GCA-5685	14,566
SR 522 Stage 2A Improvements	334.03.20	GCA-6509	723,938
Washington State Dept of Transportation Total			**738,504**
Washington State Military Department			
Severe Winter Storm Flooding/Landslide/Mudslides	334.01.80	D12-041	15,646
Washington State Military Department Total			**15,646**
Washington State Public Works Board			
SR 522 Stage 1 Improvements	334.04.20	UV09-951-093	190,930
Washington State Public Works Board Total			**190,930**
Washington State - Salmon Recovery Funding Board (SRFB)/Recreation & Conservation Office (RCO)			
Sammamish River Side Channel Restoration	334.02.70	11-1517P	27,994
Washington State - SRFB/RCO Total			**27,994**
Washington State Traffic Safety Commission			
School Zone Safety Grant	334.03.50	NA	6,089
Washington State - SRFB/RCO Total			**6,089**
Washington State Transportation Improvement Board			
SR 522 - Hall Rd to 102nd St NE (Crossroads)	334.03.80	9-P-114 (005)-1	955,954
SR 522 - NE 180th St to Western City Limits	334.03.80	9-P-114 (004)-1	102,958
SR 522 - West City Limits to Wayne Curve	334.03.80	9-P-114 (004)-2	81,885
Washington State Transportation Improvement Board Total			**1,140,797**
Total State & Local Financial Assistance for 2012			**$2,426,853**

Note 1 - Basis of Accounting
This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses the modified accrual basis of accounting.

Note 2 - Program Costs
The amounts shown as current year expenditures represent only the grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

This schedule is presented as supplemental information

City of Bothell
General Obligation Bonds
Refunding 2008
December 31, 2012

Year Ended December 31, 2011	Interest Rate Range	Interest June 1	Interest December 1	Principal December 1	Total Debt Service
2013	3.5 to 4%	$61,025	$61,025	$605,000	$727,050
2014	3.625 to 4%	50,438	50,438	620,000	720,875
2015	3.75 to 4%	39,200	39,200	640,000	718,400
2016	4%	27,200	27,200	665,000	719,400
2017	4%	13,900	13,900	695,000	722,800
	Total	**$191,763**	**$191,763**	**$3,225,000**	**$3,608,525**

This schedule is presented as supplemental information

City of Bothell
Bond Anticipation Note #1
December 31, 2012

Year Ended December 31, 2012	Interest Rate Range	Interest	Principal December 31	Total Debt Service
2013	1.180%	$354,000		$354,000
2014	1.180%	29,500	30,000,000	30,029,500
	Total	**$383,500**	**$30,000,000**	**$30,383,500**

This schedule is presented as supplemental information

City of Bothell
Bond Anticipation Note #2
December 31, 2012

Year Ended December 31, 2012	Interest Rate Range	Interest	Principal December 31	Total Debt Service
2013	1.8%	$13,824	$4,607,839	$4,621,663
	Total	**$13,824**	**$4,607,839**	**$4,621,663**

This schedule is presented as supplemental information

City of Bothell
Public Works Trust Fund Loan
PW-98-791-007
December 31, 2012

Year Ended December 31, 2012	Interest Rate	Interest July 1	Principal July 1	Total Debt Service
2013	1%	$6,756	$112,599	$119,355
2014	1%	5,630	112,599	118,229
2015	1%	4,504	112,599	117,103
2016	1%	3,378	112,599	115,977
2017	1%	2,252	112,599	114,851
2018	1%	1,126	112,599	113,725
	Total	**$23,646**	**$675,592**	**$699,238**

This schedule is presented as supplemental information

City of Bothell

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
Capital Improvements Fund
For the Year Ended December 31, 2012

	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)
REVENUES						
Taxes	$5,755,322	$5,755,322	$1,823,048	$2,024,661	$3,847,709	($1,907,613)
Intergovernmental revenues	26,684,966	26,684,966	10,419,229	4,317,766	14,736,995	(11,947,971)
Charges for services						
Investment interest	200,000	200,000				(200,000)
Proceeds from sale of capital assets	15,869,540	15,869,540		4,612,625	4,612,625	(11,256,915)
Rents	150,000	150,000	39,750	21,939	61,689	(88,311)
Miscellaneous revenue				166,667	166,667	166,667
Contributions				10	10	10
Total revenues	48,659,828	48,659,828	12,282,028	11,143,668	23,425,696	(25,234,132)
EXPENDITURES						
Current:						
Capital outlay	70,729,298	70,729,298	16,900,106	12,094,267	28,994,373	41,734,925
Debt Issue costs				170,753	170,753	(170,753)
Debt principle	20,000,000	20,000,000	22,741,611	10,692,161	33,433,772	(13,433,772)
Interest expense	300,000	300,000	420,978	376,812	797,790	(497,790)
Total expenditures	91,029,298	91,029,298	40,062,695	23,333,993	63,396,688	27,632,610
Excess of revenue over (under) expenditures	(42,369,470)	(42,369,470)	(27,780,667)	(12,190,325)	(39,970,993)	2,398,477
OTHER FINANCING SOURCES (USES)						
Bond anticipation note	37,236,771	37,236,771	28,288,870	6,550,000	34,838,870	(2,397,901)
Loan						
Transfers in	5,403,000	5,453,000	1,290,235	1,551,452	2,841,687	(2,611,313)
Transfers out	(1,500,000)	(1,500,000)				1,500,000
Total other financing sources	41,139,771	41,189,771	29,579,105	8,101,452	37,680,557	(3,509,214)
Net change in fund balances	(1,229,699)	(1,179,699)	1,798,438	(4,088,874)	(2,290,436)	(1,110,737)
FUND BALANCES - JANUARY 1, 2011	4,700,268	4,700,268	5,266,801		5,266,801	566,533
FUND BALANCES - DECEMBER 31, 2012	**$3,470,569**	**$3,520,569**	**$7,065,239**	**($4,088,874)**	**$2,976,365**	**($544,204)**

This schedule is presented as supplemental information

City of Bothell™

This schedule is presented as supplemental information

Statistical Section

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.

Contents **Page**

Financial Trends **1**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity **9**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity **17**

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.

Demographic and Economic Information **25**

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.

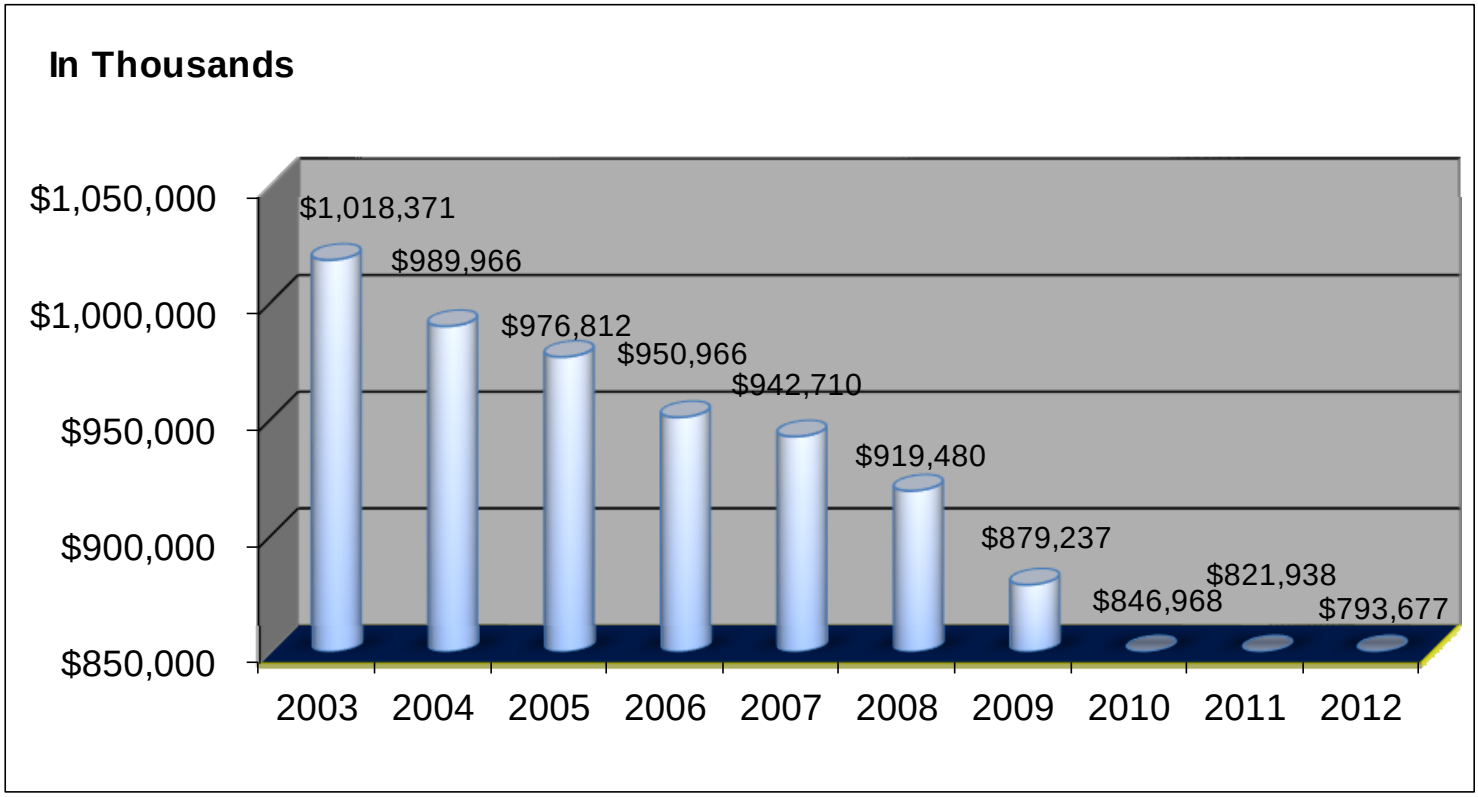
Operating Information **27**

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.

