

2017



City of Bothell™

**Comprehensive Annual Financial Report**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

PREPARED BY THE FINANCE DEPARTMENT

**Tami Schackman**  
Finance Director

**Maureen Werts**  
Deputy Finance Director

**Linli Moat**  
Senior Financial Analyst

**Ted Reijonen**  
Senior Financial Analyst

**Gretchen Zundel**  
Senior Financial Analyst

**Ricky Leung**  
Senior Accounting Specialist

**Luz Mangaser**  
Graphic Designer

**For the Fiscal Year Ended December 31, 2017**

<b>A. INTRODUCTORY SECTION</b>	<b>PAGE</b>
Letter of Transmittal .....	i-v
Certificate of Achievement for Excellence in Financial Reporting.....	vi
City of Bothell Organizational Chart.....	vii
City of Bothell Elected Officials .....	viii
 <b>B. FINANCIAL SECTION</b>	
Independent Auditor's Report.....	i-iii
Management's Discussion and Analysis .....	1-12
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position .....	1
Statement of Activities .....	2
Governmental Fund Statements	
Balance Sheet .....	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	4
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds.....	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds To the Statement of Activities .....	6
Proprietary Fund Statements	
Statement of Net Position .....	7
Statement of Revenues, Expenses, and Changes in Fund Net Position .....	8
Statement of Cash Flows .....	9
Fiduciary Fund Statements	
Statement of Fiduciary Net Position .....	10
Statement of Changes in Fiduciary Net Position .....	11
Notes to Financial Statements.....	12-65

**Required Supplemental Information**

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

    General Fund..... 1

    Arterial Street Fund..... 2

Schedule of Proportionate Share of the Net Pension Liability

    PERS 1..... 3

    PERS 2/3..... 4

    PSERS 2..... 5

    LEOFF 1..... 6

    LEOFF 2..... 7

Schedule of Employer Contributions

    PERS 1..... 8

    PERS 2/3..... 9

    PSERS 2..... 10

    LEOFF 1..... 11

    LEOFF 2..... 12

    Firefighters' Pension Fund..... 13

Schedule of Changes in Net Pension Liability

    Firefighters' Pension Fund..... 14

Schedule of Funding Progress

    LEOFF 1 Medical Benefits..... 15

**Combining Financial Statements**

Non-Major Funds – Other Governmental Funds

    Combining Balance Sheet..... 1

    Combining Statement of Revenues, Expenditures, and Changes in Fund Balances..... 2

Budget to Actual Comparisons

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

    Street Fund..... 3

    Park Cumulative Reserve Fund..... 4

    Drug Forfeitures Fund..... 5

    Fire Impact Fees Fund..... 6

Cemetery Endowment Fund.....	7
2008 General Obligation Refund Bond Fund.....	8
LIFT General Obligation Bond Redemption Fund .....	9
2013 General Obligation Bond Fund.....	10
Capital Improvement Fund.....	11
<b>Internal Service Funds</b>	
Combining Statement of Net Position.....	12
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	13
Combining Statement of Cash Flows .....	14
<b>Agency Trust Fund</b>	
Statement of Changes in Assets and Liabilities.....	15

**Supplemental Information**

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

Schedule of Operations – Combined Utility System Fund.....	1
Schedule of Operations – Water Fund.....	2
Schedule of Operations – Sewer Fund .....	3
Schedule of Operations – Storm & Surface Water Fund .....	4
Schedule of Operations – Equipment Rental Fund.....	5
Schedule of Operations – Self Insurance Fund.....	6
Schedule of Operations – Asset Replacement Fund.....	7

**Schedules**

Schedule of Expenditures of Federal Awards .....	8
Schedule of State and Local Financial Assistance .....	9
General Obligation Bond LIFT Bond 2014.....	10
General Obligation Bonds 2013 A & B.....	11
Utility Revenue Bond 2014.....	12
Public Works Trust Fund Loan PC12-951-022 .....	13
Public Works Trust Fund Loan PW98-791-007.....	14
Public Works Trust Fund Loan Horse Creek PC13-961-060 .....	15
City Hall Lease Revenue Bonds.....	16

**C. STATISTICAL SECTION**

Statistical Section Table of Contents

Financial Trends

Net Position by Component ..... 1  
 Change in Net Position ..... 2  
 Fund Balances of Governmental Funds..... 3  
 Changes in Fund Balances of Governmental Funds ..... 4

Revenue Capacity

Assessed Value of Taxable Property ..... 5  
 Direct and Overlapping Property Tax Rates..... 6  
 Principal Property Tax Payers..... 7  
 Property Tax Levies and Collections ..... 8  
 Sales Tax Revenue by Category..... 9  
 Direct and Overlapping Sales Tax Rates ..... 10

Debt Capacity

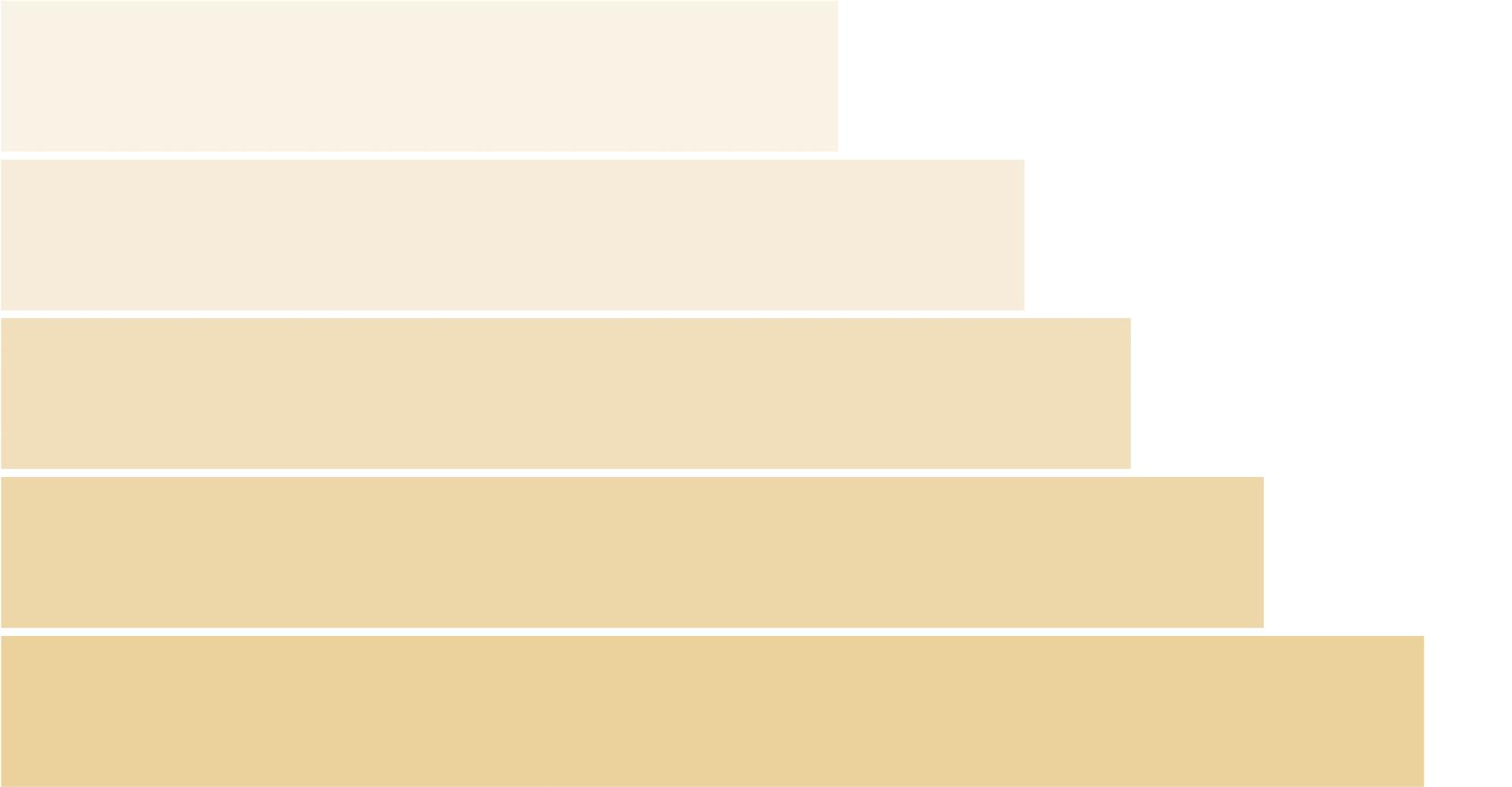
Ratios of Outstanding Debt by Type ..... 11  
 Ratios of General Bonded Debt Outstanding..... 12  
 Computation of Direct and Overlapping Debt..... 13  
 Legal Debt Margin Information ..... 14  
 Pledged–Revenue Coverage – Water, Sewer, Storm & Surface Water Fund ..... 15  
 Utility Revenue Bond Statistics – Water, Sewer, Storm & Surface Water Fund ..... 16

Demographic and Economic Information

Demographic and Economic Statistics..... 17  
 Principal Employers..... 18

Operating Information

Full-time Equivalent City Government Employees by Function/Program ..... 19  
 Operating Indicators by Function/Program..... 20  
 Capital Asset Statistics by Function/Program..... 21



**INTRODUCTORY SECTION**



July 31, 2018

**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, 2017 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 [Governmental Accounting Standards Board \(GASB\)](#), and by the 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).

A 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 internal accounting 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, 2017 was conducted between May and July of 2018, and is now complete. The City's financial statements were found to be presented fairly and the City was given an unmodified opinion, as stated in the Independent Auditor's Report (see section II).

The City is a recipient of more than \$750,000 in federal, state, and county financial assistance, and is therefore required to undergo an annual independent single audit in accordance with generally accepted auditing standards. The standards applicable to financial audits are contained in [Government Auditing Standards](#), issued by the Comptroller General of the United States and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The State Auditor's Office conducted Bothell's single audit in conjunction with the City's annual independent audit. The City's single audit for the fiscal year ended December 31, 2017 cited zero deficiencies in the design or operation of internal controls 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

Incorporated in 1909, Bothell has evolved from an isolated logging village to a multifaceted full-service City with a population of 44,546. Located within the Seattle metropolitan area, the City straddles two counties (King and Snohomish) and comprises 14.38 square miles. In 2017, Bothell ranked number 26 among the largest cities in the State of Washington.

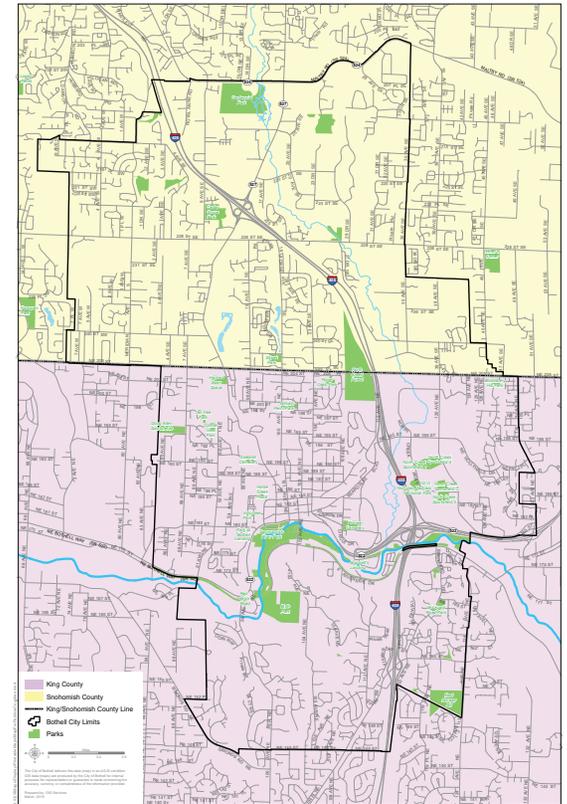
The City of Bothell is a non-charter optional code city ([Section 35A of the Revised Code of Washington](#)) operating under a Council-City Manager form of government. The seven members of the City Council are elected by voters and serve four-year terms. The Council elects the Mayor and Deputy Mayor from within its ranks and contracts with a professional City Manager to carry out their established goals, policies and directives. The City Manager appoints eight department heads and an Assistant City Manager.

At the end of 2017, the City of Bothell had 345 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, fire, emergency medical services, planning and zoning, street maintenance, and parks and recreation.

Bothell's proprietary operations consist of water, sewer, and storm and surface water utilities. The City also operates three internal service funds – Equipment Rental (Fleet), Self-Insurance, and Asset Replacement. The City has one blended component unit, COB Properties, which accounts for the City Hall lease. 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.

The City Council adopts Bothell's biennial budget appropriation at the fund level prior to the first day of each odd-numbered calendar year. Mid-biennial budget modifications can take place eight



City of Bothell: King and Snohomish County



months after the beginning of a biennium, and any increase or decrease in a fund's budget appropriation requires a public hearing and City Council approval. In accordance with state law, [budget status reports](#) are provided to the Council and City management for each fiscal quarter.

### **Local Economy**

Bothell is an affluent community with an above-average median family income (\$101,872 or 154.3% of the national average) and according to [Zillow](#) (March 2018) an above-average median home value (\$590,000). Bothell is located in the greater Puget Sound area (3.8% unemployment rate, 1.28% increase in population) and has a vibrant and rapidly expanding local economy. Due to the City's central proximity to Seattle, Everett (Boeing), and the Eastside - Bellevue, Kirkland and Redmond (Microsoft) - along with two interstate highways and three major state highways, Bothell has become increasingly desirable to homebuyers and renters as well as an extensive amount of commercial development. Bothell is also sought-after for its education opportunities. The University of Washington and Cascadia College share a common campus within Bothell's historic downtown. The University of Washington Bothell campus is the fastest growing university in the state, serving more than 6,000 students, and Cascadia College is the newest college in the state, serving more than 5,000 students. In addition, the Northshore School District is consistently 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), HaloSource (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), Seattle Genetics (a leader in advanced antibody-drug conjugate technology) and T-Mobile (a national provider of wireless voice, messaging, and data services). The City does not levy a business and occupation tax, unlike many Eastside communities, thereby giving Bothell a competitive advantage with employers.

Bothell's property tax base continues to grow. In 2017, assessed value increased 19.3% - to \$9.9 billion, which is 43% higher than the City's 2009 pre-recession peak of \$6.9 billion. During the aftermath of the Great Recession, the City invested in the revitalization of its historic downtown, which sparked statewide interest that resulted in significant private investment as well. At the time, this was the largest municipally-led downtown revitalization project in the State of Washington. Since then, more than \$750 million in mixed-use and residential development has been added throughout the downtown and surrounding area, along with approximately \$170 million in public infrastructure investment.

### **Long-term Financial Planning and Major Initiatives**

In December 2017, [Moody's](#) credit opinion, based on the City's [2016 Comprehensive Annual Financial Report \(CAFR\)](#), reaffirmed Bothell's enviable Aa2 issuer rating that reflects the community's wealthy tax base and the strength and sustainability of the Puget Sound economy. Moody's analysis took into account the City's local and regional economy, sound management, positive financial position, and average and manageable debt burden. Moody's credit opinion also acknowledged, that like so many cities, Bothell is vulnerable to national social issues (opioid epidemic, affordable housing/homelessness, etc.) and state legislative mandates that impact public safety costs and consequently burden the General

## Introductory Section

Fund, diluting municipal service levels. In 2016, to make up for long-eliminated motor vehicle excise tax (MVET) revenues that funded street maintenance, voters passed a nine-year (2017–2025) Safe Streets and Sidewalks levy. In 2017, the levy generated \$4.3 million. The City is now considering pursuing a 2018 public safety levy to help fund the rising cost of providing public safety services, and to identify and sustain the community's desired police, fire and court service levels.

Bothell (with financial contributions from the State of Washington and King County) purchased the 86.54 acre Wayne Golf Course, thereby preserving one of the region's last large, private undeveloped acreages for community benefit, public recreational access and wildlife habitat. The parkland includes a meandering stretch of the Sammamish River, abuts both Blyth Park and the Burke–Gilman Trail, and is easily accessible from Bothell's revitalized downtown.

The City initiated the implementation of a citywide Enterprise Resource Planning (ERP) software system. The new database software will integrate City functions into one complete system to streamline processes and information across the entire organization, enhance operational efficiency, and improve government transparency.

### Relevant Financial Policies

Manage future fiscal risks by maintaining a six-year budget model. City management uses budget modeling to regularly analyze revenue and expenditure projections, as well as the short and long-term fiscal impacts of implementing various alternatives.

Adhere to a two-year Capital Facilities Plan (CFP) process that produces a seven-year Capital Facilities Plan. The CFP process identifies future capital needs (including future ongoing maintenance costs), and allocates capital funding sources to leverage grant opportunities and meet the community's infrastructure wants and needs.

Designate one-time revenues towards one-time expenditures.

Analyze actual citywide revenues and expenditures quarterly and rebalance the two as needed to maintain a pre-designated year-end fiscal position.

Manage future liabilities by systematically setting aside monies in the Asset Replacement Fund. Monies are set aside to procure new assets in the future when assets reach the end of their useful lives.

Maintain an above-average credit rating (currently Aa2).

**Moody's**  
INVESTORS SERVICE

U.S. PUBLIC FINANCE

**CREDIT OPINION**  
19 December 2017

[Rate this Research](#) »

**CONTACTS**

Steven Goodman- Leibof	+1.415.274.3723
Associate Credit Analyst steven.goodman@moody.com	
Dan Steed A/P Analyst dan.steed@moody.com	+1.415.274.3716

**CLIENT SERVICES**

Americas	1-212-553-1633
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

**Bothell (City of) WA**  
Update to credit analysis of Bothell (City of), Washington

**Summary**  
The City of Bothell (Aa2) has a large wealthy tax base supported by a robust technology corridor as well as its inclusion in the Puget Sound economy, and a pressured financial position with support from significant funds outside of the city's operating funds that is expected to move to structural balance in the medium term. The rating additionally incorporates the city's manageable debt burden.

On December 19, we assigned a Aa2 issuer rating and affirmed the Aa2 rating on the city's \$35.9 million in outstanding general obligation limited tax (COLT) bonds.

**Credit strengths**

- » Large and growing tax base with affluent population
- » Significant available reserves outside of city operating funds

**Credit challenges**

- » Currently weak financial position compared to many peers, though expected to improve significantly
- » Current service delivery levels straining operating budget

**Rating outlook**  
Outlooks are not normally assigned to issuers with this amount of debt outstanding.

**Factors that could lead to an upgrade**

- » Material improvement in the city's reserve position
- » Continued robust growth in the city's tax base

**Factors that could lead to a downgrade**

- » Deterioration of the city's reserve position
- » Material decline in the city's tax base

Maintain 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 services should unanticipated revenue shortfalls or expenditure outflows arise. When spending down operating reserves is necessary, City management develops and implements a well-defined fiscal plan to replenish reserves to their optimal levels. At end of 2017 General Fund unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) was 16.4 percent of total general fund expenditures. In addition, the fund balance in the Asset Replacement Fund is available for General Fund purposes if necessary.

**Awards and Acknowledgments**

The [Government Finance Officers Association of the United States and Canada \(GFOA\)](#) 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, 2016. This was the sixteenth consecutive year Bothell has received this prestigious award. To receive a Certificate of Achievement award, a government must publish an easily readable and efficiently organized CAFR that satisfies all generally accepted accounting principles and adheres to all applicable legal requirements.

A Certificate of Achievement represents the highest standards in government accounting and financial reporting. Bothell is submitting the City's 2017 CAFR to the GFOA to determine this report's eligibility for a certificate. Staff believes the City's 2017 CAFR again meets the requirements of the GFOA Certificate of Achievement for Excellence in Financial Reporting Program.

The City was also pleased to receive the GFOA [Distinguished Budget Presentation Award](#) for the City's 2017-2018 biennial budget document. GFOA presents this award to governments whose budget document meets the GFOA's criteria as an effective policy document, a financial plan, an operations guide, and a communication device.

Successful preparation of Bothell's 2017 CAFR could not have been accomplished without the technical expertise and dedication of the City's Finance staff. Appreciation is also extended to the Mayor, Council, and City management for their steadfast encouragement in conducting 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,



Linli Moat, CPFO  
Senior Financial Analyst



Maureen Schols  
Deputy Finance Director



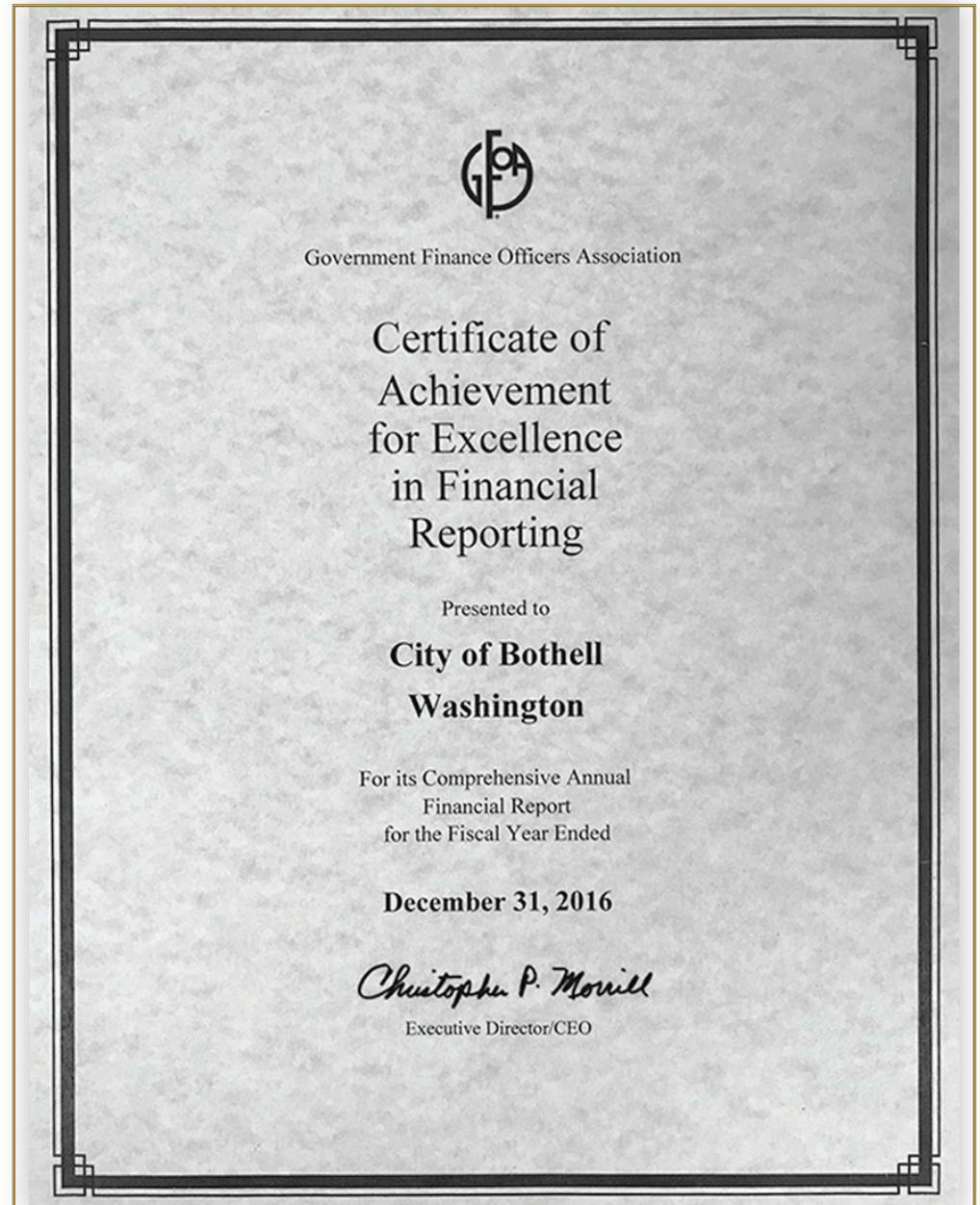
Tami Schackman  
Finance Director

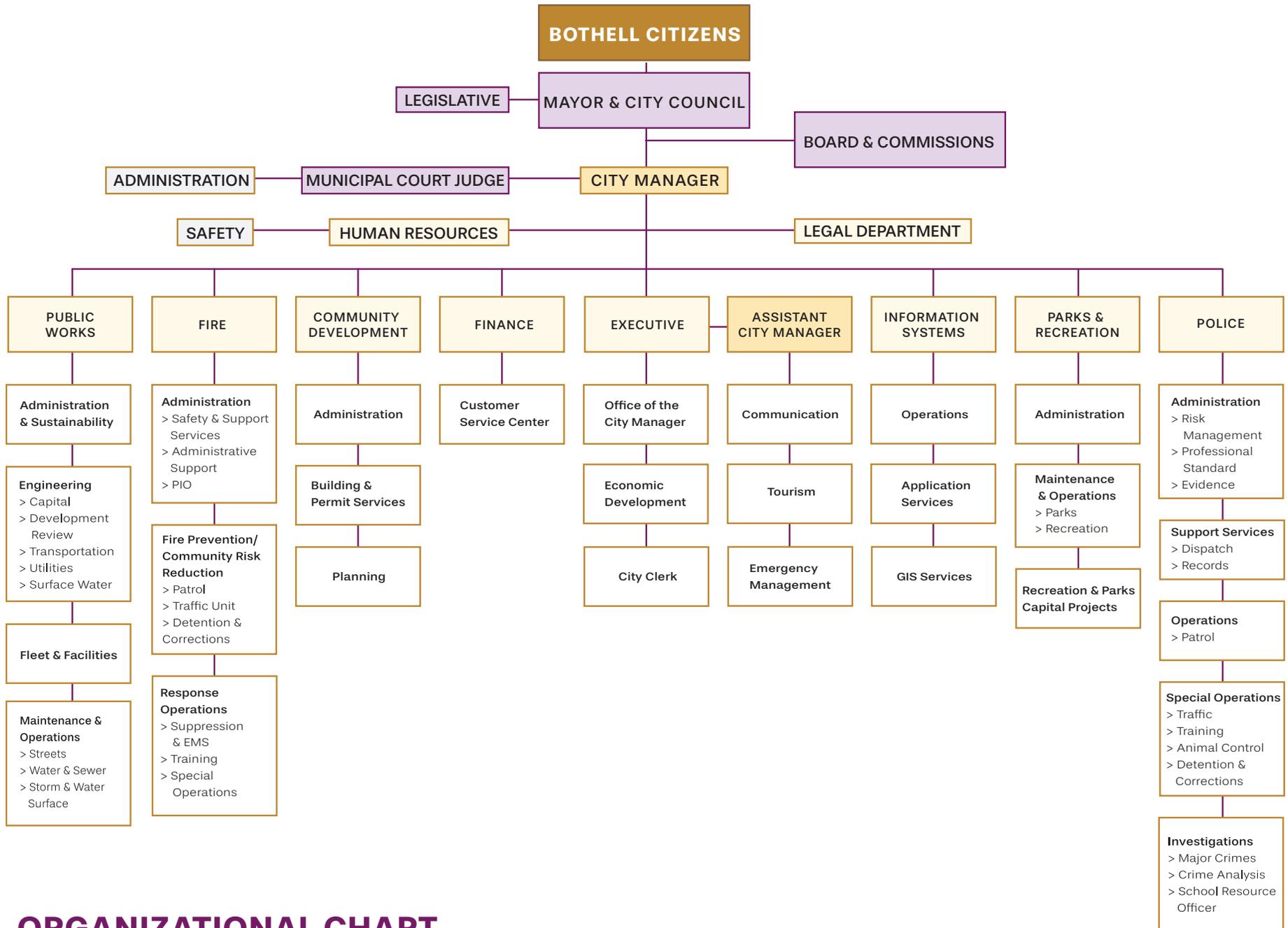
## CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Certificate of Achievement for Excellence in Financial Reporting has been awarded to City of Bothell by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

An Award of Financial Reporting Achievement has been awarded to the individual(s), department or agency designated by the government as primarily responsible for preparing the award-winning CAFR.

The CAFR has been judged by an impartial panel to meet the high standards of the program including demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the CAFR.





**ORGANIZATIONAL CHART**

ELECTED OFFICIALS



**Andy Rheume**  
Mayor

**Executive Staff**  
(Officials as of December 31, 2017)

City Manager  
Assistant City Manager  
Finance Director  
Human Resources Director  
City Attorney  
Community Development Director  
Fire Chief  
Police Chief  
Public Works Director  
Parks & Recreation Interim Director

Jennifer Phillips  
Victoria Brazitis  
Tami Schackman  
Mathew Pruitt  
Paul Byrne  
Tom Burdett  
Bruce Kroon  
Carol Cummings  
Erin Leonhart  
Tracey Perkosky



**Davina Duerr**  
Deputy Mayor



**Del Spivey**  
Council Member



**Joshua Freed**  
Council Member



**James McNeal**  
Council Member



**Tris Samberg**  
Council Member



**Tom Agnew**  
Council Member



City of Bothell™



**AUDITOR'S LETTER**



**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

July 31, 2018

Mayor and City Council  
City of Bothell  
Bothell, Washington

**REPORT ON THE 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 and Snohomish Counties, Washington, as of and for the year ended December 31, 2017, 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, as of December 31, 2017, 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.

**Other Matters*****Required Supplementary Information***

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

***Supplementary and Other Information***

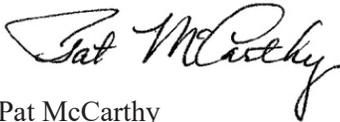
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and supplemental information are presented for the purposes of additional analysis and is not a required part of 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.

Our audit was conducted for the sole purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with Government Auditing Standards, we will also issue our report dated July 31, 2018, 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.