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	$957,239,957	$926,564,388	$908,007,883	$872,520,256	$851,902,746
Restricted	358,713	536,635	515,178		
Unrestricted	34,527,209	35,923,716	39,434,906	46,594,330	56,832,220
Total governmental activities net position	992,125,879	963,024,739	947,957,967	919,114,586	908,734,966
Business-type activities					
Invested in capital assets, net of related debt	19,344,446	19,505,269	20,160,168	22,312,164	22,148,994
Restricted	45,950	45,950	45,960	45,960	45,960
Unrestricted	6,854,312	7,390,151	8,648,183	9,493,206	11,780,119
Total business-type activities net position	26,244,708	26,941,370	28,854,311	31,851,330	33,975,073
Primary government					
Net investment in capital assets	976,584,403	946,069,657	928,168,051	894,832,420	874,051,740
Restricted	404,663	582,585	561,138	45,960	45,960
Unrestricted	41,381,521	43,313,867	48,083,089	56,087,536	68,612,339
Total primary government net position	**$1,018,370,587**	**$989,966,109**	**$976,812,278**	**$950,965,916**	**$942,710,039**



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

	Fiscal Year				
	2008	2009	2010	2011	2012
Governmental activities					
Invested in capital assets, net of related debt	$841,148,841	$829,995,723	$797,260,030	$772,845,492	$746,225,080
Restricted			7,754,246	9,780,831	7,578,092
Unrestricted	44,506,169	14,636,710	6,887,300	4,879,019	3,614,460
Total governmental activities net position	885,655,008	844,632,433	811,901,576	787,505,342	757,417,631
Business-type activities					
Invested in capital assets, net of related debt	22,894,341	25,684,286	32,408,696	32,660,784	33,185,063
Restricted	45,960				
Unrestricted	10,884,406	8,920,530	2,658,185	1,771,470	3,074,506
Total business-type activities net position	33,824,706	34,604,816	35,066,881	34,432,254	36,259,569
Primary government					
Net investment in capital assets	864,043,182	855,680,009	829,668,726	805,506,276	779,410,143
Restricted	45,960		7,754,246	9,780,831	7,578,092
Unrestricted	55,390,573	23,557,239	9,545,485	6,650,489	6,688,966
Total primary government net position	**$919,479,714**	**$879,237,248**	**$846,968,458**	**$821,937,596**	**$793,677,200**

Schedules comply with GASB 34 implementation or 10 years

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses - Governmental activities					
General government	$6,194,411	$6,459,084	$6,795,788	$7,286,832	$7,590,440
Security of persons and property	14,205,576	16,513,236	16,624,606	16,716,844	18,356,633
Physical environment	2,053,136	4,706,457	3,127,375	5,680,934	3,466,656
Transportation	35,842,309	34,035,627	24,857,528	34,309,036	38,300,146
Economic environment	1,880,106	2,184,275	2,100,999	2,583,146	3,808,101
Culture and recreation					
Interest on long-term debt	489,954	551,882	511,467	362,317	327,703
Total governmental activities	60,665,492	64,450,561	54,017,763	66,939,110	71,849,679
Business-type activities					
Water	2,653,301	3,031,706	2,291,688	2,944,338	2,878,560
Sewer	3,052,256	3,179,756	3,473,410	3,318,782	3,965,202
Storm Drain	976,137	1,181,700	1,141,388	1,229,997	1,323,861
Total business-type activities	6,681,694	7,393,162	6,906,486	7,493,117	8,167,623
Total primary government expenses	**$67,347,186**	**$71,843,723**	**$60,924,249**	**$74,432,227**	**$80,017,302**
Program Revenues - Governmental activities					
Charges for services					
General government	$1,276,148	$1,255,310	$1,369,104	$2,109,872	$2,063,843
Security of persons and property	1,693,054	2,637,365	1,301,166	1,634,128	1,652,887
Physical environment	746,039	834,657	1,132,053	1,425,625	1,544,277
Transportation	241,270	630,191	923,975	858,310	1,932,005
Economic environment	722,659	925,573	1,193,016	1,582,638	1,806,077
Culture and recreation	174,553	122,515	144,427	157,648	143,191
Operating grants and contributions	575,740	872,463	1,106,751	402,018	846,560
Capital grants and contributions	571,787	333,556	652,446	5,642,460	12,983,232
Total governmental activities program revenues	6,001,250	7,611,630	7,822,938	13,812,699	22,972,072
Business-type activities					
Charges for services					
Water	3,202,248	3,259,509	3,004,837	3,995,496	3,786,422
Sewer	3,514,127	3,564,534	4,092,654	4,257,167	4,607,172
Storm Drain	1,461,784	1,733,226	1,806,901	1,837,048	1,730,963
Operating grants and contributions					
Capital grants and contributions			306,945	649,239	729,022
Total business-type activities program revenue	8,178,159	8,557,269	9,211,337	10,738,950	10,853,579
Total primary government program revenues	**$14,179,409**	**$16,168,899**	**$17,034,275**	**$24,551,649**	**$33,825,651**
Net (Expense)/Revenue					
Government activities	($54,664,242)	($56,838,931)	($46,194,825)	($53,126,411)	($48,877,607)
Business-type activities	1,496,465	1,164,107	2,304,851	3,245,833	2,685,956
Total primary government net expense	(53,167,777)	(55,674,824)	(43,889,974)	(49,880,577)	(46,191,650)
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes					
Property tax	8,468,939	9,363,115	9,792,823	11,294,149	13,745,959
Excise tax	8,795,760	9,355,346	11,040,881	13,035,096	12,875,394
Business tax	5,783,829	6,433,375	6,689,465	6,971,731	7,105,751
Unrestricted grants and contributions					
Investment earnings	476,394	391,823	1,103,359	2,340,709	2,766,765
Miscellaneous	1,677,683	1,414,231	1,953,704	737,447	1,010,077
Transfers	518,903	521,153	547,823	797,483	899,556
Total governmental activities	25,721,508	27,479,043	31,128,055	35,176,613	38,403,500
Business-type activities					
Investment earnings	47,456	53,708	155,914	256,904	337,341
Miscellaneous	5,731				
Transfers	(518,903)	(521,153)	(547,823)	(797,483)	(899,556)
Total business-type activities	(465,716)	(467,445)	(391,909)	(540,579)	(562,215)
Total primary government	**$25,255,792**	**$27,011,598**	**$30,736,146**	**$34,636,035**	**$37,841,286**
Change in Net Position					
Government activities	($28,942,734)	($29,359,888)	($15,066,770)	($17,949,797)	($10,474,106)
Business-type activities	1,030,749	696,662	1,912,942	2,705,255	2,123,742
Total primary government	**($27,911,985)**	**($28,663,226)**	**($13,153,828)**	**($15,244,543)**	**($8,350,365)**

Schedules comply with GASB 34 implementation or 10 years

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

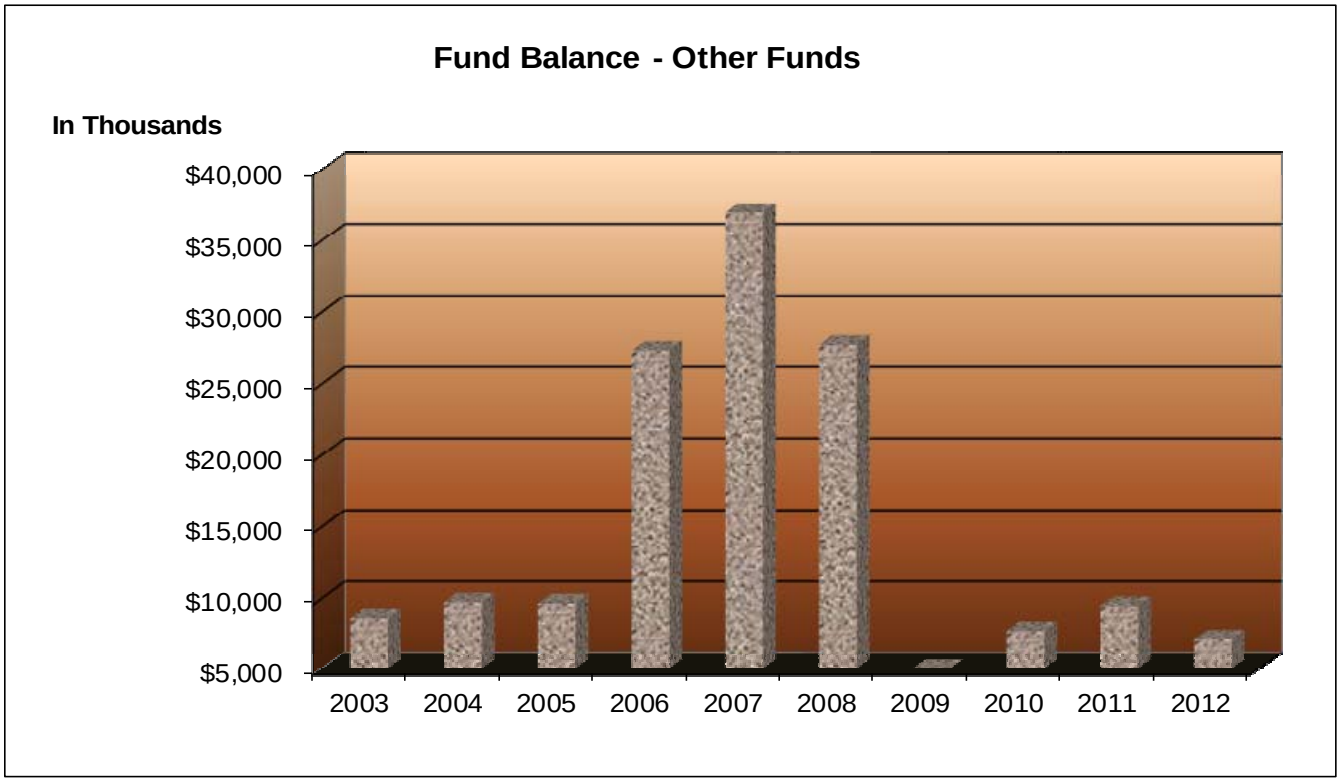
	Fiscal Year				
	2008	2009	2010	2011	2012
Expenses - Governmental activities					
General government	$9,462,780	$9,413,427	$9,442,611	$9,877,418	$10,969,744
Security of persons and property	19,342,241	20,646,387	22,005,979	21,575,204	22,078,983
Physical environment	4,626,024	6,262,903	6,354,100	6,398,497	4,914,790
Transportation	38,946,938	42,394,908	39,919,102	34,044,668	36,833,751
Economic environment	3,413,764	3,026,618	3,347,504	3,298,490	2,860,182
Culture and recreation					1,613,519
Interest on long-term debt	229,262	213,348	303,378	581,295	517,471
Total governmental activities	76,021,008	81,957,592	81,372,674	75,775,571	79,788,440
Business-type activities					
Water	3,150,986	3,188,527	3,234,985	3,708,205	3,369,337
Sewer	4,099,024	4,436,576	4,809,616	5,454,241	4,976,045
Storm Drain	1,645,670	2,094,509	2,381,009	2,864,914	2,938,653
Total business-type activities	8,895,680	9,719,612	10,425,610	12,027,360	11,284,035
Total primary government expenses	**$84,916,688**	**$91,677,203**	**$91,798,284**	**$87,802,932**	**$91,072,475**
Program Revenues - Governmental activities					
Charges for services					
General government	$1,686,890	$1,858,979	$2,687,935	$4,810,917	$4,841,692
Security of persons and property	2,084,447	1,901,973	2,743,162	2,273,740	2,663,755
Physical environment	1,420,714	2,330,963	3,566,661	1,376,855	2,078,244
Transportation	1,764,671	79,707	1,185,102	607,870	1,818,764
Economic environment	1,713,091	1,390,869	1,594,278	1,338,169	1,961,284
Culture and recreation	149,021	225,350	328,879	457,981	268,711
Operating grants and contributions	525,398	357,367	383,325	360,152	969,659
Capital grants and contributions	12,229,943	3,064,379	8,068,251	10,650,614	4,324,101
Total governmental activities program revenues	21,574,175	11,209,588	20,557,594	21,876,297	18,926,210
Business-type activities					
Charges for services					
Water	3,377,642	3,731,390	3,098,581	3,210,573	3,656,582
Sewer	4,448,313	4,913,071	4,421,861	5,012,251	5,639,707
Storm Drain	1,753,920	2,478,439	2,605,276	2,927,059	3,645,575
Operating grants and contributions					
Capital grants and contributions	787,526	411,475	757,700	241,500	164,800
Total business-type activities program revenue	10,367,401	11,534,375	10,883,418	11,391,383	13,106,664
Total primary government program revenues	**$31,941,576**	**$22,743,963**	**$31,441,012**	**$33,267,680**	**$32,032,874**
Net (Expense)/Revenue					
Government activities	($54,446,834)	($70,748,004)	($60,815,080)	($53,899,274)	($60,862,229)
Business-type activities	1,471,721	1,814,763	457,808	(635,977)	1,822,629
Total primary government net expense	(52,975,113)	(68,933,241)	(60,357,272)	(54,535,251)	(59,039,600)
General Revenue and Other Changes in Net Position					
Governmental activities					
Taxes					
Property tax	9,979,056	9,480,272	10,190,952	10,963,812	11,128,474
Excise tax	11,731,999	9,842,288	10,482,416	9,960,281	10,341,621
Business tax	7,085,015	7,312,792	6,832,556	6,795,259	6,972,159
Unrestricted grants and contributions					
Investment earnings	1,627,957	1,055,739	123,457	310,195	512,991
Miscellaneous	1,020,245	915,788	454,842	516,090	540,813
Transfers	959,111	1,118,550			
Total governmental activities	32,403,383	29,725,430	28,084,224	28,545,636	29,496,058
Business-type activities					
Investment earnings	180,799	62,247	4,259	1,350	4,685
Miscellaneous		21,650			
Transfers	(959,111)	(1,118,550)			
Total business-type activities	(778,311)	(1,034,652)	4,260	1,350	4,685
Total primary government	**$31,625,072**	**$28,690,778**	**$28,088,483**	**$28,546,986**	**$29,500,743**
Change in Net Position					
Government activities	($22,043,451)	($41,022,574)	($32,730,857)	($25,353,638)	($31,366,171)
Business-type activities	693,410	780,109	462,066	(634,627)	1,827,315
Total primary government	**($21,350,042)**	**($40,242,465)**	**($32,268,791)**	**($25,988,265)**	**($29,538,856)**