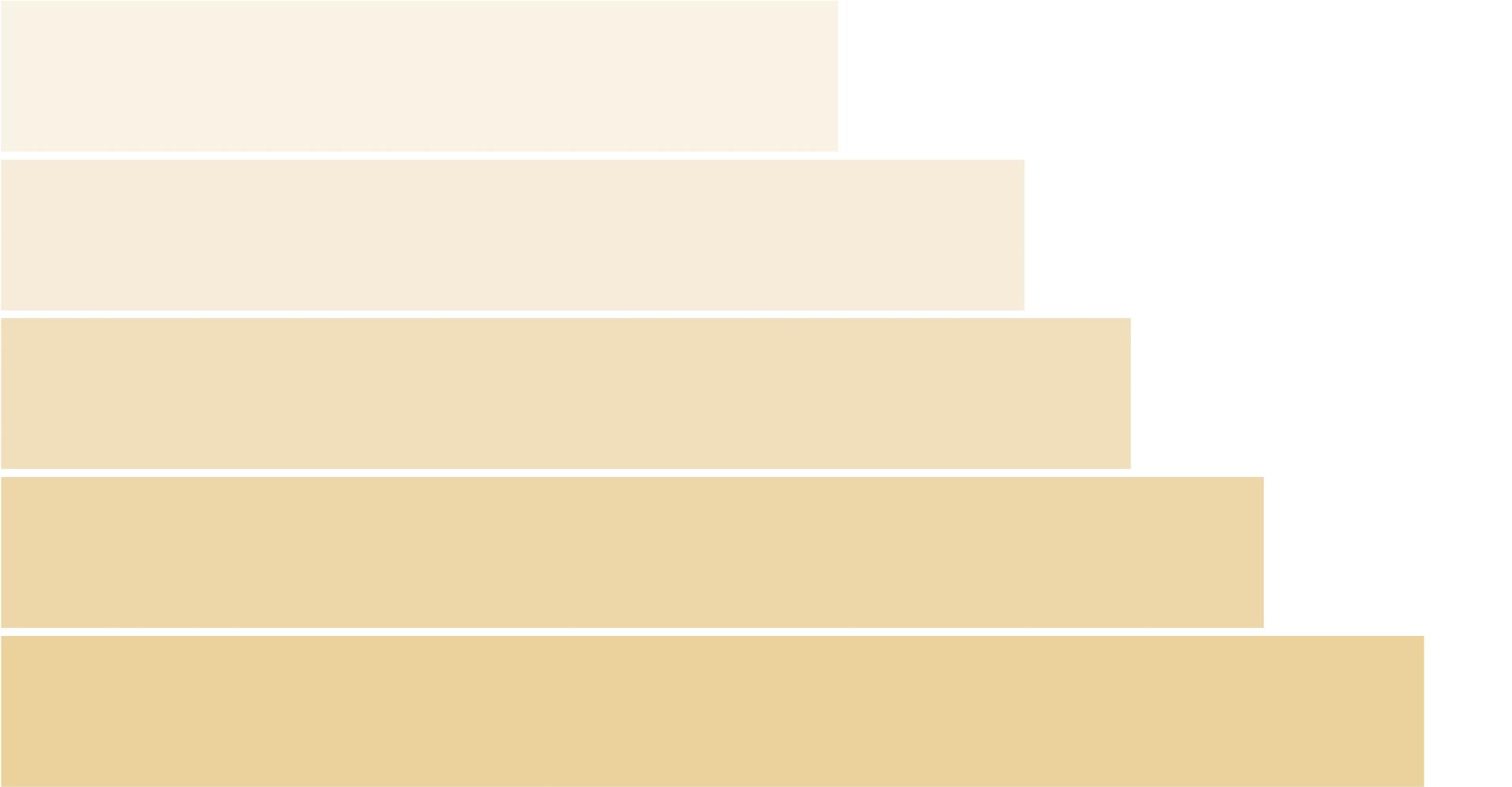
Sincerely,



Pat McCarthy  
State Auditor  
Olympia, WA



City of Bothell™

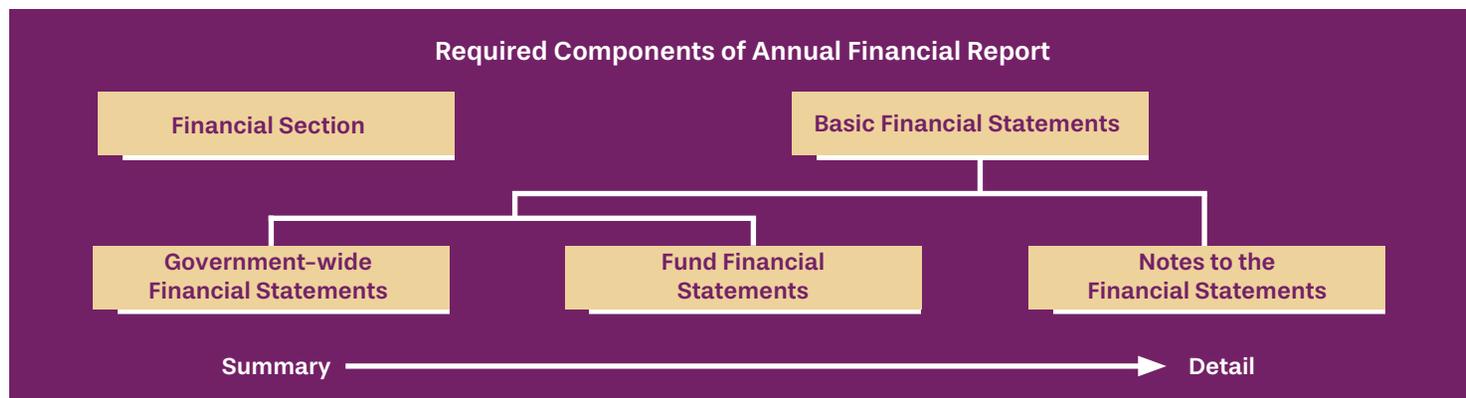


**MANAGEMENT DISCUSSION AND ANALYSIS**

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, 2017. 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).

**2017 FINANCIAL HIGHLIGHTS**

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of year by \$699,564,150 (*net position*). Of this amount, \$9,155,652 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$17,615,368 mainly because of the substantial depreciation generated in governmental capital assets.
- At the close of the fiscal year, the City's governmental funds reported combined fund balances of \$24,254,482, a decrease of \$1,129,951 compared to the prior year. Approximately 26% of this amount (\$6,336,136) is available for spending at the City's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of fund balance) for the general fund was \$8,064,016, or approximately 16.4% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$4,255,488.



**Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may 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 City'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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

For the City of Bothell, both of the government-wide statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Governmental activities include most of the City's basic services such as general government, public safety, highways and streets, parks and recreation, and development services. Sales, business, and property taxes finance most of these activities. Business-type activities, on the other hand, are services the City provides for a fee. Customers pay based on their actual usage. Business-type activities include water, sewer, and storm & surface water.

The government-wide financial statements include not only the City of Bothell itself, but also its blended component unit COB Properties, a nonprofit corporation, which accounts for the activities of the city hall lease revenue bond issuance, debt services, and maintenance.

Government-wide financial statements are located in Financial Section.

### Fund Financial Statements

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. The City of Bothell, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Improvements Fund, and the Arterial Street Fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found in the Financial Section of this report.

**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 and surface water activities. *Internal service funds* are an accounting method used to accumulate and allocate costs internally among the City's various functions. 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 functions, and therefore they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information each of the enterprise funds. Conversely, internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found in the Financial Section of this report.

**Fiduciary Funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported 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 City maintains two difference types of fiduciary funds, the Firemen's Pension Reserve Fund and the Agency Trust Fund.

The fiduciary fund financial statements are located in the Financial Section of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement are presented in the Financial Section of this report immediately following the basic financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees, and a schedule of revenues, expenditures, and changes in fund balance for the City's general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, and a statistical section containing ten years of economic condition reporting are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS**

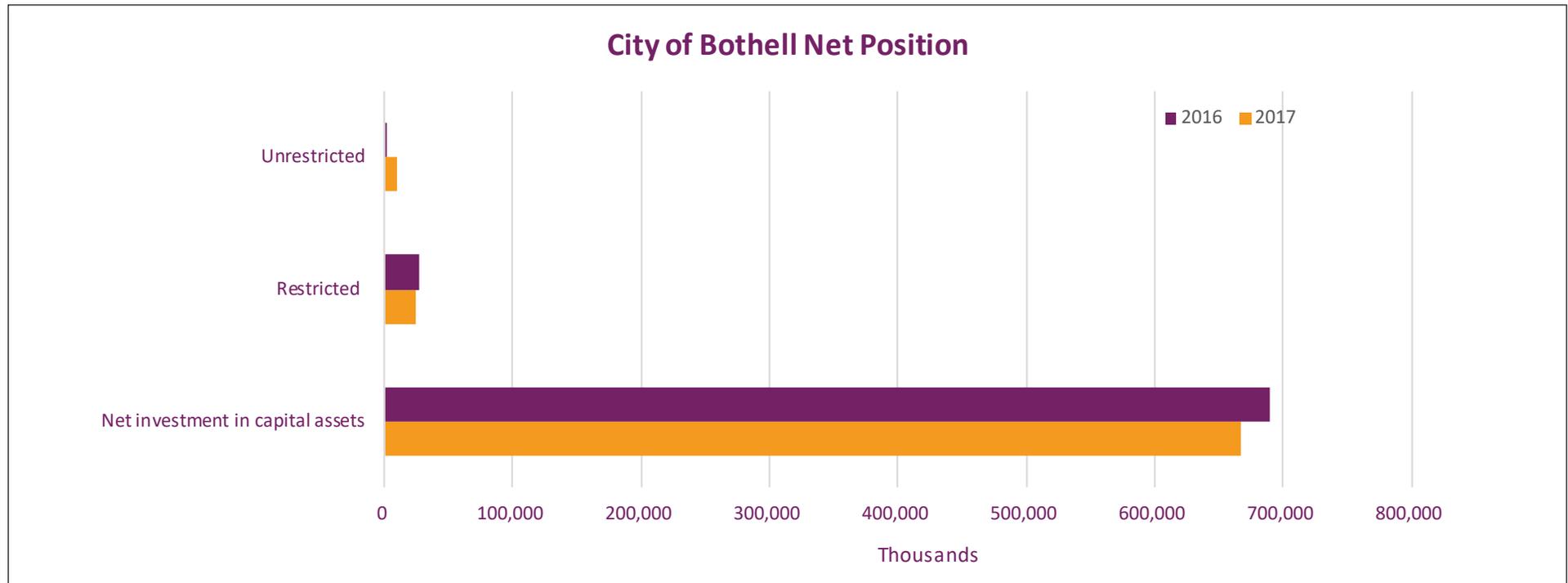
**Statement of Net Position**

The statement of net position serves as a useful indicator of the City's financial position.

As of December 31, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$699,564,150. Net investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City's net position (96%), 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 2017 compared to 2016. The City's (\$6,089,735) in unrestricted governmental net position is due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions. The City recorded net pension liabilities of \$9,674,769 for governmental activities.

City of Bothell's Net Position	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
	Current and other assets	\$41,833,347	\$41,388,558	\$18,370,377	\$16,594,795	\$60,203,723
Capital assets	716,265,072	741,778,040	61,175,970	59,967,594	777,441,042	801,745,634
Total assets	758,098,419	783,166,598	79,546,347	76,562,389	837,644,767	859,728,987
Deferred outflows of resources	2,185,742	3,831,125	232,172	348,810	2,417,914	4,179,935
Long-term liabilities	108,955,874	114,491,900	19,537,808	20,778,427	128,493,682	135,270,328
Other liabilities	7,346,507	10,148,117	559,712	1,045,499	7,906,218	11,193,616
Total liabilities	116,302,381	124,640,018	20,097,520	21,823,926	136,399,900	146,463,944
Deferred inflows of resources	3,764,716	220,732	333,914	44,728	4,098,630	265,460
Net position						
Net investment in capital assets	623,606,770	645,750,647	42,785,330	43,249,528	666,392,100	689,000,176
Restricted	22,700,029	25,939,390	1,316,369	1,316,369	24,016,398	27,255,758
Unrestricted	(6,089,735)	(9,553,063)	15,245,386	10,476,648	9,155,652	923,584
<b>Total net position</b>	<b>\$640,217,064</b>	<b>\$662,136,973</b>	<b>\$59,347,085</b>	<b>\$55,042,545</b>	<b>\$699,564,150</b>	<b>\$717,179,518</b>

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.



However, the City's overall net position decreased \$17,615,368 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

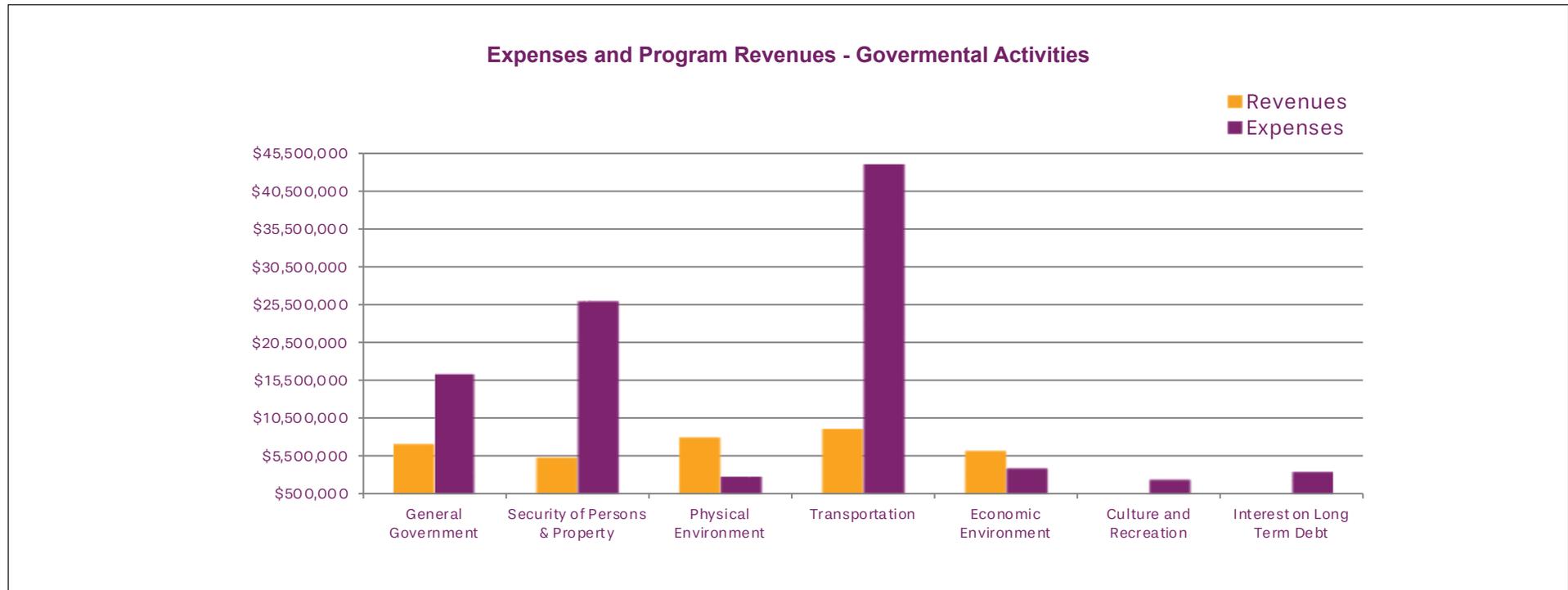
An additional portion of the City's net position (3.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$9,155,651 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

**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 2017 and 2016. Bothell's net position from operations decreased citywide by \$17,615,369 during 2017. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

**Governmental Activities.** Governmental activities decreased the City's net position by \$21,919,909. Governmental activities account for 91.5% of the City's net position. The decrease in the overall net position of governmental activities is the result of depreciation and increase in compensated absence benefit accruals due to union negotiation settlements (Refer to Note 8). Adjusted annual OPEB cost and net OPEB obligation also have a negative impact on the net position (Refer to Note 9).

	2017			2016		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Changes in Net Position</b>						
<b>Revenues</b>						
Program revenues						
Charges for services	\$22,086,489	\$19,836,124	\$41,922,613	\$22,920,278	\$20,003,210	\$42,923,487
Operating grants and contributions	337,028	568,848	905,876	334,328	151,803	486,131
Capital grants and contributions	9,679,544	1,093,277	10,772,821	8,684,810	1,923,454	10,608,264
General revenues						
Property tax	17,417,803		17,417,803	12,644,299		12,644,299
Excise tax	18,610,037		18,610,037	16,804,847		16,804,847
Business tax	7,315,916		7,315,916	7,659,567		7,659,567
Interest and investment earnings	504,584	67,119	571,703	229,685	35,244	264,929
Special item			0			
Miscellaneous	1,098,410		1,098,410	439,287		439,287
Total revenues	<u>77,049,810</u>	<u>21,565,367</u>	<u>98,615,177</u>	<u>69,717,101</u>	<u>22,113,711</u>	<u>91,830,812</u>
<b>Program expenses including indirect expenses</b>						
General government	16,389,961		16,389,961	16,501,329		16,501,329
Security of persons and property	25,973,285		25,973,285	23,953,206		23,953,206
Physical environment	2,763,405		2,763,405	2,757,415		2,757,415
Transportation	43,851,764		43,851,764	43,696,700		43,696,700
Economic environment	4,028,902		4,028,902	4,318,103		4,318,103
Culture and recreation	2,459,789		2,459,789	2,243,434		2,243,434
Interest and fiscal charges	3,502,614		3,502,614	3,063,168		3,063,168
Water		4,855,578	4,855,578		4,312,430	4,312,430
Sewer		6,986,948	6,986,948		6,331,025	6,331,025
Storm & surface water		5,418,301	5,418,301		4,462,068	4,462,068
Total expenses	<u>98,969,719</u>	<u>17,260,827</u>	<u>116,230,546</u>	<u>96,533,353</u>	<u>15,105,523</u>	<u>111,638,876</u>
Excess (deficiency)	(21,919,909)	4,304,540	(17,615,369)	(26,816,252)	7,008,189	(19,808,064)
Transfers						
<b>Change in net position</b>	<b><u>(\$21,919,909)</u></b>	<b><u>\$4,304,540</u></b>	<b><u>(\$17,615,369)</u></b>	<b><u>(\$26,816,252)</u></b>	<b><u>\$7,008,189</u></b>	<b><u>(\$19,808,065)</u></b>
Net position beginning	\$662,136,973	\$55,042,546	\$717,179,519	\$688,953,226	\$48,034,356	\$736,987,583
<b>Net position ending</b>	<b><u>\$640,217,064</u></b>	<b><u>\$59,347,085</u></b>	<b><u>\$699,564,150</u></b>	<b><u>\$662,136,974</u></b>	<b><u>\$55,042,546</u></b>	<b><u>\$717,179,518</u></b>



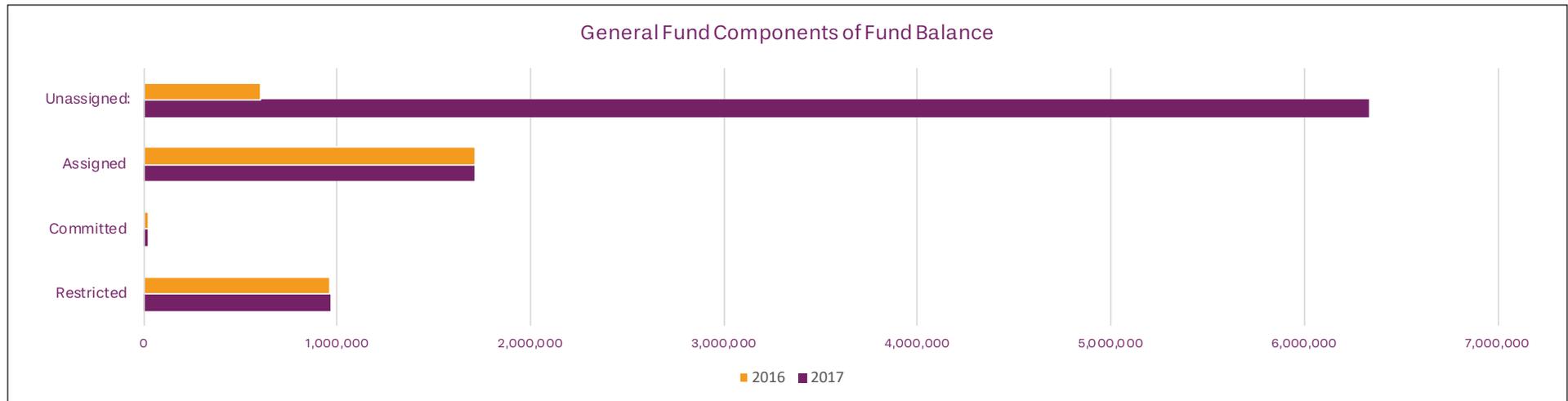
**Business-Type Activities.** For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$59,347,085. The total increase in net position for business-type activities was \$4,304,540 or 7.8% higher than the prior fiscal year. The growth, in large part, is attributable to an average 3% water rate increase, 2% sewer rate increase and 2.5% storm and surface water rate increase.

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

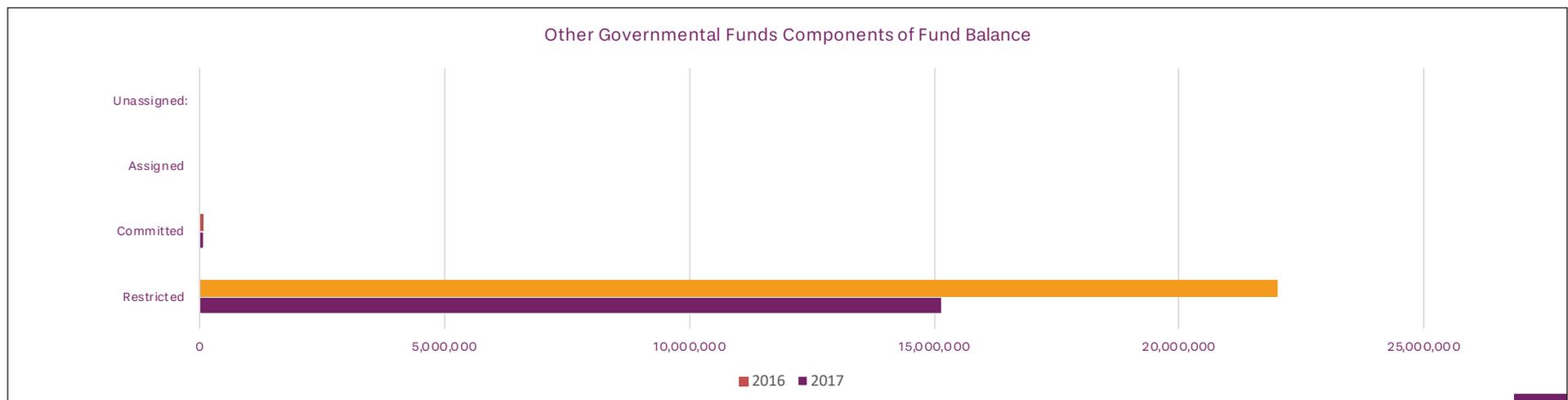
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited for use for particular purposes by the City's Council.

At end of 2017, the City's governmental funds reported combined fund balances of \$24,254,482 a decrease of \$1,129,951 compared to the prior year. The continuing increased costs for public safety services and capital improvement projects were the main cause of the decline. Approximately 26% of this amount (\$6,336,136) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes (\$16,122,774), 2) committed for particular purposes (\$84,442), or 3) assigned for particular purposes (\$1,711,130).



The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,336,136, while total fund balance increased by \$5,732,776 due to the transfer of \$8,206,000 from Capital Fund in accordance with the City's adopted Capital Facilities Plan (CFP). As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 70.2% of total general fund balance and 12.8% to total general fund expenditures.



The Capital Improvements Fund, a major fund, decreased \$10,892,942 in fund balance, largely due to a one-time transfer (\$8,156,000) of proceeds from downtown property sales in accordance with the City's adopted CFP. Additionally, the City spent current resources (\$3,670,506) on capital acquisition of a future park land (Wayne Golf Course).

The Arterial Street Fund, the remaining major governmental fund, increased fund balance by \$653,970 during the current year to bring the year end fund balance to \$6,116,190. This increase is the result of traffic impact fees from development.

All other governmental funds experienced a large boost in fund balance (\$3,376,245). The increase was due mainly to the new Safe Street and Sidewalk levy in the Street Fund (\$2,278,802), and a \$921,797 increase in the Park Cumulative Fund from park impact fees.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water Fund at the end of the year was \$4,976,580, the Sewer Fund was \$6,235,691, and the Storm & Surface Water Fund was \$4,033,115. The total growth in net position for all three funds was \$1,258,270, \$1,023,898 and \$2,021,722, respectively. As noted earlier in the discussion of business-type activities, the increase for water, sewer, and storm & surface water rates resulted in the growth of the unrestricted net position.

**General Fund Budgetary Highlights:**

**Original budget compared to final budget.** The City adopts a biennial budget for its General Fund. During the 2017 fiscal year, the Council modified the City's adopted budget on one occasion. The 2017 budget amendment was adopted by ordinance on December 5, 2017. Net budgetary impact on the General Fund was a fund balance increase of \$7,865,400.

	<b>2017-2018 Adopted Budget</b>	<b>2017 Amendment</b>	<b>2017-2018 Modified Budget</b>
<b>Revenue</b>			
General Fund	97,850,909	8,527,500	106,378,409
Capital Improvements Fund	51,445,324	219,000	51,664,324
<b>Expenditure</b>			
General Fund	97,850,909	662,100	98,513,009
Park Cumulative Reserve		219,000	219,000
Capital Improvements Fund	52,912,586	8,206,000	61,118,586

**Final budget compared to actual results.** In 2017, the General Fund suffered an operating deficit of \$1,693,936 (excluding the one-time transfer of \$8,156,000 from downtown property sales). The majority of the deficit was due to unanticipated prior year tax refunds (outside the control of the City) and unbudgeted public safety expenditures.

Actual expenditures for public safety (\$26,546,317) exceeded the 2017 budget appropriation due to retroactive implementation of two new collective bargaining agreements, as well as overtime costs – consuming 53.6% of the budget (\$49,510,829).

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounts to \$777,441,042 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, utility structures and construction in progress. The total decrease in capital assets for 2017 was 3.03%.

<b>City of Bothell's Capital Assets (net of depreciation)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Land and land improvements	\$64,675,385	\$60,389,127	\$285,302	\$285,302	\$64,960,687	\$60,674,429
Infrastructure rights-of-way	81,302,402	81,149,249	1,935,081	1,935,081	83,237,483	83,084,329
Buildings	12,808,664	13,157,139	7,236,893	7,350,292	20,045,557	20,507,431
Capital lease – City Hall	48,901,661	49,931,170			48,901,661	49,931,170
Improvements	51,677,043	49,929,782	49,126,617	44,200,097	100,803,660	94,129,878
Infrastructure	431,002,772	460,944,670			431,002,772	460,944,670
Vehicles	3,465,465	3,439,026	94,790	23,312	3,560,256	3,462,338
Machinery & equipment	1,437,929	1,213,378	1,365,986	437,723	2,803,915	1,651,101
Construction in progress	16,943,871	17,274,500	1,131,302	5,735,788	18,075,173	23,010,289
Work of art	133,213	120,000			133,213	
Intangible asset	3,916,667	4,230,000			3,916,667	4,230,000
<b>Total</b>	<b>\$716,265,073</b>	<b>\$741,778,040</b>	<b>\$61,175,970</b>	<b>\$59,967,594</b>	<b>\$777,441,043</b>	<b>\$801,745,634</b>

Major capital asset events in 2017 included the following:

- Completion of Multiway Boulevard Improvement Phase 2 (\$11,132,053).
- Park land acquisitions including Wayne Golf Course (\$3,670,507) and North Creek Forest (\$1,271,610).
- Completion of three major utility projects: Penn Park Reservoir (\$3,719,581), LIFT Station #3 (\$1,189,363), and Sammamish River Side Channel (\$1,293,698).
- Commencement of the City's final downtown revitalization project. Main Street Enhancement, with construction in progress at year end reaching \$5,369,806. The enhancement project is scheduled for completion in April 2018.

Additional information on the City's capital assets can be found in the Financial Section Note 6 of the Basic Financial Statements.

**Long-term Debt.** The City's total debt decreased by \$4,255,488, (3.6 percent) in 2017. The City paid debt principal of \$4,045,239 in accordance with debt schedules and amortized bond premiums (\$249,699) using the straight-line method. In addition, the City had one new debt issuance of \$39,450 for a safety school crossing program.

Washington State statute limits 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. As of January 1, 2018, the City's legal debt capacity was \$658,758,544, with \$92,658,302 in governmental non-voter approved debt.

At the end of 2017, the City's total long-term debt was \$111,048,942, including bonded debt outstanding of \$54,609,313. Of this amount, \$37,014,349 of the debt is backed by the full faith and credit of the government. The remainder of the City's long-term obligations is comprised of public trust fund loans, capital leases, and utility revenue bonds.

Additional information regarding the City's long-term debt is located in the Financial Section, Note 13.

<b>City of Bothell's Outstanding Debt</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General obligation debt	\$37,014,349	\$38,897,595			\$37,014,349	\$38,897,595
Capital lease	49,344,780	50,422,952			\$49,344,780	50,422,952
Loans	6,299,173	6,706,846	795,676	953,791	\$7,094,849	7,660,637
Utility revenue bonds			17,594,964	18,323,246	17,594,964	18,323,246
<b>Total</b>	<b>\$92,658,302</b>	<b>\$96,027,393</b>	<b>\$18,390,640</b>	<b>\$19,277,037</b>	<b>\$111,048,942</b>	<b>\$115,304,430</b>

**Economic Factors and 2018 Budget and Rates**

The following economic factors were considered in developing the City's 2017–2018 biennial budget:

- The unemployment rate as of March 2018 for the Seattle/Bellevue/Everett area is 3.8% – up 0.1% over 2017.
- In 2018, Washington's economy is expected to continue its moderate expansion with employment growing by 2.2% and personal income by 5.5%.
- City fees are increased annually on January 1, in line with the previous year's June-to-June Consumer Price Index (CPI), which in 2018 is 3%.
- City Council approved a 1% property tax increase for 2018. State law (Initiative 747), limits the increase of property tax from the actual amount collected in the previous year to 1%.
- New revenue sources in the 2017–2018 biennial budget include the \$0.50 Safe Street and Sidewalk Levy and fire impact fees.
- Increases in housing prices and property assessed value are anticipated to enhance the City's property tax base.
- By 2020, interest rates are expected to move upward from the current 1.8% to 3.1% for a three month T-bill.
- 2017 year end contract settlements with the City's unions (Bothell Police Officers Guild, Bothell Police Captains Public Safety Employees Union, International 2099 Association of Firefighters Local 2099 and Washington State Council of County and City Employees AFSCME Local 3845) will have a significant impact on the 2017–2018 biennial budget.
- In 2017, City Council approved the following utility rate increases to pay for utility expenses and capital projects identified in the City's 2017–2023 Capital Facilities Plan: 3% average water increase; 2% average sewer increase, and 2.5% average storm and surface water increase. These rate adjustments took effect January 1, 2018.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Bothell's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
City of Bothell  
18415 101st Avenue NE  
Bothell, WA 98011



City of Bothell™



**BASIC FINANCIAL STATEMENTS**

Statement of Net Position  
December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,387,196	\$ 1,818,109	\$ 6,205,305
Investments	20,061,273	12,506,277	32,567,550
Receivables (net)	9,577,071	2,729,623	12,306,694
Taxes receivable	225,397		225,397
Reserved assets:			
Deposit held in trust	1,005,154		1,005,154
Investment		1,316,369	1,316,369
Capital assets:			
Non-depreciable	162,921,658	3,351,684	166,273,342
Depreciable, net	553,343,415	57,824,286	611,167,701
Net pension asset	6,577,255		6,577,255
<b>Total assets</b>	<b>758,098,419</b>	<b>79,546,347</b>	<b>837,644,766</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows - pension	2,185,742	232,172	2,417,914
<b>Total deferred outflows of resources</b>	<b>2,185,742</b>	<b>232,172</b>	<b>2,417,914</b>
<b>LIABILITIES</b>			
Accounts payable	6,341,353	559,712	6,901,065
Unearned revenue	1,005,154		1,005,154
Long-term liabilities (see Note 13)			
Due within one year	6,032,137	1,085,723	7,117,860
Due in more than one year	93,248,968	17,484,245	110,733,212
Net pension liability	9,674,769	967,840	10,642,609
<b>Total liabilities</b>	<b>116,302,381</b>	<b>20,097,520</b>	<b>136,399,900</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - pension	3,269,819	333,914	3,603,733
Deferred inflows - advanced grant	494,897		494,897
<b>Total deferred inflows of resources</b>	<b>3,764,716</b>	<b>333,914</b>	<b>4,098,630</b>
<b>NET POSITION</b>			
Net investment in capital assets	623,606,770	42,785,330	666,392,100
Restricted for:			
Net pension asset	6,577,255		6,577,255
Transportation	6,116,191		6,116,191
Parks & Recreation	3,480,023		3,480,023
Capital projects	2,990,654		2,990,654
Street maintenance	2,347,559		2,347,559
Drug forfeitures	93,312		93,312
Fire impact fees	34,108		34,108
Debt service	88,030	1,316,369	1,404,399
Cemetery (permanently restricted)	16,321		16,321
Other purpose	956,576		956,576
Unrestricted (deficit)	(6,089,735)	15,245,386	9,155,652
<b>Total net position</b>	<b>\$ 640,217,064</b>	<b>\$ 59,347,085</b>	<b>\$ 699,564,150</b>