Schedules comply with GASB 34 implementation or 10 years

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

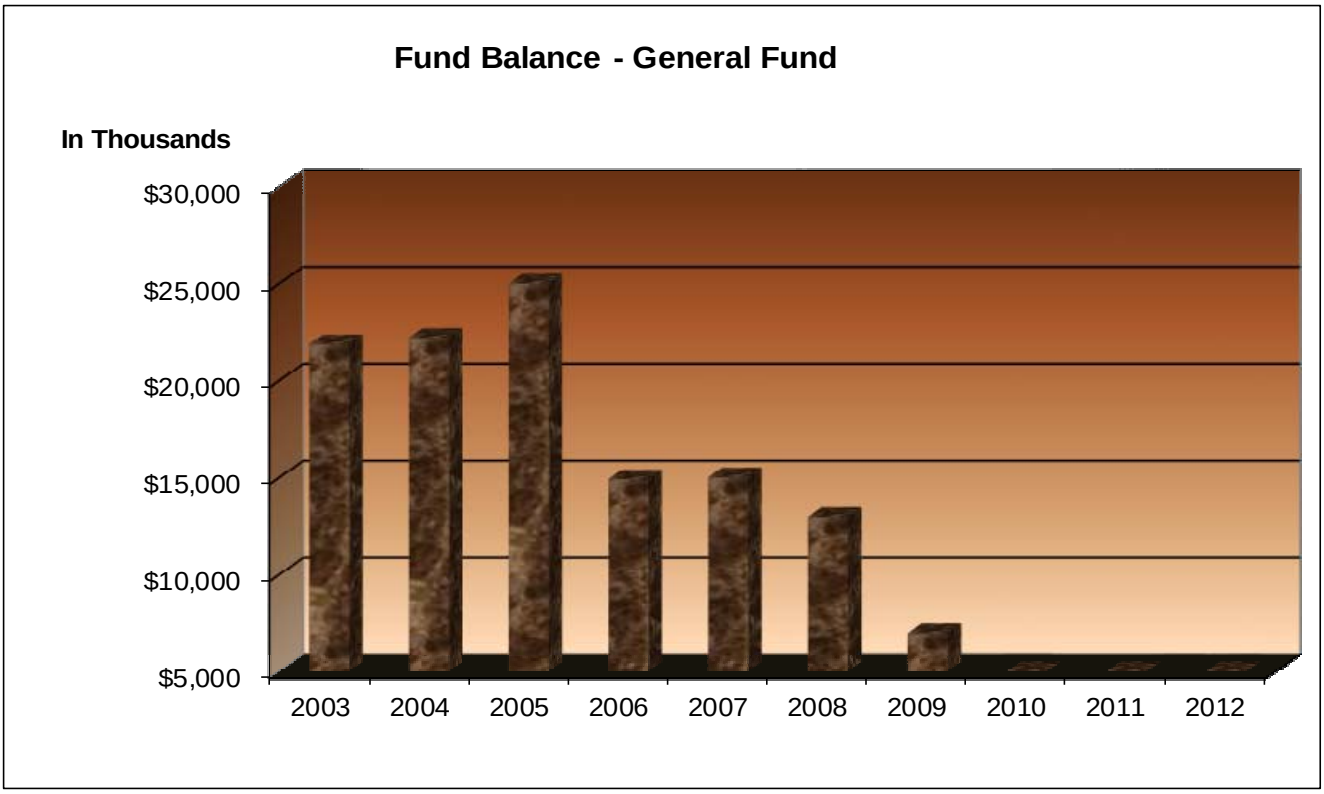
	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	$358,713	$536,635	$515,178		
Unreserved	21,524,521	21,684,097	24,488,474	14,911,218	15,014,982
Nonspendable					
Restricted					
Assigned					
Unassigned					
Total general fund	**$21,883,234**	**$22,220,732**	**$25,003,652**	**$14,911,218**	**$15,014,982**
All Other Governmental Funds					
Unreserved					
Special revenue funds	$3,198,861	$3,324,460	$3,717,526	$3,866,507	$4,693,599
Debt service funds	486,126	549,539	436,662	249,682	474,567
Capital projects funds	4,852,793	5,826,040	5,478,620	23,179,317	31,767,467
Restricted					
Committed					
Total all other governmental funds	**$8,537,780**	**$9,700,039**	**$9,632,808**	**$27,295,506**	**$36,935,634**

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				
	2008	2009	2010	2011	2012
General Fund					
Reserved					
Unreserved	12,955,076	6,994,173	4,052,527		
Nonspendable				16,750	16,750
Restricted				391,930	526,522
Assigned				1,711,130	1,711,130
Unassigned				1,587,189	870,296
Total general fund	**$12,955,076**	**$6,994,173**	**$4,052,527**	**$3,706,999**	**$3,124,698**
All Other Governmental Funds					
Unreserved					
Special revenue funds	$2,320,927	$2,124,745	$2,410,436	$2,268,368	$3,916,223
Debt service funds	690,991	2,012	669	55,295	142,231
Capital projects funds	24,686,299	2,077,727	5,266,801	7,065,239	2,976,365
Restricted				9,388,902	7,034,819
Committed				68,153	67,692
Total all other governmental funds	**$27,698,218**	**$4,204,485**	**$7,677,906**	**$9,457,054**	**$7,102,511**



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

	Fiscal Year				
	2003	2004	2005	2006	2007
Revenues					
Taxes	$23,048,527	$24,512,757	$26,853,571	$30,572,126	$32,970,598
Licenses and permits	873,403	784,012	1,086,365	1,819,235	1,600,669
Intergovernmental	2,553,753	4,011,325	3,782,791	7,281,784	15,525,563
Charges for services	2,465,055	3,299,441	3,432,694	4,362,883	5,877,417
Fines and forfeitures	409,791	447,781	322,144	343,486	443,007
Interest earnings	436,419	398,759	993,181	2,107,757	2,590,040
Proceeds from the sale of capital assets	27,435	12,420	47,289	1,064	750
Contributions					471,276
Other revenue	739,835	441,708	622,453	403,877	416,493
Total revenues	30,554,218	33,908,203	37,140,488	46,892,211	59,895,814
Expenditures					
General government	5,321,164	5,913,630	6,075,203	6,306,333	6,919,113
Security of persons and property	13,176,418	14,923,213	14,939,138	15,344,949	16,837,363
Transportation	1,068,423	1,379,542	1,371,919	1,639,542	1,463,468
Physical environment	1,715,425	1,880,697	2,245,469	2,914,337	3,179,940
Economic environment	1,794,739	2,039,339	1,942,086	2,433,653	2,749,084
Bond issue costs					
Debt service					
Interest	489,954	551,882	511,467	362,317	327,703
Principal	1,457,879	860,871	2,843,862	768,862	483,862
Other expenditures	225,572	1,453	569		18,264
Capital outlay	3,250,992	3,864,122	3,856,465	8,059,038	16,441,760
Total expenditures	28,500,566	31,414,749	33,786,178	37,829,031	48,420,557
Excess of revenue over (under) expenditures	2,053,652	2,493,454	3,354,310	9,063,180	11,475,257
Other Financing Sources (Uses)					
Refunding bonds issued					
Premium on refunding bonds					
Proceeds from sales of capital assets					
Payment to refunded bond escrow agent					
Bond anticipation note					
Loan proceeds					
Transfers in	1,561,846	1,927,746	1,643,955	18,343,405	4,067,571
Transfers out	(2,846,141)	(3,180,191)	(2,282,575)	(19,836,319)	(5,893,424)
Total other financing sources uses	(1,284,295)	(1,252,445)	(638,620)	(1,492,914)	(1,825,853)
Net change in fund balances	**$769,357**	**$1,241,009**	**$2,715,690**	**$7,570,266**	**$9,649,404**
Debt service as a percentage of noncapital expenditures	7.7%	5.1%	11.2%	3.8%	2.5%