The accompanying notes are an integral part of this statement 1

Statement of Activities  
For the Year Ended December 31, 2017

Functions/program	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary government:							
Government activities:							
General government	\$ 16,389,961	\$ 6,978,338	\$ 168,617		\$ (9,243,007)		\$ (9,243,007)
Security of persons and property	25,973,285	5,317,863	108,281		(20,547,141)		(20,547,141)
Physical environment	2,763,405	1,393,217	20,702	2,245,463	895,978		895,978
Transportation	43,851,764	1,747,125		7,434,080	(34,670,559)		(34,670,559)
Economic environment	4,028,902	6,355,160			2,326,258		2,326,258
Culture and recreation	2,459,789	294,787	39,428		(2,125,574)		(2,125,574)
Interest	3,502,614				(3,502,614)		(3,502,614)
<b>Total governmental activities</b>	<b>98,969,719</b>	<b>22,086,489</b>	<b>337,028</b>	<b>9,679,544</b>	<b>(66,866,658)</b>		<b>(66,866,658)</b>
Business-type activities:							
Water	4,855,578	5,686,533	268,392	134,981		1,234,328	1,234,328
Sewer	6,986,948	7,879,956	5,236	110,216		1,008,460	1,008,460
Storm & surface water	5,418,301	6,269,634	295,220	848,080		1,994,633	1,994,633
<b>Total business-type activities</b>	<b>17,260,827</b>	<b>19,836,124</b>	<b>568,848</b>	<b>1,093,277</b>		<b>4,237,421</b>	<b>4,237,421</b>
<b>Total primary government</b>	<b>\$ 116,230,546</b>	<b>\$ 41,922,613</b>	<b>\$ 905,876</b>	<b>\$ 10,772,820</b>	<b>\$ (66,866,658)</b>	<b>\$ 4,237,421</b>	<b>\$ (62,629,237)</b>
General Revenues:							
Property tax					17,417,803		17,417,803
Excise tax					18,610,037		18,610,037
Business tax					7,315,916		7,315,916
Interest and investment earnings					504,584	67,119	571,703
Miscellaneous					1,098,410		1,098,410
Total general revenues					44,946,749	67,119	45,013,868
Change in net position					(21,919,909)	4,304,540	(17,615,369)
Net position - beginning					662,136,973	55,042,545	717,179,518
<b>Net position - ending</b>					<b>\$ 640,217,064</b>	<b>\$ 59,347,085</b>	<b>\$ 699,564,150</b>

Balance Sheet  
Governmental Funds  
December 31, 2017

	Special Revenue Fund		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Arterial Street	Capital Improvements		
<b>ASSETS</b>					
Current cash & cash equivalents	\$ 528,329	\$ 813,330	\$ 363,266	\$ 2,007,502	\$ 3,712,427
Investments	6,746,273	5,400,000	1,415,000	4,500,000	18,061,273
Receivables (net of allowances)					
Taxes	213,387			12,010	225,397
Accounts receivable	1,856,045		42,774	155	1,898,974
Due from other governmental units	5,295,733		2,178,266	151,457	7,625,457
Total assets	<u>\$ 14,639,767</u>	<u>\$ 6,213,330</u>	<u>\$ 3,999,307</u>	<u>\$ 6,671,125</u>	<u>\$ 31,523,528</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	704,677		513,756	482,693	1,701,127
Deposits payable	1,842,029				1,842,029
Payroll payable	2,336,599			60,410	2,397,009
Total liabilities	<u>4,883,305</u>		<u>513,756</u>	<u>543,104</u>	<u>5,940,164</u>
Deferred Inflows of Resources					
Unavailable revenue-property tax, service fees & impact fees	724,836	97,139		12,010	833,985
Unavailable revenue-advanced grant			494,897		494,897
Total deferred inflows of resources	<u>724,836</u>	<u>97,139</u>	<u>494,897</u>	<u>12,010</u>	<u>1,328,881</u>
Fund balances:					
Restricted	\$ 967,611	\$ 6,116,191	\$ 2,990,654	\$ 6,048,318	\$ 16,122,774
Committed	16,750			67,692	84,442
Assigned	1,711,130				1,711,130
Unassigned	6,336,136				6,336,136
Total fund balances	9,031,626	6,116,191	2,990,654	6,116,011	24,254,482
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><b>\$ 14,639,767</b></u>	<u><b>\$ 6,213,330</b></u>	<u><b>\$ 3,999,307</b></u>	<u><b>\$ 6,671,125</b></u>	<u><b>\$ 31,523,528</b></u>

**Reconciliation of the Governmental Funds Balance Sheet  
To the Statement of Net Position  
December 31, 2017**

Total fund balances for the governmental funds		\$ 24,254,482
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.</p>		
Non-depreciable assets	162,921,658	
Depreciable assets (net)	553,343,415	716,265,072
<p>Deferred inflows of resources in the governmental funds are unavailable revenue in the governmental actives in the statement of net position.</p>		
Unavailable revenue		833,985
<p>Pension fund used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.</p>		
Pension assets		6,577,255
Deferred outflows – pension		2,185,742
<p>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:</p>		
		2,326,221
<p>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.</p>		
Compensated absences	(2,913,597)	
Other post-employment benefits payable	(2,672,206)	
Pollution remediation liability	(1,037,000)	
Pension liability	(9,674,769)	
Bonds and loan payable	(92,658,302)	(108,955,874)
<p>Pension fund used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.</p>		
Deferred inflows – pension		(3,269,819)
<b>Total net position of governmental activities</b>		<b>\$ 640,217,064</b>

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2017**

	<u>Special Revenue Fund</u>		<u>Capital Projects Fund</u>			
	<u>General</u>	<u>Arterial Street</u>	<u>Capital Improvements</u>			<u>Other Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 32,761,472		\$ 5,197,384		\$ 5,366,275	\$ 43,325,131
Licenses and permits	3,344,724		518,726		145,179	4,008,628
Intergovernmental revenues	1,670,665		8,829,066		1,016,352	11,516,083
Charges for services	8,025,543	2,687,540			1,113,800	11,826,883
Fines and forfeitures	301,926				55,053	356,979
Interest earnings	464,931		12,505			477,436
Contributions	45,175		495,754			540,930
Other revenue	930,305		7,601		5,443	943,349
Total revenue	<u>47,544,742</u>	<u>2,687,540</u>	<u>15,061,035</u>		<u>7,702,102</u>	<u>72,995,419</u>
<b>EXPENDITURES</b>						
Current						
General government	11,528,616					11,528,616
Security of persons and property	26,546,317				2,473	26,548,790
Transportation	4,418,744				2,625,295	7,044,039
Physical environment	18,330					18,330
Economic environment	4,245,208		12,173			4,257,381
Culture and recreation	1,886,405					1,886,405
Other expenditures					853	853
Debt service						
Debt service - principal			447,123		1,775,000	2,222,123
Debt service - interest			2,055,434		1,632,744	3,688,178
Capital outlay	595,057		17,238,010		280,704	18,113,770
Total expenditures	<u>49,238,677</u>		<u>19,752,739</u>		<u>6,317,069</u>	<u>75,308,485</u>
Excess (deficiency) of revenue over expenditures	<u>(1,693,936)</u>	<u>2,687,540</u>	<u>(4,691,704)</u>		<u>1,385,034</u>	<u>(2,313,066)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sales of capital assets			1,431,042			1,431,042
Loan			39,450			39,450
Transfer in	8,714,088		2,730,346		2,187,987	13,632,421
Transfer out	(1,287,376)	(2,033,570)	(10,402,075)		(196,775)	(13,919,797)
Total other financing sources	<u>7,426,712</u>	<u>(2,033,570)</u>	<u>(6,201,238)</u>		<u>1,991,212</u>	<u>1,183,115</u>
Net change in fund balances	5,732,776	653,970	(10,892,942)		3,376,245	(1,129,951)
FUND BALANCES - JANUARY 1, 2017	3,298,850	5,462,221	13,883,596		2,739,765	25,384,433
<b>FUND BALANCES - DECEMBER 31, 2017</b>	<b><u>\$ 9,031,626</u></b>	<b><u>\$ 6,116,191</u></b>	<b><u>\$ 2,990,654</u></b>		<b><u>\$ 6,116,011</u></b>	<b><u>\$ 24,254,482</u></b>

**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, 2017**

Net change in fund balances – total governmental funds	\$	(1,129,951)
--	----	-------------

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.

Changes in unavailable revenue		79,688
Donated capital assets		850,478
Expenditures for capital assets		18,113,770
Capital asset adjustments		(75,318)
Sales of capital assets		(1,418,194)
Depreciation		(43,647,157)

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

Debt principal payments		3,222,123
Debt issued		(39,450)

Premium amortization on the bonds decreases long-term liabilities result in a increase in the net position

Capital lease premium		78,172
LIFT bonds premium		85,484
2013 GO bonds premium		22,762

Long-term 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		(890,244)
Change in other post-employment benefits payable		(243,799)
Change in pollution remediation liability		68,778

Pension liabilities		2,145,764
---------------------	--	-----------

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.

857,185

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(21,919,909)</b>
--	-----------	---------------------

Statement of Net Position  
Proprietary Funds  
December 31, 2017

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Storm & Surface Water	Total	Internal Service Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 709,189	\$ 535,105	\$ 573,815	\$ 1,818,109	\$ 674,770
Investments	4,127,635	4,562,531	3,816,111	12,506,277	2,000,000
Accounts receivable	739,079	1,525,574	52,981	2,317,634	52,167
Due from other governments	8,267	3,418	400,303	411,989	473
Reserved assets:					
Deposit held in trust					1,005,154
Investment-revenue bond reserve	109,785	292,497	914,086	1,316,369	
Total current assets	5,693,955	6,919,125	5,757,296	18,370,377	3,732,564
Non-current assets					
Capital assets:					
Land	122,175	163,126		285,302	
Right of way			1,935,081	1,935,081	
Intangible assets	141,538	122,978	146,663	411,179	
Buildings	2,764,861	3,837,340	2,304,125	8,906,326	14,530
Improvements other than buildings	24,585,092	15,173,400	33,747,850	73,506,342	1,787,403
Equipment	10,464	1,812,988	269,285	2,092,738	1,235,881
Vehicles	26,445	26,445	252,421	305,311	7,698,978
Construction in progress	275,420	642,508	213,373	1,131,302	
Less accumulated depreciation	(10,015,911)	(8,271,304)	(9,110,395)	(27,397,610)	(6,252,603)
Total non-current assets	17,910,085	13,507,482	29,758,404	61,175,970	4,484,188
Total assets	23,604,040	20,426,607	35,515,700	79,546,347	8,216,752
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows - pension	58,066	57,993	116,113	232,172	26,657
Total deferred outflows of resources	58,066	57,993	116,113	232,172	26,657
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	228,627	21,431	63,371	313,429	207,913
Payroll payable	62,970	56,368	126,946	246,283	26,873
Compensated absences	45,757	44,912	88,659	179,327	26,671
Interest payable					166,402
Current portion of loans payable	112,598		45,516	158,114	
Current portion of revenue bonds payable, net	158,345	71,047	518,890	748,281	
Total current liabilities	608,296	193,757	843,382	1,645,435	427,859
Non-current liabilities					
Loans payable			637,562	637,562	
Revenue Bonds Payable, net	3,550,182	1,595,233	11,701,267	16,846,683	
Unearned revenue					1,005,154
Pension Liabilities	244,089	242,541	481,210	967,840	109,844
Total non-current liabilities	3,794,271	1,837,774	12,820,039	18,452,085	1,114,998
Total liabilities	4,402,567	2,031,532	13,663,421	20,097,520	1,542,857
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - pension	84,213	83,679	166,022	333,914	37,897
Total deferred inflows of resources	84,213	83,679	166,022	333,914	37,897
Net investment in capital assets	14,088,960	11,841,202	16,855,169	42,785,330	4,484,188
Restricted for debt service	109,785	292,497	914,086	1,316,369	
Unrestricted	4,976,581	6,235,691	4,033,115	15,245,386	2,178,466
<b>Total net position</b>	<b>\$ 19,175,325</b>	<b>\$ 18,369,389</b>	<b>\$ 21,802,370</b>	<b>\$ 59,347,085</b>	<b>\$ 6,662,655</b>

Statement of Revenues, Expenses, and Changes in Fund Net Position  
 Proprietary Funds  
 For the Year Ended December 31, 2017

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Strom & Surface Water	Total	Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 5,643,707	\$ 7,847,036	\$ 6,225,883	\$ 19,716,627	\$ 2,903,855
Other	42,826	32,920	43,751	119,497	193,010
Total operating revenue	<u>5,686,533</u>	<u>7,879,956</u>	<u>6,269,634</u>	<u>19,836,124</u>	<u>3,096,865</u>
<b>OPERATING EXPENSES</b>					
Administrative and general	712,439	713,372	2,089,145	3,514,956	2,070,839
Purchased water	1,530,560			1,530,560	
Metro service		4,342,869		4,342,869	
Maintenance and operations	964,695	645,149	1,306,593	2,916,437	462,250
Customer accounts	193,048	193,643		386,691	
Taxes	660,781	495,329	381,932	1,538,041	
Depreciation	669,458	541,044	1,230,982	2,441,484	890,340
Total operating expenses	<u>4,730,981</u>	<u>6,931,407</u>	<u>5,008,652</u>	<u>16,671,040</u>	<u>3,423,429</u>
OPERATING INCOME (LOSS)	<u>955,553</u>	<u>948,549</u>	<u>1,260,982</u>	<u>3,165,084</u>	<u>(326,564)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment income	24,592	15,438	27,089	67,119	1,912,984
Intergovernmental revenue	268,392	5,236	295,220	568,848	473
Gain (loss) on disposition of capital assets					(21,327)
Revenue bonds interest	(124,597)	(55,541)	(409,649)	(589,788)	(1,886,097)
Total non-operating revenue (expense)	<u>168,387</u>	<u>(34,868)</u>	<u>(87,340)</u>	<u>46,180</u>	<u>6,033</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>					
	1,123,940	913,682	1,173,642	3,211,264	(320,531)
Transfers in					1,261,995
Transfers out					(974,619)
Capital contributions	134,981	110,216	848,080	1,093,277	
CHANGE IN NET POSITION	<u>1,258,921</u>	<u>1,023,898</u>	<u>2,021,722</u>	<u>4,304,540</u>	<u>(33,155)</u>
NET POSITION - BEGINNING	17,916,405	17,345,492	19,780,648	55,042,545	6,695,810
<b>NET POSITION - ENDING</b>	<u><b>\$ 19,175,325</b></u>	<u><b>\$ 18,369,389</b></u>	<u><b>\$ 21,802,370</b></u>	<u><b>\$ 59,347,085</b></u>	<u><b>\$ 6,662,655</b></u>

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2017**

	Business-Type Activities Enterprise Funds				Governmental Activities
	Water	Sewer	Storm & Surface Water	Total	Internal Service Funds
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 5,600,852	\$ 7,815,230	\$ 6,236,778	\$ 19,652,860	\$ 3,162,161
Cash paid to employees	(1,078,084)	(1,023,614)	(2,121,644)	(4,223,342)	(589,694)
Cash paid to suppliers for goods and services	(2,452,461)	(5,154,143)	(1,293,408)	(8,900,012)	(1,916,327)
Cash paid for taxes	(660,781)	(495,329)	(381,932)	(1,538,041)	
Net cash provided by operating activities	<u>1,409,526</u>	<u>1,142,144</u>	<u>2,439,794</u>	<u>4,991,465</u>	<u>656,139</u>
<b>CASH FLOW FROM NON-CAPITAL ACTIVITIES</b>					
Transfers out					(974,619)
Transfers in					1,261,995
Operating grants	268,392	5,236	295,220	568,848	473
Net cash provided from non-capital activities	<u>268,392</u>	<u>5,236</u>	<u>295,220</u>	<u>568,848</u>	<u>287,849</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(1,175,436)	(967,959)	(679,498)	(2,822,893)	(715,617)
Net capital lease					1,208,781
Construction cost payable					(9,287)
Interest paid on capital debt	(124,597)	(55,541)	(409,649)	(589,788)	(1,161,911)
Capital grants			266,310	266,310	
Deposit held in trust					963,450
Proceeds from the sale of capital assets					30,836
Proceeds from revenue bonds	824,972	690,560	980,157	2,495,689	
Paid on revenue bond	(140,000)	(65,000)	(460,000)	(665,000)	(1,000,000)
Paid on capital debt	(112,599)		(45,516)	(158,115)	
Debt interest payable	(1,591)	(218)	(538)	(2,347)	6,356
Net cash (used) by capital and related activities	<u>(729,251)</u>	<u>(398,159)</u>	<u>(348,734)</u>	<u>(1,476,144)</u>	<u>(677,398)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments	(586,056)	(573,136)	(2,194,750)	(3,353,941)	(22,729)
Interest and dividends	24,592	15,438	27,089	67,119	16,063
Net cash provided by investing activities	<u>(561,463)</u>	<u>(557,698)</u>	<u>(2,167,661)</u>	<u>(3,286,822)</u>	<u>(6,666)</u>
Net increase (decrease) in cash and cash equivalents	387,204	191,524	218,619	797,347	259,925
Balances - January 1	321,985	343,581	355,195	1,020,761	414,845
<b>Balances - December 31</b>	<b><u>\$ 709,189</u></b>	<b><u>\$ 535,105</u></b>	<b><u>\$ 573,815</u></b>	<b><u>\$ 1,818,109</u></b>	<b><u>\$ 674,770</u></b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 955,553	\$ 948,549	\$ 1,260,982	\$ 3,165,084	\$ (326,564)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	669,458	541,044	1,230,982	2,441,484	890,340
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	(77,414)	(61,308)	606	(138,116)	65,296
Decrease (increase) in due from other governments	(8,267)	(3,418)	(33,463)	(45,148)	
Increase (decrease) in non-capital accounts payable	(167,298)	(319,917)	(52,365)	(539,579)	32,032
Increase (decrease) in payroll payable	12,555	11,952	31,633	56,140	6,540
Increase (decrease) in compensated absences payable	9,090	7,389	16,381	32,861	(945)
Increase (decrease) in GASB 68 pension adjustments	15,850	17,853	(14,963)	18,740	(10,559)
<b>Net cash provided by operating activities</b>	<b><u>\$ 1,409,526</u></b>	<b><u>\$ 1,142,144</u></b>	<b><u>\$ 2,439,794</u></b>	<b><u>\$ 4,991,465</u></b>	<b><u>\$ 656,139</u></b>
Noncash investing, capital and financing activities					
increase (decrease) in fair value of investments					
Capital contributions from developers	\$ 134,981	\$ 110,216	\$ 581,770	\$ 826,967	\$ -

The accompanying notes are an integral part of this statement 9

Statement of Changes in Net Position  
 Fiduciary Funds  
 For the Year Ended December 31, 2017

	Pension Trust		Agency	
	Firemen's Pension Reserve		Trust	
<b>ASSETS</b>				
Cash and cash equivalents	\$	333,768	\$	336,257
Investment				
Total assets		<u>333,768</u>		<u>336,257</u>
<b>LIABILITIES</b>				
Accounts payable				336,257
Total liabilities				<u>336,257</u>
<b>NET POSITION</b>				
<b>Held in trust for pension benefits</b>	<b>\$</b>	<b><u>333,768</u></b>	<b>\$</b>	<b><u>-</u></b>

Statement of Changes in Net Position  
 Fiduciary Funds  
 For the Year Ended December 31, 2017

	Pension Trust Firemen's Pension Reserve
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 57,257
Total additions	<u>57,257</u>
<b>DEDUCTIONS</b>	
Benefits	<u>67,108</u>
Total deductions	<u>67,108</u>
Change in net position	(9,851)
Net position - beginning	343,619
<b>Net position - ending</b>	<b><u>\$ 333,768</u></b>

<b>TABLE OF CONTENTS – NOTES TO THE FINANCIAL STATEMENTS</b>	<b>Note 1</b>	Summary of Significant Accounting Policies	<b>13-22</b>
	<b>Note 2</b>	Compliance and Accountability	<b>22-23</b>
	<b>Note 3</b>	Deposits and Investments	<b>24-28</b>
	<b>Note 4</b>	Property Taxes	<b>29</b>
	<b>Note 5</b>	Deferred Inflows and Outflows of Resources	<b>30</b>
	<b>Note 6</b>	Capital Assets and Depreciation	<b>30-33</b>
	<b>Note 7</b>	Pensions Plans	<b>34-46</b>
	<b>Note 8</b>	Other Employee Benefits	<b>46-47</b>
	<b>Note 9</b>	Post-Employment Benefits Other than Pensions	<b>47-50</b>
	<b>Note 10</b>	Contingencies	<b>51</b>
	<b>Note 11</b>	Risk Management	<b>51-52</b>
	<b>Note 12</b>	Interfund Activities	<b>52-53</b>
	<b>Note 13</b>	Long-Term Debt	<b>53-57</b>
	<b>Note 14</b>	Impacts Fees	<b>57-58</b>
	<b>Note 15</b>	Pollution Remediation Obligations	<b>58-59</b>
	<b>Note 16</b>	Leases	<b>60</b>
	<b>Note 17</b>	Blended Component Unit	<b>60</b>
	<b>Note 18</b>	Health & Welfare	<b>61-62</b>
	<b>Note 19</b>	Joint Ventures & Operations	<b>62-63</b>
	<b>Note 20</b>	Governmental Fund Balances	<b>64</b>
	<b>Note 21</b>	Tax Abatement	<b>65</b>

**January 1, 2017 through December 31, 2017**

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

## **NOTE 1 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

### **B. REPORTING ENTITY**

The City is a municipal corporation operating 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 conform to Generally Accepted Accounting Principles (GAAP) and are regulated by the Washington State Auditor's Office. The City's Comprehensive Annual Financial Report (CAFR) is prepared in accordance with Governmental Accounting Standards Board (GASB) and the following notes detail the City's significant accounting policies. The City has implemented all applicable GASB statements through Statement 82. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

#### **Blended Component Unit**

The City has one blended component unit, COB Properties. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (Refer to Note 17).

### **C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

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

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

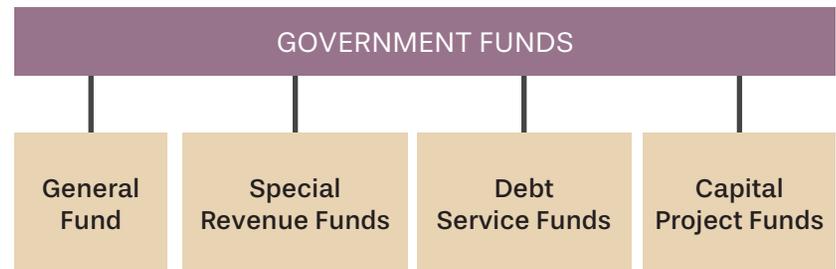
General government revenues (property taxes, retail sales & use taxes, business taxes, excise taxes, and other taxes) also support these functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues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

**D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The following is a description of the governmental funds of the City:

**Governmental Funds**

- **General fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- **Capital project fund** accounts for financial resources that are restricted, committed, or assigned for capital outlays (other than those financed by business-type/ proprietary funds).
- **Debt service funds** are used to account for financial resources that are restricted, committed, or assigned to expenditures for principle and interest for debt.



**Proprietary Funds**

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

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

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

- **Enterprise funds** are required to be used (to account for operations) where a fee is charged to external users for goods or services and where the activity (a) is financed with debt that is solely secured by a pledge of the revenues; (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and/ or charges; or (c) establishes fees and/ or charges based on a pricing policy designed to recover similar costs.
- **Internal service funds** are used to account for the financing of goods or services provided to other City funds on a cost-reimbursement basis.



**Fiduciary Funds**

Fiduciary funds are used to report assets held in an agency capacity for others, and therefore are not available to support City programs. The reporting focus is on net position, using accounting principles similar to proprietary funds. The City has the following fiduciary fund types:

- Pension trust funds
- Agency funds



**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, fire, 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.

**BUSINESS-TYPE ACTIVITIES****Water Fund**

This fund is used to account for the provision of water service to a portion of the City. The City does not have its own water supply, but purchases water from the City of Seattle. All activities necessary to provide such service are accounted for in this fund, including administration, maintenance and operations, financing and debt service, and billing and collection. Funding for these activities is provided for by charges to residential and commercial water customers, permit fees, interest earnings, and rental fees. Water system construction was originally financed by revenue bonds and contributed capital.

**Sewer Fund**

This fund is used to account for the provision of sanitary sewer service to a portion of the City. The City of Bothell does not operate a sewage treatment plant, but is connected to the King County Wastewater Treatment System for service on a contract basis.

All activities necessary to provide service are accounted for in this fund, including administration, maintenance, financing and related debt service, and billing and collection. Funding for these activities is provided for by charges to residential and commercial customers, permit fees, interest earnings, and rentals. Sewer system construction was financed originally by a local improvement district, contributed capital, and revenue bonds.

**Storm & Surface Water Fund**

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

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

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

**NON-MAJOR FUNDS****OTHER GOVERNMENTAL FUNDS****Street Fund**

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

**Park Cumulative Reserve Fund**

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

**Drug Forfeiture Fund**

This fund accounts for monies seized from drug policing activities.

**Fire Impact Fees Fund**

Funds collected from fire impact fees are used solely for the purpose of making capital improvements to fire facilities under the jurisdiction of Bothell. In 2016 the City imposes fire impact fees to ensure that new development bears a proportionate share of the cost of capital facilities necessary to accommodate new growth.

**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 and various capital projects. 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.

**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.

**COB Properties Fund**

The COB Properties Fund accounts for the activities of the City Hall lease revenue bond issuance, debt services, and maintenance. COB Properties is a blended component unit of the City.

**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 7](#)).

**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.

**E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or vents for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded

when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

## **F. BUDGETARY INFORMATION**

### **Budgetary basis of accounting**

Washington State law requires governments to adopt a balanced budget. Biennial appropriations are limited to total estimated revenues for the upcoming biennium, plus any unencumbered fund balance estimated to be available at the close of the current fiscal biennium. The City Council's adopted biennial budget constitutes legal authority for expenditure at the fund level. Three of these are internal service funds, whose costs are allocated (based on usage) to the funds that utilize their services.

Budget transfers or revisions within funds are allowed, however, other budget modifications must be by ordinance, and approved in the same manner as other ordinances of the city – including making the proposed amendments available to the public and providing time for public input.

## **G. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

### **Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition.

### **Investments**

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Local Government Investment Pool (LGIP). The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity and market value calculation requirements set forth by the Governmental Accounting Standard Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. Investments are reported on trade date basis in accordance with generally accepted accounting principles (GAAP). ([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 6](#)).

**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 employees. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained as long term liabilities and represents a reconciling item between the balance sheet of the governmental funds and the governmental activities in the statement of net position.

**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 12](#)).

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category in the Statement of Net Position. It is the amount related to pensions.

In addition to liabilities, the Statement of Net Position/Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for reporting in this category in the Statement of Net Position. It is the amount related to pensions. Unavailable revenues in the Balance Sheet, such as property taxes, are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Long-Term Obligation**

In government-wide financial statements and proprietary funds types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Position Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

**Flow Assumptions**

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. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used.

**Fund Balance**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance classifications from the most restrictive to no restrictions are as follows:

- **Nonspendable** – Fund resources that are not in a spendable form (such as inventory), or that are required to be maintained intact (such as the corpus of an endowment fund).
- **Restricted** – Fund resources that are subject to restrictions legally enforceable by outside parties (such as grantors, bondholders, or higher levels of government) through constitutional provisions, or by enabling legislation.
- **Committed** – Fund resources that are legally limited by the government's highest level of decision-making authority (City Council). These resources cannot be used for any other purpose unless the government takes the same highest-level action (Resolution by City Council) to modify or eliminate those limitations.
- **Assigned** – Fund resources that are limited by a government for its intended use. Intent can be expressed by the governing body (Council, City Manager, or Directors) to which the governing body delegates the authority. Little or no formal action is required to modify or eliminate those limitations.
- **Unassigned** – Unrestricted fund resources that are not committed or assigned in the General Fund. Only positive unassigned fund balances are reported in the General Fund. Negative fund balances in any other governmental fund are considered unassigned.

**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.

**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.

State Legislative Budget Development Requirements		
<p><b>September</b></p> <p>RCW 35A.34.050.060 Budget Estimates - Submittal</p> <p><b>Official Budget Call</b></p> <p>On or before the second Monday in September</p>	<p><b>November</b></p> <p>RCW 35A.34.080.090 Preliminary Budget</p> <p><b>City Manager Recommended Budget Submitted to City Clerk, Council &amp; Public</b></p> <p>On or before November 1<sup>st</sup></p>	<p><b>December</b></p> <p>RCW 35A.34.110 Budget Hearing</p> <p><b>Commencement of Public Hearings on the City Manager Recommended Budget</b></p> <p>On or before the first Monday in December</p>
<p><b>October</b></p> <p>RCW 35A.34.070 Proposed Preliminary Budget</p> <p><b>Dept Preliminary Budget Submitted to City Manager</b></p> <p>On or before the first Business Day of October</p>	<p><b>November</b></p> <p>RCW 35A.34.080.100 Notice of Hearing</p> <p>Published Once per Week For Two Weeks Prior to Hearing</p>	<p><b>December</b></p> <p>RCW 35A.34.120 Budget - Adoption</p> <p><b>Public Hearing Continuation &amp; Conclusion</b></p> <p>On or before December 31<sup>st</sup></p>
<p><b>October</b></p> <p>RCW 35A.33.135</p> <p><b>Ensuing Biennium Revenue Estimates Provided to Council</b></p> <p>On or before the first Monday in October</p>		

**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 or 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.

<b>2017-2018 Final Budget Inflows and Outflows</b>				
<b>Fund</b>	<b>Original Inflows</b>	<b>Original Outflows</b>	<b>Final Inflows</b>	<b>Final Outflows</b>
General Fund	\$97,850,909	\$97,850,909	\$106,378,409	\$98,513,009
Street Fund	7,262,417	6,592,303	7,262,417	6,592,303
Arterial Street Fund	10,208,113	4,028,656	10,208,113	4,028,656
Park Cumulative Reserve Fund	86,000		86,000	219,000
Drug Seizure Fund	27,000	17,000	27,000	17,000
2008 GO Bond Redemption Fund	812,000	722,800	812,000	722,800
LIFT General Obligation Bond	3,991,300	3,991,300	3,991,300	3,991,300
2013 GO	1,395,678	1,395,678	1,395,678	1,395,678
Capital Improvements Fund	51,445,324	52,912,586	51,664,324	61,118,586
Combined Utility Systems	2,626,138	3,390,283	2,626,138	3,390,283
Water Fund	10,732,439	13,306,942	10,732,439	13,306,942
Sewer Fund	15,450,181	16,621,175	15,450,181	16,621,175
Storm & Surface Water Fund	14,845,505	15,574,088	14,845,505	15,574,088
Equipment Rental Fund	3,734,782	3,734,777	3,734,782	3,734,777
Self Insurance Fund	2,913,336	2,813,334	2,913,336	2,813,334
Asset Replacement Fund	2,353,838	5,808,416	2,353,838	5,808,416
Firemen's Pension Reserve Fund	114,553	95,000	114,553	95,000
<b>Total</b>	<b>\$225,849,513</b>	<b>\$228,855,247</b>	<b>\$234,596,013</b>	<b>\$237,942,347</b>

**NOTE 3 / DEPOSITS AND INVESTMENTS****DEPOSITS**

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

**INVESTMENTS**

All municipal corporations in Washington State are empowered to invest in securities authorized by the Revised Code of Washington Chapter 39.59 and 35.39.

As required by state law, authorized investments of the City's funds are:

- obligations of the United States or its agency, or any corporation wholly owned by the government of the United States;
- obligations of the State of Washington, general obligations of Washington State municipalities;
- the State Treasurer's Local Government Investment Pool (LGIP);
- certificates of deposit with Washington State banks and savings and loan institutions;
- banker's acceptances, commercial paper and corporate notes purchased on the secondary market. Investing in corporate notes, the City must adhere to the investment policies and procedures adopted by Washington State Investment Board.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification and liquidity and market value calculation requirements set forth by the Governmental Accounting Standard Board (GASB) for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The funds are limited to high quality obligations with regulated maximum and average maturities to minimize both market and credit risk. Investments are reported on trade date basis in accordance with generally accepted accounting principles (GAAP).