Schedules comply with GASB 34 implementation or 10 years

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

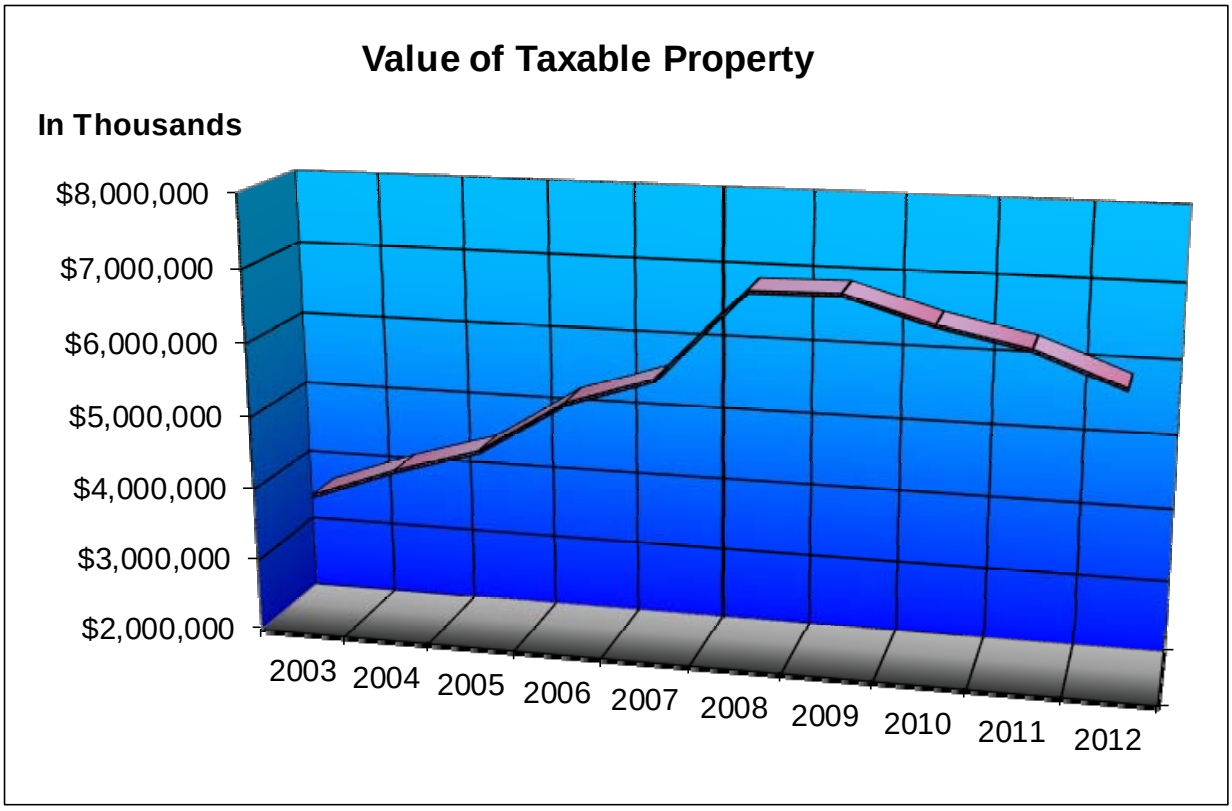
	Fiscal Year				
	2008	2009	2010	2011	2012
Revenues					
Taxes	$28,070,855	$26,635,353	$27,505,967	$27,719,352	$28,442,253
Licenses and permits	1,280,479	989,656	1,128,293	1,081,549	1,761,220
Intergovernmental	14,260,853	5,766,032	10,748,505	13,700,129	8,015,234
Charges for services	5,438,718	3,617,008	5,587,104	4,703,004	6,467,279
Fines and forfeitures	396,602	436,520	431,188	387,550	421,304
Interest earnings	1,555,854	1,033,628	120,261	306,511	509,634
Proceeds from the sale of capital assets	12,399	501			
Contributions	132,230	30,706	68,260	50,930	45,605
Other revenue	802,892	805,466	347,338	445,398	435,486
Total revenues	51,950,883	39,314,871	45,936,917	48,394,423	46,098,016
Expenditures					
General government	8,102,794	8,074,767	8,248,773	8,702,807	8,248,283
Security of persons and property	17,894,731	18,984,021	20,223,188	19,958,652	20,292,352
Transportation	1,601,855	1,574,859	1,567,865	1,732,338	1,725,232
Physical environment	3,614,666	3,675,595	3,984,208	4,183,070	4,185,398
Economic environment	3,203,110	2,853,133	3,129,153	2,864,765	2,860,182
Bond issue costs	73,595		79,488	41,603	170,753
Debt service					
Interest	117,539	213,348	223,890	539,692	517,471
Principal	668,862	558,862	545,000	23,301,611	11,272,161
Other expenditures	80,743	27,872	15,777	28,645	2,436
Capital outlay	25,199,063	31,859,238	38,541,728	16,982,124	12,124,363
Total expenditures	60,556,958	67,821,695	76,559,071	78,335,307	61,398,630
Excess of revenue over (under) expenditures	(8,606,075)	(28,506,824)	(30,622,154)	(29,940,884)	(15,300,615)
Other Financing Sources (Uses)					
Refunding bonds issued	6,070,000				
Premium on refunding bonds	123,226				
Proceeds from sales of capital assets					4,607,525
Payment to refunded bond escrow agent	(6,116,354)				
Bond anticipation note			12,741,611	30,000,000	6,550,000
Loan proceeds			18,750,000		
Transfers in	1,992,268	5,880,761	1,880,598	2,348,144	2,406,488
Transfers out	(3,720,477)	(6,828,573)	(2,218,278)	(1,931,044)	(2,478,701)
Total other financing sources uses	(1,651,337)	(947,812)	31,153,931	30,417,100	11,085,311
Net change in fund balances	**($10,257,412)**	**($29,454,636)**	**$531,776**	**$476,216**	**($4,215,304)**
Debt service as a percentage of noncapital expenditures	2.2%	2.1%	2.0%	38.9%	23.9%

Schedules comply with GASB 34 implementation or 10 years

City of Bothell
Assessed Value of Taxable Property
Last Ten Fiscal Years

Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate*
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
2012	4,765,234,231	1,142,409,091	5,907,643,322	1.62

Source: King and Snohomish County Assessors Office
Note: *Tax rate is per $1,000 of assessed value
Real and personal property have been assessed at 100% of the estimated value.



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

	City Direct Rates			Overlapping Tax Rates - King County										
Year	Regular Levy	GO Bond	Total Direct Rate	WA State	King County	School District	County Port	Hospital District	Library District	Emergency Medical Services	Park/ Rec District	Flood District	Ferry District	Total Direct & Overlapping Rate
2003	1.65	0.21	1.86	2.90	1.35	4.88	.25	.34	.54	.24	.05			12.41
2004	1.52	0.19	1.71	2.76	1.43	4.69	.25	.34	.54	.24	.05			12.01
2005	1.51	0.18	1.69	2.69	1.38	4.34	.25	.59	.53	.23	.04			11.74
2006	1.39	0.15	1.54	2.50	1.33	4.07	.23	.54	.53	.25	.04			11.03
2007	1.35	0.14	1.50	2.33	1.29	3.88	.23	.50	.50	.21	.04			10.48
2008	1.24	0.12	1.36	2.13	1.21	3.62	.22	.45	.45	.30	.03			9.76
2009	1.18	0.09	1.27	1.96	1.10	3.48	.20	.40	.42	.27	.01			9.11
2010	1.29	0.11	1.40	2.20	1.28	4.04	.22	.46	.49	.30	.02	.11	.01	10.53
2011	1.37	0.12	1.49	2.28	1.34	4.60	.22	.48	.57	.30	.15	.11	.00	11.55
2012	1.48	0.13	1.62	2.42	1.42	4.75	.23	.49	.57	.30	.02	.12	.00	11.94

	City Direct Rates			Overlapping Tax Rates - Snohomish County										
Year	Regular Levy	GO Bond	Total Direct Rate	WA State	Snohomish County	School District	County Port	Stevens Hospital	Library District	Emergency Medical Services	Park/ Rec District	Flood District	Ferry District	Total Direct & Overlapping Rate
2003	1.65	0.21	1.86	3.18	1.37	4.88		.36	.55		.05			12.25
2004	1.52	0.19	1.71	3.16	1.26	4.69		.27	.54		.05			11.68
2005	1.51	0.18	1.69	2.79	1.10	4.34		.24	.53		.04			10.73
2006	1.39	0.15	1.54	2.53	1.00	4.07		.22	.53	.25	.04			10.18
2007	1.35	0.14	1.50	2.16	0.84	3.88		.18	.50	.21	.04			9.31
2008	1.24	0.12	1.36	1.91	0.72	3.62		.16	.45	.19	.03			8.43
2009	1.18	0.09	1.27	1.91	0.72	3.48		.16	.42	.19	.01			8.16
2010	1.29	0.11	1.40	1.99	0.78	4.04		.18	.49	.20	.02			9.10
2011	1.37	0.12	1.49	2.21	0.87	4.60		.15	.57	.21	.02			10.11
2012	1.48	0.13	1.62	2.38	0.98	4.75		.11	.50	.30	.02			10.65

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	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Arden Realty Inc/Thompson Prop Tax Svc	$117,535,000	1	4.22%			
Teachers Insurance & Annuity Assn	114,464,100	2	4.11%	72,342,200	1	4.94%
Phillips Ultrasound Inc	76,424,597	3	2.75%	65,476,512	2	4.47%
T-Mobile USA Inc	62,342,205	4	2.24%			
AT&T Mobility LLC	54,500,104	5	1.96%			
Microsoft	53,392,922	6	1.92%			
BRE Properties	35,912,000	7	1.29%	26,660,600	8	1.82%
Monte Villa Farms LLC	34,037,483	8	1.22%	30,827,900	7	2.11%
Immunex Mfg Corp	29,272,300	9	1.05%	32,315,780	5	2.21%
Diamond Canyon Park LLC	28,743,300	10	1.03%			
Verizon Northwest				38,302,966	4	2.62%
Insignia Kidder Mathews Property Svc				31,278,600	6	2.14%
Benaroya Capital Co LLC				22,573,200	9	1.54%
Carr America				62,524,600	3	4.27%
Riggs Bank				22,309,600	10	1.52%
Total Assessed Valuation - Largest Taxpayers	606,624,011		21.79%	404,611,958		27.64%
Total Assessed Valuation - All Other	2,176,712,532		78.21%	1,058,996,377		72.36%
Total Assessed Value	**$2,783,336,543**		**100.00%**	**$1,463,608,335**		**100.00%**

King County Taxpayers	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
AT&T Mobile	$329,017,767	1	10.53%			
T Mobile USA Inc	277,400,294	2				
Schnitzer Northwest	143,365,800	3	4.59%	159,598,300	1	11.34%
Tishman Speyer Archstone-SM	69,676,000	4	2.23%	40,956,000	3	2.91%
Seattle Times-North Creek Facility	51,310,300	5	1.64%	76,380,100	2	5.43%
Puget Sound Energy	38,475,647	6	1.23%	20,664,584	6	1.47%
Arden Realty Inc (formerly Allstate Ins)	31,826,000	7	1.02%	25,237,000	4	1.79%
KBS Realty	30,295,100	8	0.97%			
Essex Property Trust	26,638,400	9	0.61%	17,848,900	7	1.27%
S/I North Creek VIII LLC	19,127,191	10	0.61%	10,110,900	9	0.72%
Home Depot USA				14,945,300	8	1.06%
McElroy George & Assoc				27,667,500	5	1.97%
Verizon Northwest Inc				6,814,859	10	0.48%
Total Assessed Valuation - Largest Taxpayers	1,017,132,499		32.56%	400,223,443		28.43%
Total Assessed Valuation - All Other	2,107,174,280		67.44%	1,007,534,697		71.57%
Total Assessed Value	**$3,124,306,779**		**100.00%**	**$1,407,758,140**		**100.00%**

Sources: Snohomish County Assessor
King County Levy Administration

City of Bothell is split between Snohomish and King Counties

City of Bothell
Property Tax Levies and Collections
Last Ten Fiscal Years

Snohomish County

Year	Taxes Levied for the Year	Collected Within the Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
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%	49,185	3,510,795	100.00%
2006	4,102,892	4,048,230	98.67%	54,780	4,103,010	100.00%
2007	4,224,254	4,158,655	98.45%	65,599	4,224,254	100.00%
2008	4,366,603	4,280,026	98.02%	85,117	4,365,143	99.97%
2009	4,942,927	4,816,176	97.44%	110,766	4,816,176	97.44%
2010	5,214,713	5,124,092	98.26%	32,480	5,156,572	98.89%
2011	5,234,385	5,159,574	98.57%	31,875	5,191,449	99.18%
2012	5,331,158	5,260,360	98.67%		5,260,360	98.67%

King County

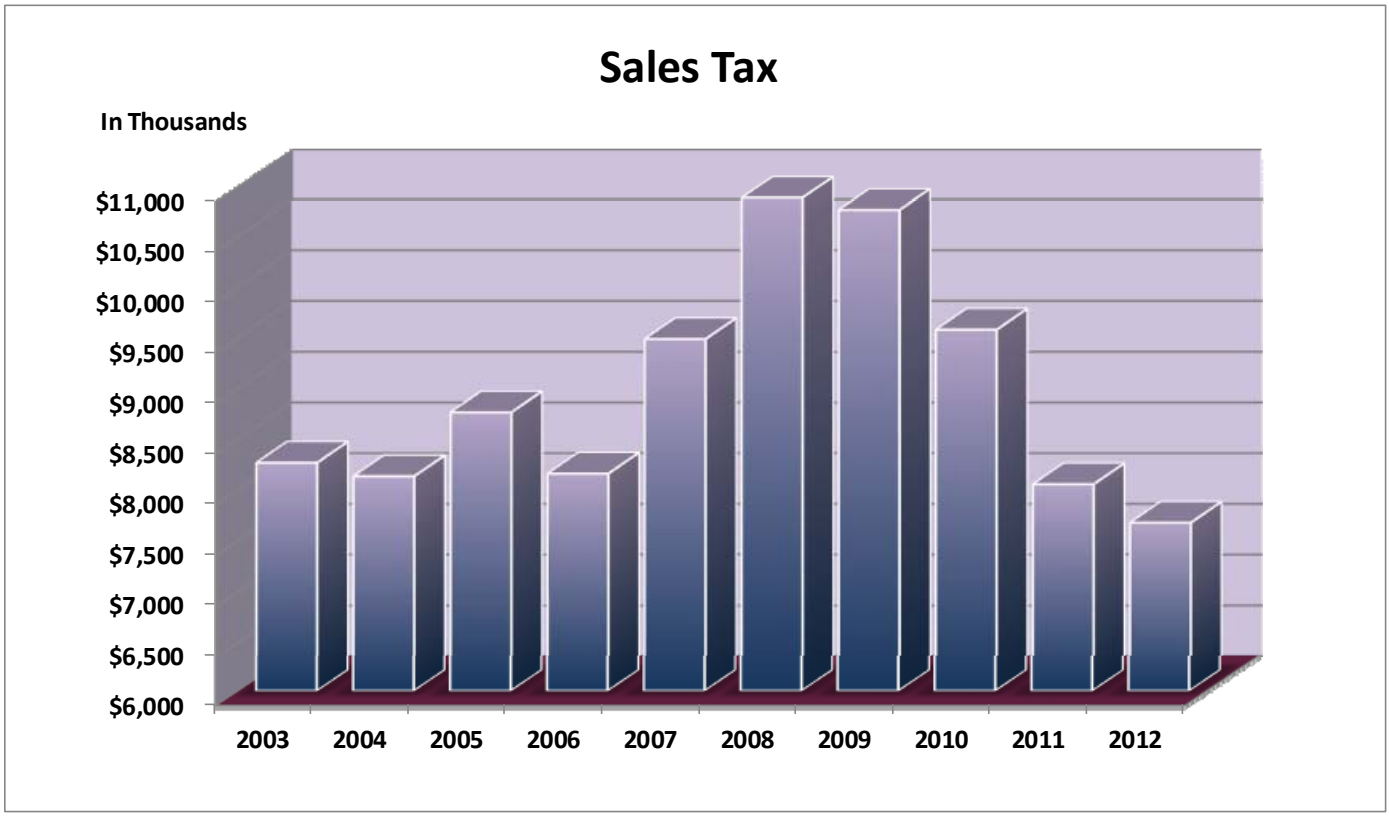
Year	Taxes Levied for the Year	Collected Within the Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2003	$4,149,066	$4,066,127	98.00%	$82,900	$4,149,027	100.00%
2004	4,018,105	3,937,236	97.99%	80,975	4,018,212	100.00%
2005	4,371,465	4,294,086	98.23%	77,230	4,371,316	100.00%
2006	4,870,776	4,799,153	98.53%	71,689	4,870,842	100.00%
2007	4,251,857	4,160,404	97.85%	91,453	4,251,857	100.00%
2008	4,414,782	4,323,657	97.94%	39,386	4,363,043	98.83%
2009	4,470,381	4,363,474	97.61%	145,816	4,363,474	97.61%
2010	4,639,863	4,498,804	96.96%	96,257	4,595,061	99.03%
2011	4,837,689	4,738,381	97.95%	38,193	4,583,732	94.75%
2012	5,015,207	4,850,830	96.72%		4,850,830	96.72%

Source: King and Snohomish County Assessors Office

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

	2003	2004	2005	2006	2007
Retail trade	$2,986,742	$2,847,436	$2,412,099	$2,508,233	$2,693,069
Wholesale trade	998,213	1,404,602	2,038,824	1,916,152	1,372,642
Construction	1,001,491	1,207,882	1,442,939	1,775,214	2,532,150
Information	1,075,821	997,429	1,073,011	1,885,562	1,254,407
Professional, scientific, technical services			957,186	953,927	635,885
Accommodation and food services	829,253	1,157,533	576,178	626,006	685,535
Real estate, rental, leasing	212,961	112,232	202,931	209,753	228,520
Manufacturing	464,892	210,371	378,300	339,856	424,598
Admin, supp, remed services			187,007	220,482	266,664
Other services			129,175	134,319	150,918
Other	105,115	116,669	178,357	186,182	633,155
Total	**$7,674,488**	**$8,054,154**	**$9,576,007**	**$10,755,686**	**$10,877,543**
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

	2008	2009	2010	2011	2012
Retail trade	$2,862,393	$2,636,007	$2,660,629	$2,679,046	$2,483,071
Wholesale trade	1,306,267	911,702	1,057,129	914,654	1,247,453
Construction	1,922,867	1,883,587	2,038,018	1,433,788	1,370,608
Information	554,324	492,863	403,623	344,136	545,752
Professional, scientific, technical services	432,359	326,240	561,669	534,827	533,135
Accommodation and food services	678,197	647,083	697,014	724,495	779,264
Real estate, rental, leasing	230,538	188,787	179,855	171,944	166,304
Manufacturing	377,019	211,566	149,227	187,089	267,381
Admin, supp, remed services	253,074	200,105	233,155	233,104	228,612
Other services	133,389	148,760	223,163	278,395	413,643
Other	733,565	512,235	558,650	630,764	230,837
Total	**$9,483,992**	**$8,158,935**	**$8,762,132**	**$8,132,242**	**$8,266,060**

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

Year	Local	State	Rapid Transit	Total Sales Tax
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%
2012	2.5%	6.5%	.5%	9.5%

Snohomish County

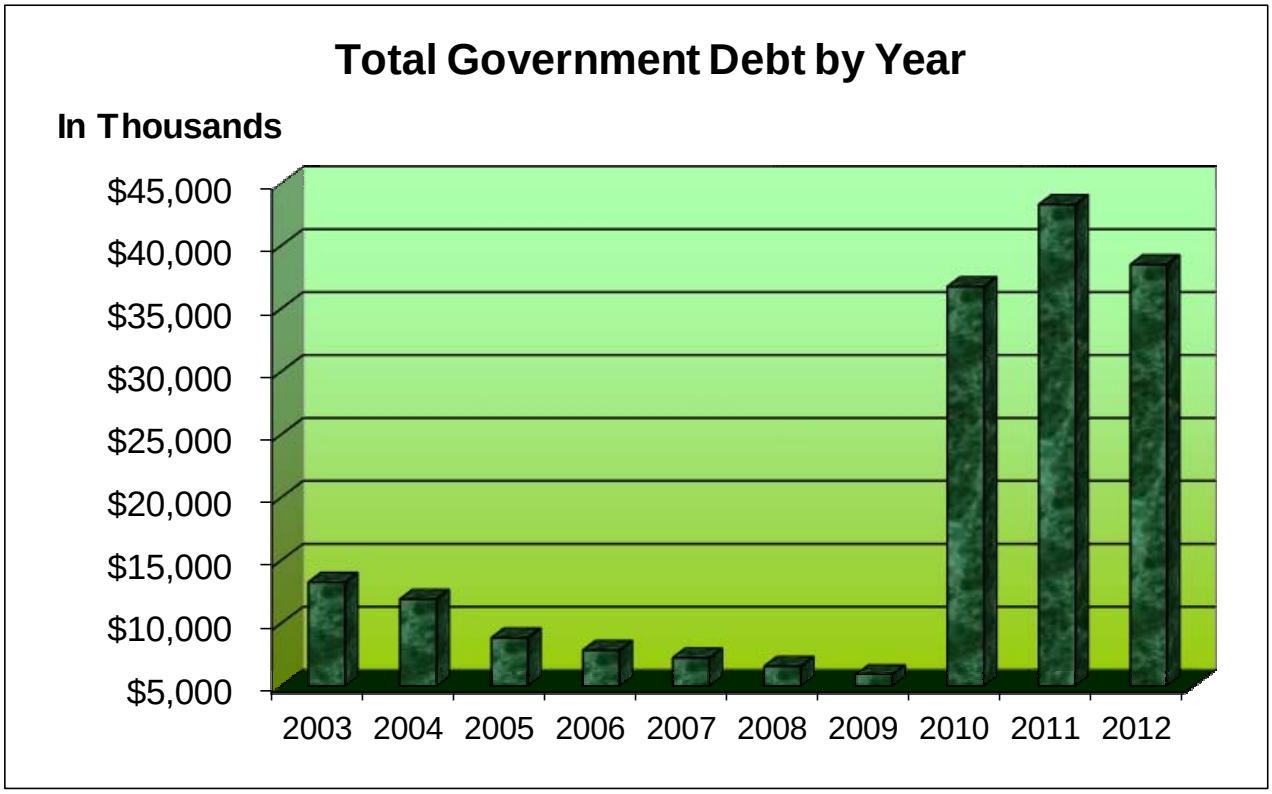
Year	Local	State	Rapid Transit	Total Sales Tax
2003	2.0%	6.5%	.4%	8.9%
2004	2.0%	6.5%	.4%	8.9%
2005	2.0%	6.5%	.4%	8.9%
2006	2.0%	6.5%	.4%	8.9%
2007	2.0%	6.5%	.4%	8.9%
2008	2.0%	6.5%	.4%	8.9%
2009	2.4%	6.5%	.4%	9.3%
2010	2.5%	6.5%	.5%	9.5%
2011	2.5%	6.5%	.5%	9.5%
2012	2.5%	6.5%	.5%	9.5%

Source: Washington State Department of Revenue

City of Bothell™

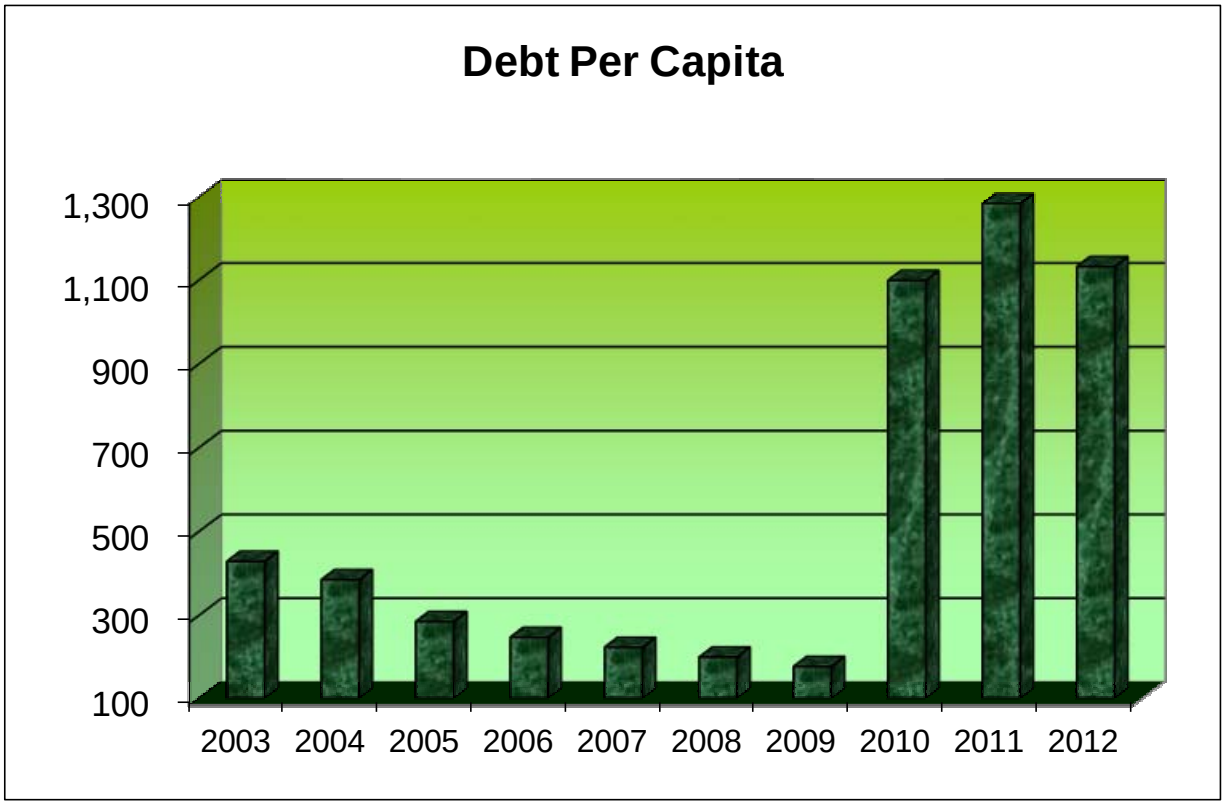
City of Bothell
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Government Activities			Business-Type Activities		
Year	General Obligation	Special Assessment	Term Loan Payable	Water Bonds	Sewer Bonds	Term Loan Payable
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	33,749,705		8,750,000			788,188
2012	37,832,839					675,589



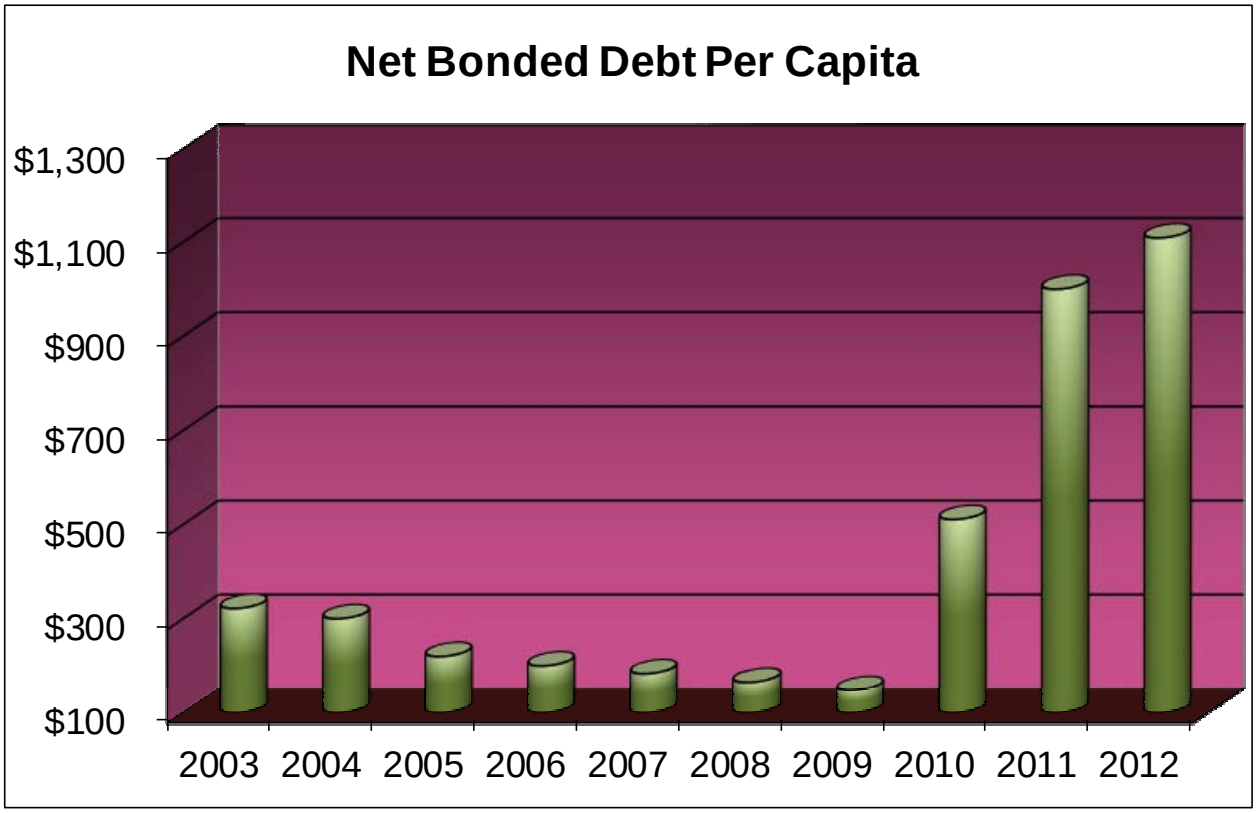
City of Bothell
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Total Primary Government	Per Capita Income	Percentage of Personal Income	Population	Debt Per Capita	Year
$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
43,287,893	49,115	2.61	33,720	1,284	2011
38,508,428	50,559	2.24	34,000	1,133	2012



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
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	33,749,705	6,337,894,408	0.53	33,720	1,001
2012	37,732,759	5,907,643,322	0.64	34,000	1,110



City of Bothell
Computation of Direct and Overlapping Debt
December 31, 2012

Overlapping Debt

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
King County	$836,675,000	1.87%	$15,626,966
Snohomish County	368,758,566	7.78%	28,706,641
Northshore School District	329,384,381	48.08%	158,376,460
Evergreen Hospital	205,804,142	12.06%	24,823,870
Port of Seattle	312,005,000	1.87%	5,827,462
Northshore Parks & Rec	2,093,123	0.48%	9,977
King County Library System	136,748,287	0.04%	60,141
Total overlapping debt	**$2,191,468,499**		**$233,431,517**

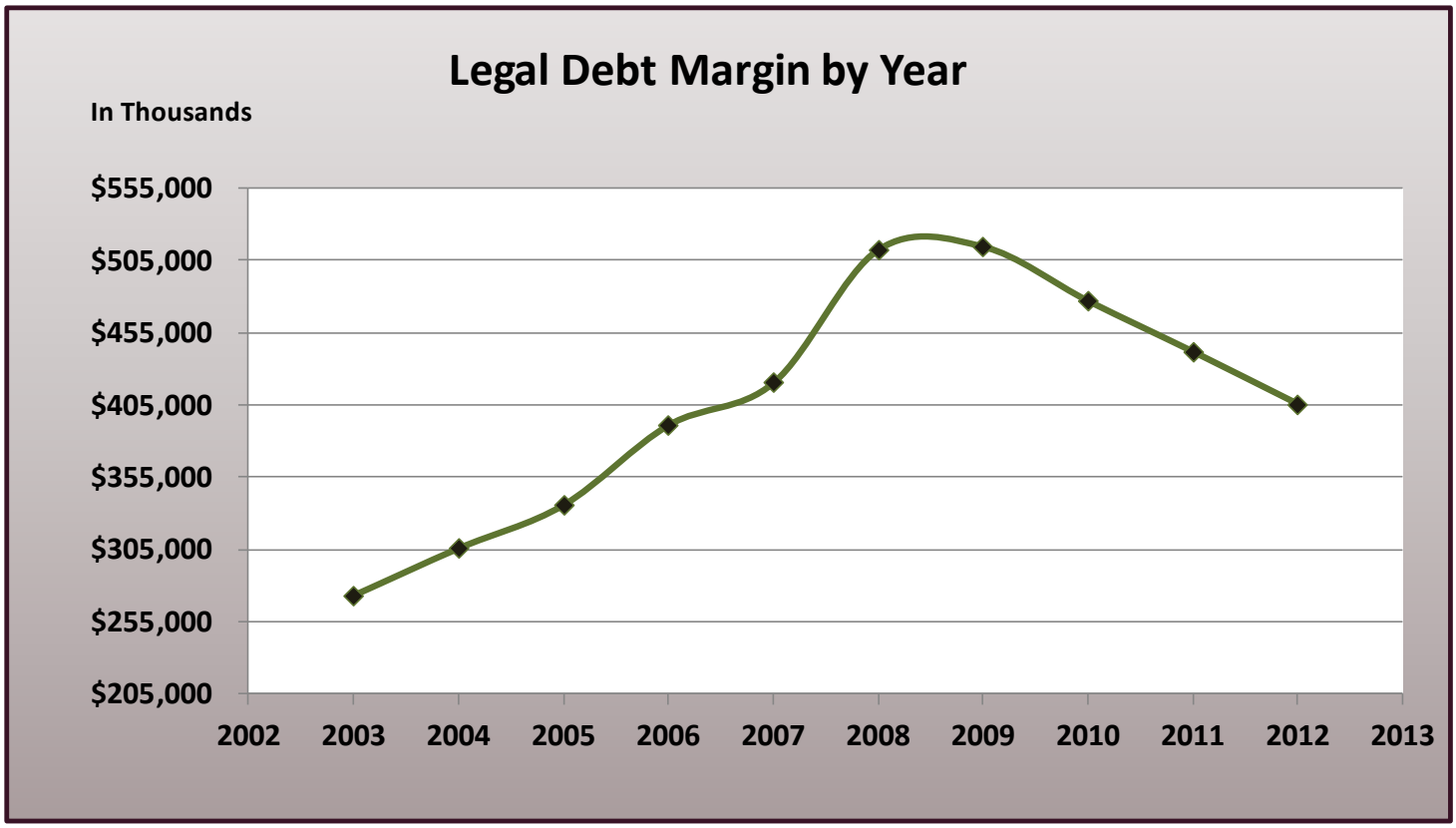
Direct Debt

City of Bothell	**$37,832,839**	100.00%	**$37,832,839**
Total direct and overlapping debt	**$2,229,301,338**		**$271,264,356**

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

	2003	2004	2005	2006	2007
Assessed value	$3,769,106,025	$4,195,825,835	$4,560,988,322	$5,294,124,779	$5,677,353,475
Debt limit (7.5% of assessed value)	282,682,952	314,686,938	342,074,124	397,059,358	425,801,511
Debt applicable to limit					
General obligation bonds	9,975,000	9,305,000	6,835,000	6,405,000	5,955,000
Less: amount set aside for repayment	165,183	156,038	165,957	89,748	104,488
Total net debt applicable to limit	9,809,817	9,148,962	6,669,043	6,315,252	5,850,512
Legal debt margin	**$272,873,134**	**$305,537,976**	**$335,405,081**	**$390,744,106**	**$419,950,999**
Total net debt applicable to the limit as a percentage of debt limit	3.47%	2.91%	1.95%	1.59%	1.37%



City of Bothell
Legal Debt Margin Information
Last Ten Fiscal Years

	2008	2009	2010	2011	2012
Assessed value	$6,899,208,239	$6,921,004,324	$6,583,442,392	$6,337,894,408	$5,907,643,322
Debt limit (7.5% of assessed value)	517,440,618	519,075,324	493,758,179	475,342,081	443,073,249
Debt applicable to limit					
General obligation bonds	5,435,000	4,910,000	17,106,611	33,805,000	37,832,839
Less: amount set aside for repayment	124,082	16,204	669	55,295	100,080
Total net debt applicable to limit	5,310,918	4,893,796	17,105,942	33,749,705	37,732,759
Legal debt margin	**$512,129,700**	**$514,181,529**	**$476,652,237**	**$441,592,376**	**$405,340,490**
Total net debt applicable to the limit as a percentage of debt limit	1.03%	0.94%	3.46%	7.10%	8.52%

City of Bothell
Pledged-Revenue Coverage
Last Ten Fiscal Years

Water Revenue Bonds

Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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)			
2012	3,636,582	2,888,416	748,166			

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.

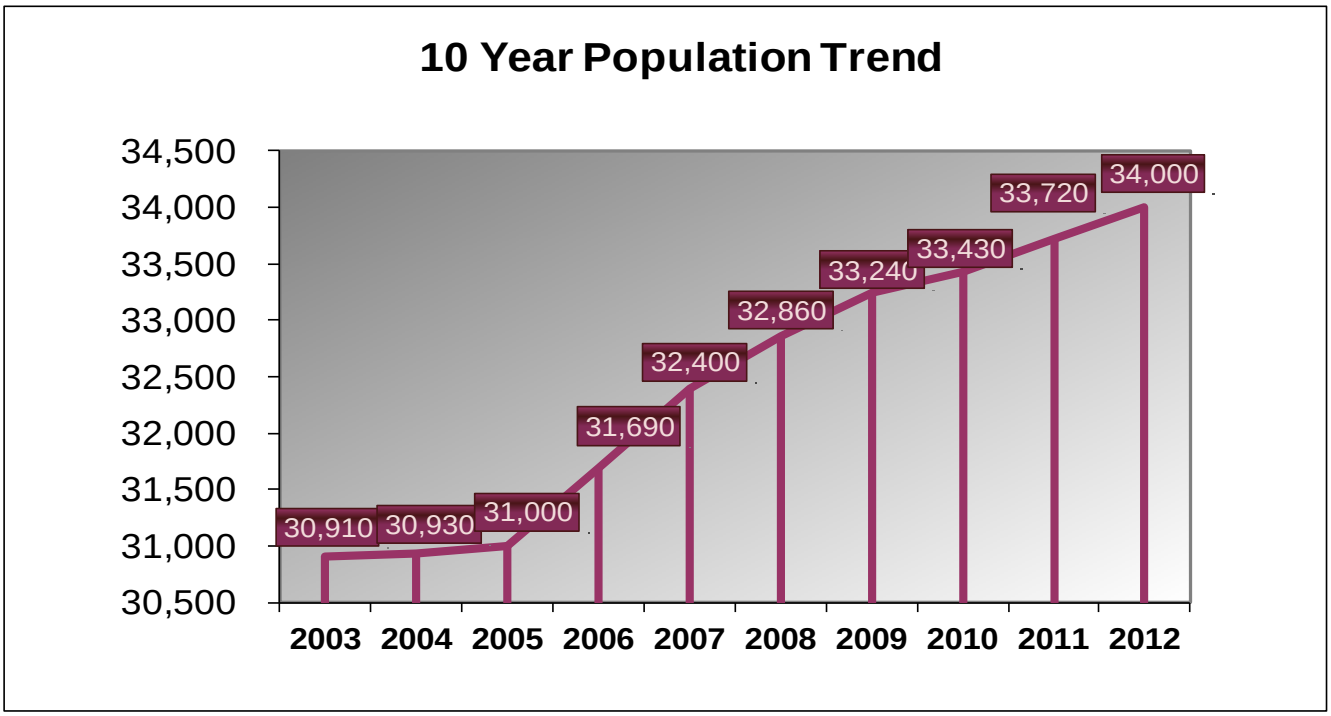
City of Bothell
Pledged-Revenue Coverage
Last Ten Fiscal Years

Special Assessment Bonds						
Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Year
$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
						2012

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
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	1,704,849	50,559	38	13.7	27,598	7.90%
2012	34,000	NA	NA	38	13.7	28,390	6.50%

Sources:
-Washington State - Office of Financial Management (OFM)
-US Department of Labor - Bureau of Labor Statistics (BLS)
-(3)US Department of Commerce - Bureau of Economic Analysis (BEA)
-Northshore School District (NSSD), University of Washington-Bothell (UW-B), Cascadia Community College
-(4)US Census Bureau 2010 Demographic Profile Data
-(5)Northshore School District (NSSD), University of Washington-Bothell (UW-B), Cascadia Community College
NA = Not Available



City of Bothell
Principal Employers
Current Year and Ten Years Ago

		2012			2003		
Employer	**Product or Service**	**Rank**	**Employees**	**Percentage of Total City Employment**	**Rank**	**Employees**	**Percentage of Total City Employment**
Northshore School District	Education	1	2,210	9.46%			
AT&T Mobile	Telecommunications	2	1,939	8.30%	1	2,562	NA
Phillips Ultrasound	Diagnostic imaging manufacturer	3	1,182	5.06%	9	312	**NA**
Sonosite	Ultrasound manufacturer	4	649	2.78%			
University of Washington-Bothell	Education	5	570	2.44%			
T-Mobile	Telecommunications	6	480	2.06%			
Panasonic (Matsushita) Avionics	Aviation manufacturer	7	465	1.99%			
Vertafore Inc	Insurance software systems	8	450	1.93%			
Puget Sound Energy	Utility services - electric/gas	9	435	1.86%	7	366	NA
Seattle Genetics Inc	Genetic research	10	415	1.78%			
Seattle Times	Newspaper				5	447	NA
SNL-Lavalin Constructors Inc	Engineering		215	0.92%			
ATL Ultrasound	Ultrasound manufacturer				2	1,290	NA
Washington Mutual	Banking				3	960	
Matsushita Avionics Systems	Aviation/Aerospace manufacturer				4	480	NA
Icos	Biotechnology research				6	429	NA
Allstate Insurance	Insurance		268	1.15%	8	337	NA
Home Depot	Retail		203	0.87%	10	285	NA
Total			**7,271**	**31.14%**		**7,468**	**NA**

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

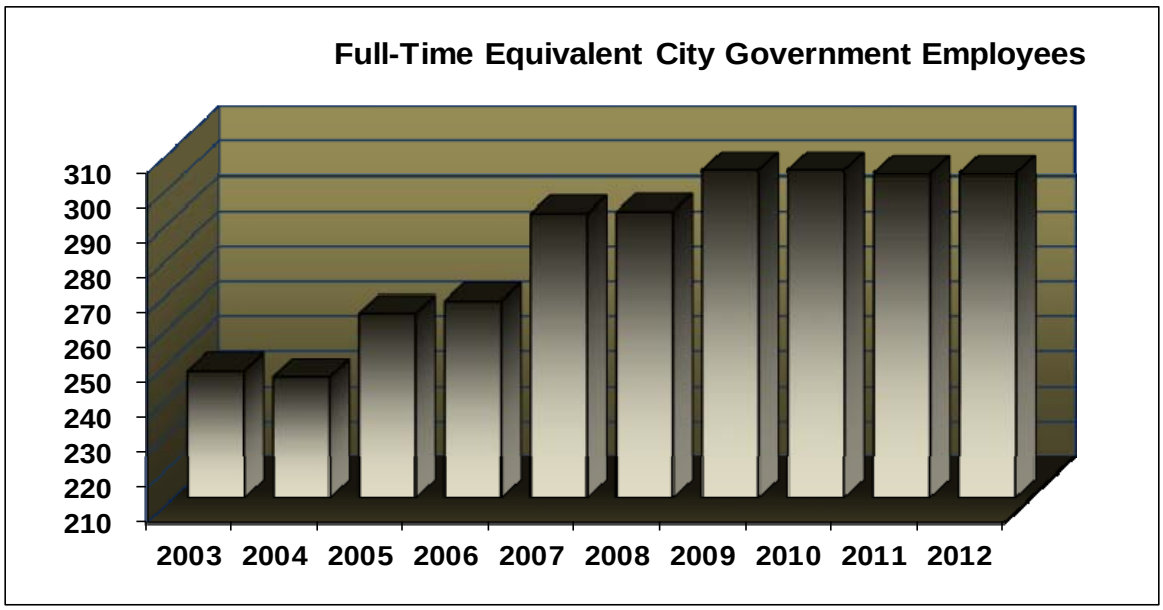
NA = Not Available

City of Bothell

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

	Full-Time Equivalent Employees as of December 31				
Function/Program	**2003**	**2004**	**2005**	**2006**	**2007**
Executive					
Legislative	7.00	7.00	7.00	7.00	7.00
Judicial	3.00	3.00	3.00	3.50	4.00
City Manager	5.00	5.00	6.00	7.00	7.00
City Clerk	3.75	3.75	3.25	3.25	2.75
Information Technology	6.91	6.91	6.50	6.00	7.00
Non-Dept/Tourism				0.50	0.50
Finance	7.91	7.91	6.80	6.80	7.80
Legal	3.00	3.00	2.56	2.56	2.56
Human Resources	4.93	4.93	5.50	5.00	5.00
Police					
Officers	53.00	54.00	54.00	54.00	57.00
Civilians	26.25	25.25	26.75	26.75	26.75
Fire					
Firefighters and officers	55.00	54.00	54.00	54.00	57.00
Civilians	4.50	5.50	5.50	6.50	6.75
Community Development	21.75	21.75	20.00	20.00	24.00
Public Works					
Facilities	1.00	1.00	1.33	1.33	1.33
Engineering	11.00	11.00	16.75	17.75	23.80
Parks & Recreation	9.63	8.00	9.53	10.19	10.79
Street	6.33	6.33	8.05	8.05	7.54
Water	5.81	5.81	6.86	6.86	8.78
Sewer	3.76	3.76	6.66	6.66	8.38
Storm Drain	4.69	4.69	9.79	9.79	12.82
Fleet	2.41	2.41	2.48	2.48	2.33
Self-Insurance/Risk Mgmt			.70	.70	.70
Totals	**246.63**	**245.00**	**263.01**	**266.67**	**291.58**
Total per previous CAFRS	**220.00**	**225.00**	**238.00**	**255.00**	**235.00**

Source: Human Resources Department



City of Bothell

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

	Full-Time Equivalent Employees as of December 31				
Function/Program	**2008**	**2009**	**2010**	**2011**	**2012**
Executive					
Legislative	7.00	7.00	7.00	7.00	7.00
Judicial	4.00	4.00	4.00	4.50	4.50
City Manager	7.00	7.00	7.00	7.00	7.00
City Clerk	2.75	2.75	2.75	2.75	2.75
Information Technology	7.00	10.00	10.00	10.00	10.00
Non-Dept/Tourism	1.00	1.00	1.00	1.00	1.00
Finance	7.80	8.25	8.25	8.25	8.25
Legal	2.56	3.56	3.56	3.56	3.56
Human Resources	5.00	6.00	6.00	6.00	6.00
Police					
Officers	57.00	58.00	58.00	58.00	58.00
Civilians	26.75	25.75	25.75	25.75	25.75
Fire					
Firefighters and officers	57.00	57.00	57.00	57.00	57.00
Civilians	6.75	7.75	7.75	7.75	7.75
Community Development	24.00	22.50	22.50	21.00	21.00
Public Works					
Facilities	1.33	4.71	4.71	4.71	4.71
Engineering	23.80	26.27	26.27	26.27	26.27
Parks & Recreation	10.79	10.42	10.42	10.42	10.42
Street	7.54	7.80	7.80	7.80	7.80
Water	8.78	8.83	8.83	8.83	8.83
Sewer	8.38	8.41	8.41	8.41	8.41
Storm Drain	12.82	13.31	13.31	13.31	13.31
Fleet	2.33	2.72	2.72	2.72	2.72
Self-Insurance/Risk Mgmt	.70	.70	.70	.70	.70
Totals	**292.08**	**303.73**	**303.73**	**302.73**	**302.73**
Total per previous CAFRS	**243.00**	**264.64**	**264.64**		

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

Function/Program	2003	2004	2005	2006	2007
Police					
Calls for service	20,886	20,575	26,984	27,628	23,214
Physical arrests	NA	NA	1,733	2,288	2,203
Traffic violations	NA	NA	4,212	4,584	5,081
Fire					
Emergency alarms	4,507	4,480	4,333	4,961	4,432
Inspections	1,725	1,698	1,465	1,413	1,523
Community Development					
Building permits issued	865	703	824	896	1,472
Building inspections	4,600	3,710	3,920	6,073	7,254
Parks and Recreation					
Field & shelter bookings	NA	NA	NA	996	1,471
Water					
Units served	3,091	NA	NA	NA	3,803
Water main breaks					3
Average daily consumption (thousands of gallons)	1,490	1,490	NA	1,488	2,010

Sources: City Departments

NA = Not Available

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

Function/Program	2008	2009	2010	2011	2012
Police					
Calls for service	25,650	25,678	26,909	25,071	26,417
Physical arrests	2,298	1,969	1,975	1,568	1,565
Traffic violations	3,928	4,272	5,188	3,828	3,625
Fire					
Emergency alarms	4,261	4,378	4,788	4,975	4,946
Inspections	1,133	1,043	1,231	1,193	1,422
Community Development					
Building permits issued	1,142	408	392	464	529
Building inspections	4,342	2,922	3,772	3,132	3,177
Parks and Recreation					
Field & shelter bookings	1,644	2,288	2,437	2,332	2,444
Water					
Units served	3,868	3,874	3,945	3,950	3,944
Water main breaks	3	3	5	2	0
Average daily consumption (thousands of gallons)	1,538	1,591	1,376	1,287	1,324

Sources: City Departments

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

Function/Program	2003	2004	2005	2006	2007
Public Safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Public Works - Streets					
Streets (miles)	322	322	322	322	322
Street lights	1,907	1,907	1,907	1,907	1,907
Parks and Recreation					
Acreage	201	201.64	200.84	200.84	200.84
Parks	23	26	25	25	25
Water					
Water mains (miles)	71	71	71	71.5	71.5
Sewer/Storm Drain					
Sanitary sewers (miles)	57	57	57	57.3	57.4
Storm sewers (miles)	108	108	108	109.4	109.7

Sources: City Departments

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

Function/Program	2008	2009	2010	2011	2012
Public Safety					
Police stations	1	1	1	1	1
Fire stations	3	3	3	3	3
Public Works - Streets					
Streets (miles)	325	326	326	326	326
Street lights	1,907	1,957	1,957	1,957	1,957
Parks and Recreation					
Acreage	200.84	201.02	201.02	237.23	237.23
Parks	25	23	23	23	23
Water					
Water mains (miles)	71.5	72.5	72.5	72.5	79.5
Sewer/Storm Drain					
Sanitary sewers (miles)	57.4	58.2	58.2	58.6	62.4
Storm sewers (miles)	109.7	110	110	110	119.9

Sources: City Departments

City of Bothell™