The City measures and records its investments except for LGIP within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The guidelines in GASB 72 recognize a three-tiered fair value hierarchy as follows:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- **Level 2:** These are inputs other than quoted prices included within Level 1 that are observable for the asset or liability (such as interest rates, yield curves, volatilities, credit spreads). Inputs are derived from or corroborated by observable market data through correlation including quoted prices for similar assets or liabilities in active markets or inactive markets.
- **Level 3:** Unobservable inputs for an asset or liability. Only should be used when relevant Level 1 and 2 inputs are unavailable.

As of December 31, 2017, the City's investments, excluding the Local Government Investment Pool (LGIP) are classified as Level 2.

**Basic Financial Statements**

As of December 31, 2017, the City-wide's cash and investments as following:

	Governmental Funds	Internal Service Funds	Enterprise Funds	Fiduciary Funds	Total
Cash on hand	1,750				1,750
Deposits with financial institutions	3,710,677	674,770	1,818,109	670,025	6,873,580
Deposits in trust		1,005,154			1,005,154
Local Government Investment Pool	2,334,145		7,594,793		9,928,938
All other investments	15,727,129	2,000,000	6,227,852		23,954,981
<b>Total cash and investments</b>	<b>21,773,700</b>	<b>3,679,924</b>	<b>15,640,754</b>	<b>670,025</b>	<b>41,764,403</b>

The cash and investments listed by fund type:

Governmental Funds	Special Revenue Fund		Capital Project Fund	Other	Total
	General Fund	Arterial Street	Capital Improvements	Governmental Funds	
Cash on hand	1,750				1,750
Deposits with financial institutions	526,579	813,330	363,266	2,007,502	3,710,677
Investments	6,746,273	5,400,000	1,415,000	4,500,000	18,061,273
<b>Total cash and investments</b>	<b>7,274,602</b>	<b>6,213,330</b>	<b>1,778,267</b>	<b>6,507,502</b>	<b>21,773,700</b>

Proprietary Funds	Enterprise Funds				Internal Service Funds
	Water	Sewer	Storm & Surface Water	Total	
Deposits with financial institutions	709,189	535,105	573,815	1,818,109	674,770
Deposits held in trust					1,005,154
Investments	4,127,635	4,562,531	3,816,111	12,506,277	2,000,000
Investments-reserved	109,785	292,497	914,086	1,316,369	
<b>Total cash and investments</b>	<b>4,946,609</b>	<b>5,390,133</b>	<b>5,304,012</b>	<b>15,640,754</b>	<b>3,679,924</b>

**Basic Financial Statements**

<b>Internal Service Funds</b>	<u>Equipment Retal</u>	<u>Self Insurance</u>	<u>Asset Replacement</u>	<u>COB Properties</u>	<u>Total</u>
Deposits with financial institutions	162,186	102,084	410,500		674,770
Investments			2,000,000		2,000,000
Deposits held in trust				1,005,154	1,005,154
<b>Total cash and investments</b>	<b>162,186</b>	<b>102,084</b>	<b>2,410,500</b>	<b>1,005,154</b>	<b>3,679,924</b>

<b>Fiduciary Funds</b>	<u>Pension Trust</u>	<u>Agency</u>	<u>Total</u>
Deposits with financial institutions	333,768	336,257	670,025
Deposits held in trust			
Investments			
Investments-reserved			
<b>Total cash and investments</b>	<b>333,768</b>	<b>336,257</b>	<b>670,025</b>

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>	<u>Primary Government</u>
	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	<u>Enterprise Funds</u>	<u>Total</u>
<b>Primary Government</b>					
Cash on hand	1,750		1,750		1,750
Deposits with financial institutions	3,710,677	674,770	4,385,446	1,818,109	6,203,555
Deposits held in trust		1,005,154	1,005,154		1,005,154
Investments	18,061,273	2,000,000	20,061,273	12,506,277	32,567,550
Investments-reserved				1,316,369	1,316,369
<b>Total Cash, Deposit and Investments</b>	<b>21,773,700</b>	<b>3,679,924</b>	<b>25,453,624</b>	<b>15,640,754</b>	<b>41,094,378</b>

Investment Fair Market Value Measurement					
As of December 31, 2017					
	Total	Fair Value Measurements Using			Not Measured at
		Quoted Prices in Active	Significant Other	Significant	Fair Value
		Markets for Identical Assets	Observable Inputs	Unobservable	
		Level 1	Level 2	Level 3	Amortized Cost
U.S. Agencies	3,271,878		3,271,878		
Supranational Agency	4,981,245		4,981,245		
Municipal Bonds	7,561,055		7,561,055		
Corporate Bonds	8,140,803		8,140,803		
Local Government Investment Pool	9,928,938				9,928,938
<b>Total investments</b>	<b>33,883,919</b>	<b>-</b>	<b>23,954,981</b>		<b>9,928,938</b>

**Interest Rate Risk:** Interest rate risk is the risk that changes in the interest rates of debt instruments that adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It does have a policy whereby the City cannot invest in securities maturing more than five (5) years from date of purchase.

Investment Portfolio and Maturity							
As of December 31, 2017							
	Book Value	Fair Market Value	Fair Value Investment Maturity (Year)			Weighted Avg. Maturity in Year	Portfolio Allocation
			Less Than 1	Less Than 2	3-5		
U.S. Agencies	3,262,972	3,271,878	2,000,000	396,054	875,823	2.192	9.66%
Supranational Agency	5,011,630	4,981,245	2,999,003	1,982,242		1.398	14.70%
Municipal Bonds	7,676,947	7,561,055	2,078,280	3,472,688	2,010,087	2.520	22.31%
Corporate Bonds	8,231,054	8,140,803	5,409,004	2,731,798		1.340	24.03%
Local Government Investment Pool	9,928,938	9,928,938	9,928,938			0.003	29.30%
<b>Total investments</b>	<b>34,111,542</b>	<b>33,883,919</b>	<b>22,415,226</b>	<b>8,582,783</b>	<b>2,885,910</b>	<b>1.594</b>	<b>100.00%</b>

**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.

**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 issue. As of December 31, 2017, the City's investment portfolio as following.

Investment List by Issuer:			
Investment Type	Fair Market Value	% of Investment Portfolio	Credit Rating
<b>Corporate Bonds:</b>			
PNC Bank NA	1,999,725	5.90%	A2/A
Microsoft Corp.	1,992,872	5.88%	Aaa/AAA
Wells Fargo Bank	1,054,790	3.11%	Aa2/AA-
MUFG Union Bank NA	1,036,761	3.06%	A2/A+
JPM	991,555	2.93%	Aa3/A+
Bank of America NA	699,967	2.07%	A1/A+
US Bank NA Cincinnati	365,133	1.08%	A1/AA-
<b>Total Corporate Bonds</b>	<b>8,140,803</b>	<b>24.03%</b>	
<b>Municipal Bonds:</b>			
Connecticut State TXBL SER B	1,624,614	4.79%	Aa3/AA-
Seattle WA TXBL GO Bonds	1,982,380	5.85%	Aaa/AAA
Georgia State GO	1,345,526	3.97%	Aaa/AAA/AAA
Washington State GO	659,148	1.95%	Aa1/AA+/AA+
Monroe WA TXBL	640,122	1.89%	AA-
Rhode Island State & Providence TXBL Capital Dev. Loan	453,667	1.34%	Aa2/AA
Baltimore MD TXBL Bonds	381,225	1.13%	Aa2/AA
Port of Seattle	299,544	0.88%	A1/A+/AA-
Texas State TXBL Bonds	174,830	0.52%	Aaa/AAA/AAA
<b>Total Municipal Bonds</b>	<b>7,561,055</b>	<b>22.31%</b>	
<b>US Agency Securities</b>			
US Treasury Note	2,000,000	5.90%	Aaa/AA+/AAA
FNMA GEN STRI	875,823	2.58%	Aaa/AA+/AAA
Fannie Mae	396,054	1.17%	Aaa/AA+/AAA
<b>Total US Agency Securities</b>	<b>3,271,878</b>	<b>9.66%</b>	
<b>Supranational Agency:</b>			
International Bank for Reconstruction and Development (IBRD)	2,981,285	8.80%	Aaa/AAA/AAA
Inter-American Development Bank	1,999,960	5.90%	Aaa/AAA/AAA
<b>Total Supranational Agency Securities</b>	<b>4,981,245</b>	<b>14.70%</b>	
<b>Local Government Investment Pool</b>	<b>9,928,938</b>	<b>29.30%</b>	<b>N/A</b>
<b>GRAND TOTAL</b>	<b>33,883,919</b>	<b>100.00%</b>	

**NOTE 4 / PROPERTY TAXES**

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Taxes are levied annually on January 1 on property values listed as of the prior May 31. Assessed values are established by the county assessor at 100% of fair market value. A revaluation of all property is required every four years.

Taxes are due in two equal installments on April 30 and October 31. Tax liens are automatic at the point the taxes are levied. No allowance for uncollectible taxes is established, since delinquent taxes are considered fully collectible. The county treasurer remits collections monthly to the appropriate district.

The City is permitted by law to levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, minus a library rate of \$0.50. This amount may be reduced for any of the following three reasons:

- 1) Washington State law (RCW 84.55.010) limits the growth of regular property taxes to 1% per year, after adjustments for new construction. If the assessed valuation increases by more than 1% due to revaluation, the levy rate will be decreased. The City may voluntarily levy taxes below the legal limit.
- 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.

In 2017, the City's levy rate was \$1.90 per \$1,000, which included a \$0.50 per \$1,000 Safe Streets and Sidewalks levy and a \$0.11 per \$1,000 Public Safety Building levy. Bothell's total assessed valuation was \$8,783,447,254.

2017 Assessed Valuation	
Snohomish County	\$3,620,472,761
King County	5,162,974,493
<b>Total</b>	<b>\$8,783,447,254</b>

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

**NOTE 5 / DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

Deferred Outflows of Resources at December 31, 2017 are as follows:

Deferred Inflows and Outflows of Resources		
Description	Governmental Activities	Business-Type Activities
<b>Deferred Outflows of Resources - Government-Wide Statement of Net Position</b>		
Pension	\$2,185,742	\$232,172
<b>Total</b>	<b>\$2,185,742</b>	<b>\$232,172</b>
<b>Deferred Inflows of Resources - Government-wide Statement of Net Position</b>		
Pension	\$3,269,819	\$333,914
Advanced Grant	\$494,897	
<b>Total</b>	<b>\$3,764,716</b>	<b>\$333,914</b>

Deferred inflows of resources in the governmental funds balance sheet were recognized as revenue sources exception for advanced grant as consolidating into government-wide statements based upon accrual basis of accounting.

Deferred Inflows and Outflows of Resources	
Description	Governmental Funds
<b>Deferred Inflows of Resources - Governmental Funds Balance Sheet</b>	
Court services	\$389,847
Deferred EMS services	121,602
Deferred property tax	213,387
Deferred revenue-impact fees	97,139
Deferred GO Bond property tax	12,010
Advanced TIB Grant	494,897
<b>Total</b>	<b>\$1,328,881</b>

**NOTE 6 / 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, annexation, 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 acquisition 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                    05-20 years
- Vehicles    05-20 years
- Infrastructure                                     20-50 years

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

<b>Government Activities</b>	<b>Amount</b>
General government	\$2,515,013
Security of persons & property	667,325
Transportation	37,067,058
Physical environment	2,745,074
Culture & recreation	652,686
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$43,647,157</b>
<b>Business-Type Activities</b>	<b>Amount</b>
Water	\$669,458
Sewer	541,044
Storm & Surface Water	1,230,982
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$2,441,484</b>

In 2017, the City completed the major projects and land acquisitions which increase capital assets over \$22 million. The capitalization as follows:

<b>Major Project:</b>	
<b>Multiway Blvd Improvement Phase 2</b>	<b>Increases</b>
Governmental Fund	10,178,835
Water Fund	\$298,129
Sewer Fund	470,793
Storm Water Fund	184,297
<b>Total Multiway Blvd Improvement Phase 2 Costs</b>	<b>\$11,132,053</b>
<b>Other Capitalizations - Governmental Activities</b>	
Land: Wayne Golf Course	\$3,670,507
Land: North Creek Forest	\$1,271,610
<b>Total Land Purchase Cost</b>	<b>\$4,942,117</b>
<b>Other Capitalizations - Enterprise Activities</b>	
Penn Park Reservoir - Water	\$3,719,581
LIFT Station #3	1,189,363
Sammanish River Side Channel	1,293,698
<b>Total Project Costs</b>	<b>\$6,202,642</b>
<b>Total Governmental and Enterprise Acquisition Costs</b>	<b>\$22,276,812</b>

Construction Commitments as of December 31, 2017

Government Activities	Construction in Progress	Remaining Commitment	Business-Type Activities	Construction in Progress	Remaining Commitment
Canyon Park Radio Project	\$39,242		Bloomberg Reservoir Painting	\$5,039	
1st Lt Nicholas Memorial Park	179,188	8,569	Morningside Booster Station Retrofit	110,268	59,251
7th Ave SE/88th Ave NE Non-Motorized Impro	7,749		Penn Park Reservoir		146,984
19th Ave NE & 232nd St SE Ped & Bike Imp	151,544	52,000	Water Main Replacement	160,113	29,901
228th St SE & 29th Dr SE Traffic Safety		9,293	Lift Station #3		62,807
228th St SE Pavement Preservation	11,287		Promontory Hillside Sewer Replacement	434,172	31,253
Adaptive Signal Control System Phase 1	4,507		Sewer Main Replacement	208,336	
Annual Arterial Overlay Program	714,962	802,290	Annual Stormwater Capital Projects	92,382	
Blyth Park Improvements	65,656		Blyth Creek Erosion Control	28,718	
Bridge Rehab & Seismic Retrofit	437,858	37,611	Downtown Revitalization Utility - Storm	67,665	1,320
Citywide Child Ped School & Park Zone Safety	4,502		Horse Creek Improvements	(52,981)	220,286
Downtown Soil/Ground Cleanup	4,661,905	4,341,185	Monte Villa Drainage Improvements	26,875	34,850
East Norway Hill Improvements	44,274	394	North Creek TMDL Plan	7,040	
General Park Improvements	30,831		Parr Creek Flood Mitigation	43,675	20,171
Horse Creek Plaza	191,826	85,746	Sammamish River Side Channel		95,579
Main Street Enhancement	5,369,806	1,485,747	<b>Total Business-Type Activities</b>	<b>\$1,131,302</b>	<b>702,402</b>
Main Street Extension	270,035				
NE 185th Improvements	233,606				
NE 188th St Non-Motorized Imp	16,691				
Neighborhood Traffic Calming	41,443				
North Creek Field 3	74,950				
North Creek Trail Section 4	234,570	330,381			
Park at Bothell Landing	143,117				
Park at Bothell Landing Pedestrian Bridge	306,004	14,026			
Park Master Planning	68,260	26,789			
Pedestrian Crossing Beacons @ 100th & NE 20	1,039				
Pedestrian Crossing Beacons @ Beardslee Blv	3,025				
Pedestrian Crossing Beacons @ Waynita Way	1,039				
Pop Keeney Road	225,449				
Purchase of Northshore SD Property		239,063			
Safety Upgrade & Replacement Program	5,150				
Sammamish River Bridge Retrofit	2,927				
Sidewalk/Walkway Program	502,011	53,128			
SR 522 Bothell Crossroads		3,501			
SR 522 Stage 2B Improvements	102,672				
SR 522 Stage 3 Improvements Phase 1	2,796,747	703,407			
SR 522 Surplus Property (not a project)		2,177			
SR 527 and 228th Intersection		57,822			
SR 527 Multiway Boulevard Phase 2		396,503			
<b>Total Governmental Activities</b>	<b>\$16,943,871</b>	<b>8,649,633</b>			

Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$60,389,127	\$5,704,452	\$1,418,194	\$64,675,385
Infrastructure right-of-way	81,149,249	153,153		81,302,402
Construction in progress	17,274,500	748,740	1,079,370	16,943,871
<b>Total capital not being depreciated</b>	<b>\$158,812,876</b>	<b>\$6,606,346</b>	<b>\$2,497,564</b>	<b>\$162,921,658</b>
<b>Other capital assets:</b>				
Buildings	\$18,152,714	\$14,530		\$18,167,243
Capital lease – City Hall	\$51,475,433			\$51,475,433
Improvements	77,891,204	6,065,736		83,956,940
Infrastructure	1,595,586,260	6,702,482		1,602,288,743
Intangible Asset	4,700,000			4,700,000
Work of art	120,000	20,936		140,936
Vehicles	8,436,229	815,406	227,131	9,024,504
Equipment	3,422,400	458,532	6,821	3,874,110
<b>Total other capital assets at historical cost</b>	<b>\$1,759,784,240</b>	<b>\$14,077,621</b>	<b>\$233,952</b>	<b>\$1,773,627,909</b>
<b>Less accumulated depreciation for:</b>				
Buildings	\$4,995,575	\$363,005		\$5,358,579
Capital lease – City Hall	\$1,544,263	\$1,029,509		\$2,573,772
Improvements	27,961,422	4,318,474		32,279,896
Infrastructure	1,134,641,590	36,644,380		1,171,285,970
Intangible Asset	470,000	313,333		783,333
Work of art		7,723		7,723
Vehicles	4,997,203	736,753	174,917	5,559,039
Machinery & equipment	2,209,022	233,980	6,821	2,436,181
<b>Total accumulated depreciation</b>	<b>\$1,176,819,075</b>	<b>\$43,647,157</b>	<b>\$181,738</b>	<b>\$1,220,284,494</b>
<b>Governmental activities capital assets, net</b>	<b>\$741,778,040</b>	<b>(\$22,963,190)</b>	<b>\$2,549,777</b>	<b>\$716,265,073</b>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$5,735,788	\$3,649,860	\$8,254,346	\$1,131,302
Infrastructure right-of-way	1,935,081			1,935,081
Land and improvements	285,302			285,302
<b>Total capital not being depreciated</b>	<b>\$7,956,171</b>	<b>\$3,649,860</b>	<b>\$8,254,346</b>	<b>\$3,351,684</b>
<b>Other capital assets:</b>				
Buildings	\$8,847,826	\$58,500		\$8,906,326
Intangible plant	411,179			411,179
Improvements	66,522,428	7,037,146	53,232	73,506,342
Vehicles	221,353	83,958		305,311
Machinery & equipment	1,017,996	1,074,742		2,092,738
<b>Total other capital assets at historical cost</b>	<b>\$77,020,782</b>	<b>\$8,254,346</b>	<b>\$53,232</b>	<b>\$85,221,896</b>
<b>Less accumulated depreciation for:</b>				
Buildings	\$1,497,534	\$171,899		\$1,669,433
Intangible plant	411,179			411,179
Improvements	22,322,331	2,110,626	53,232	24,379,725
Vehicles	198,041	12,480		210,521
Machinery & equipment	580,273	146,479		726,752
<b>Total accumulated depreciation</b>	<b>\$25,009,358</b>	<b>\$2,441,484</b>	<b>\$53,232</b>	<b>\$27,397,610</b>
<b>Business-type activities capital assets, net</b>	<b>\$59,967,594</b>	<b>\$9,462,722</b>	<b>\$8,254,346</b>	<b>\$61,175,970</b>

**NOTE 7 / PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2017:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	(\$10,642,609)
Pension assets	6,577,255
Deferred outflows of resources	2,417,914
Deferred inflows of resources	(3,603,733)
Pension expense/expenditures	1,023,085

**State Sponsored Pension Plans**

Substantially, the City's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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 by writing to:

**Department of Retirement Systems Communications Unit**  
**P.O. Box 48380**  
**Olympia, WA 98540-8380**

The DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or

at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries.

PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee*</b>
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>

\*For employees participating in JBM, the contribution rate was 12.26%

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest- paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

**Contributions**

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>

\*For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017.

The City actual contributions were \$769,301 to PERS Plan 1 and \$1,035,078 to PERS Plan 2/3 for the year ended December 31, 2017.

**PUBLIC SAFETY EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

**PSERS Plan 2** was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- 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
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

**PSERS membership includes:**

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

**PSERS covered employers include:**

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the average final compensation (AFC) for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on year of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

**Contributions**

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The Plan 2 employer rates include components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of current-year covered payroll) for 2017 were as follows:

<b>PSERS Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January - June 2017:		
PSERS Plan 2	6.59%	6.59%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.54%</b>	<b>6.59%</b>
July-August 2017:		
PSERS Plan 2	6.73%	6.73%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.94%</b>	<b>6.73%</b>
September - December 2017:		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>11.95%</b>	<b>6.74%</b>

The City actual contributions were \$13,654 to PSERS Plan 2 and \$10,029 to PERS Plan 1 for the year ended December 31, 2017.

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF)**

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

**LEOFF Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service – 2.0% of FAS
- 10-19 years of service – 1.5% of FAS
- 5-9 years of service – 1% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service.

Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

**Contributions**

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2017. Employers paid only the administrative expense of 0.18 percent of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

**Contributions**

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>LEOFF Plan 2</b>		
<b>Actual Contribution Rates</b>	<b>Employer</b>	<b>Employee</b>
January - June 2017:		
State and Local Governments	5.05%	8.41%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.23%</b>	<b>8.41%</b>
July - December 2017:		
State and Local Governments	5.25%	8.75%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.43%</b>	<b>8.75%</b>

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the City as its proportionated share of this amount is \$573,052.

The City actual contributions to the plan were \$769,582 for the year ended December 31, 2017.

### Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007–2012 Experience Study and 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016 to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that

produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return</b>
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
<b>Total</b>	<b>100%</b>	

**Sensitivity of the Net Pension Liability / (Asset)**

The table below presents the City proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

<b>Pension Plan</b>	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$6,785,221	\$5,569,915	\$4,517,200
PERS 2/3	13,637,361	5,061,927	(1,964,369)
PSERS 2	72,293	10,767	(37,474)
LEOFF 1	(414,628)	(558,974)	(682,935)
LEOFF 2	1,302,347	(6,018,281)	(11,982,824)

**Pension Plan Fiduciary Net Position**

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City reported a total pension liability of \$10,642,609 for its proportionate share of the net pension liabilities and a total pension asset of \$6,577,255 for its proportionate share of the net pension assets as follows:

Pension Plan	Liability (or Asset)
PERS 1	\$5,569,915
PERS 2/3	5,061,927
PSERS 2	10,767
LEOFF 1	(558,974)
LEOFF 2	(6,018,281)

The amount of the liability / (asset) reported above for LEOFF Plan 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability/(asset), the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

Pension Plan	LEOFF 1 Asset	LEOFF2 Asset
Employer's proportionate share	(558,974)	(6,018,281)
State's proportionate share of the net pension asset associated with the employer	(3,780,888)	(3,903,947)
<b>Total</b>	<b>(4,339,862)</b>	<b>(\$9,922,228)</b>

At June 30, 2017, the City proportionate share of the collective net pension liabilities was as follows:

Pension Plan	Proportionate Share 6/30/2016	Proportionate Share 6/30/2017	Change in Proportion
PERS 1	0.122680%	0.117383%	-0.005297%
PERS 2/3	0.151951%	0.145687%	-0.006264%
PSERS 2	0.051392%	0.054951%	0.003559%
LEOFF 1	0.037459%	0.036842%	-0.000617%
LEOFF 2	0.442168%	0.433695%	-0.008473%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2017. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2017, the State of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2017, the state of Washington contributed 39.35 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.65 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2017, the City recognized pension expense as follows:

<b>Pension Plan</b>	<b>Pension Expense</b>
PERS 1	61,252
PERS 2/3	687,717
PSERS 2	15,123
LEOFF 1	(81,868)
LEOFF 2	340,860
<b>Total</b>	<b>\$1,023,085</b>

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(207,854)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	413,145	
<b>Total</b>	<b>\$413,145</b>	<b>(\$207,854)</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$512,893	(166,478)
Net difference between projected and actual investment earnings on pension plan investments		(1,349,388)
Changes of assumptions	53,767	
Changes in proportion and differences between contributions and proportionate share of contributions	51,724	(230,555)
Contributions subsequent to the measurement date	586,143	
<b>Total</b>	<b>\$1,204,526</b>	<b>(\$1,746,421)</b>

PSERS 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$6,368	(765)
Net difference between projected and actual investment earnings on pension plan investments		(7,551)
Changes of assumptions	91	
Changes in proportion and differences between contributions and proportionate share of contributions	1,258	(72)
Contributions subsequent to the measurement date	7,211	
<b>Total</b>	<b>\$14,928</b>	<b>(\$8,388)</b>

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		(51,942)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date		
<b>Total</b>	<b>-</b>	<b>(\$51,942)</b>

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$264,515	(228,223)
Net difference between projected and actual investment earnings on pension plan investments		(1,351,146)
Changes of assumptions	7,247	
Changes in proportion and differences between contributions and proportionate share of contributions	88,510	(9,763)
Contributions subsequent to the measurement date	425,040	
<b>Total</b>	<b>\$785,312</b>	<b>(\$1,589,133)</b>

Total of All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$783,775	(395,466)
Net difference between projected and actual investment earnings on pension plan investments		(2,967,881)
Changes of assumptions	\$61,106	
Changes in proportion and differences between contributions and proportionate share of contributions	\$141,492	(240,390)
Contributions subsequent to the measurement date	\$1,431,539	
<b>Total</b>	<b>\$2,417,914</b>	<b>(\$3,603,733)</b>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	PERS 1	PERS 2/3	PSERS 2	LEOFF 1	LEOFF 2	Total
2018	(140,496)	(537,576)	(1,426)	(32,598)	(615,136)	(1,327,232)
2019	44,357	121,958	1,541	8,792	146,155	322,803
2020	(10,299)	(153,815)	559	(3,511)	(87,156)	(254,222)
2021	(101,415)	(579,324)	(1,392)	(24,625)	(578,837)	(1,285,593)
2022		9,008	117		(16,840)	(7,715)
Thereafter		11,711	(70)		(77,047)	(65,406)
<b>Total</b>	<b>(207,854)</b>	<b>(\$1,128,038)</b>	<b>(\$671)</b>	<b>(\$51,942)</b>	<b>(\$1,228,861)</b>	<b>(\$2,617,365)</b>

**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. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan. There are three inactive plan members currently receiving benefits, and there are no active plan members.

Under State law, the Plan is provided an allocation of 25% of all moneys received by the State from taxes on fire insurance premiums, interest earnings, member contributions made prior to the inception of LEOFF, and the City contributions required to meet projected future pension obligations. In 2017, the fire insurance premium receipts amounted to \$57,257, which was sufficient to cover the 2017 expenses of \$67,108. It is the City's opinion that it will be able to meet any future funding requirements.

## Basic Financial Statements

City of Bothell

The financial activity of the Plan is presented in the Statement of Net Position – Fiduciary Funds, and the Statement of Changes in Net Position – Fiduciary Funds. The City administers the pension plan, but it is funded 100% by a percentage of the tax on fire insurance premiums received annually from the state. Future fire insurance premium tax revenues are assumed to increase at the rate of 2.5% per year.

The City performed a non-standard study for the purpose of determining net pension liability of the Plan. The study assumed post-retirement benefit salary increase of 3.0% and mortality rates using the 2013 Social Security Life Table. As of December 31, 2017, the City had a net pension liability of \$118,766 as shown below:

### Firefighter Pension Trust (LEOFF)

As of 12/31/2017

Name	Age at 1/1/2018	Life Expectancy 2013 Social Security Life Table	City's Portion Annual Payments	Annual Increase Rate	Total Payments At Expectancy	Total Payments Present Value	Current Assets	Net Pension Asset (Liabilities)
Retiree A	72	14	19,866	3%	(339,437)	(224,408)		
Retiree B	94	3	20,329	3%	(62,835)	(57,503)		
Retiree C	74	12	17,141	3%	(243,268)	(170,623)		
<b>Total</b>			<b>57,336</b>		<b>(645,540)</b>	<b>(452,534)</b>	<b>333,768</b>	<b>(118,766)</b>

## NOTE 8 / 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.

Government Activities	1/1/2017	Increases	Decreases	12/31/2017
Governmental funds	\$2,024,299	\$3,671,717	\$2,782,419	\$2,913,597
<b>Total Compensated Absences</b>	<b>\$2,024,299</b>	<b>\$3,671,717</b>	<b>\$2,782,419</b>	<b>\$2,913,597</b>
<b>Business-Type Activities</b>	<b>1/1/2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>12/31/2017</b>
Enterprise funds	\$146,467	\$239,537	\$206,676	\$179,327
<b>Total Compensated Absences</b>	<b>\$146,467</b>	<b>\$239,537</b>	<b>\$206,676</b>	<b>\$179,327</b>

**DEFERRED COMPENSATION**

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

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

These plans allow participants 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.

The City contributes a 3% match to the Police Officer's Guild and Police Captain's Union. In 2017, the City's contributions totaled \$153,934 and employee contributions totaled \$276,430.

**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.

**NOTE 9 / 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 2017 there were 16 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 Post-Employment Benefit (OPEB) Cost and Net OPEB Obligation (NOO)**

The City's annual OPEB cost is calculated based upon the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

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

The following table presents the components of the City's annual OPEB cost for the reporting year, the amount actually contributed to the plan and changes in the City's net OPEB.

The net OPEB obligation of \$2,672,206 is included as a noncurrent liability on the Statement of Net Position.

<b>Determination of Annual Required Contribution</b>	<b>Fiscal Year Ending 12/31/2017</b>
Normal Cost at Year End	-
Amortization of UAAL*	502,452
Annual Required Contribution	502,452
<b>*Unfunded Actuarial Accrued Liability (UAAL)</b>	
<b>Determination of Net OPEB Obligation</b>	<b>Fiscal Year Ending 12/31/2017</b>
Annual Required Contribution	\$502,452
Interest on Prior Year Net OPEB Obligation	97,136
Adjustment to ARC	(218,414)
Annual OPEB Cost	381,175
Contributions Made	137,376
Increase in Net OPEB Obligation	243,799
Net OPEB Obligation—Beginning of Year	\$2,428,407
Net OPEB Obligation—Ending of Year	\$2,672,206

**Funded Status and Funding Progress**

As of December 31, 2017 the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$5,586,458 and the actuarial value of the assets was \$0 resulting in a UAAL of \$5,586,458.

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.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial		Unfunded Actuarial		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
		Accrued Liability	Entry Age	Accrued Liability (UAAL)				
12/31/2008	-	\$6,280,456		\$6,280,456		0%	\$584,797	1073.95%
12/31/2009	-	5,987,508		5,987,508		0%	557,520	1073.96%
12/31/2010	-	5,784,108		5,784,108		0%	538,580	1073.95%
12/31/2011	-	5,563,967		5,563,967		0%	518,082	1073.95%
12/31/2012	-	5,416,802		5,416,802		0%	504,379	1073.95%
12/31/2013	-	4,769,138		4,769,138		0%	444,073	1073.95%
12/31/2014	-	6,288,031		6,288,031		0%	565,552	1111.84%
12/31/2015	-	5,768,184		5,768,184		0%	518,797	1111.84%
12/31/2016	-	6,100,079		6,100,079		0%	548,648	1111.84%
12/31/2017	-	5,586,458		5,586,458		0%	502,452	1111.84%

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

**Actuarial Methods and Assumptions** Projections of benefits for financial reporting purposes are based on the alternative measurement method permitted under GASB Statement No. 45. The City has 16 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, 2011 actuarial valuation report, which is prepared by the Office of the State Actuary (OSA).

**Actuarial Assumptions**

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

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

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

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

Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide LEOFF I medical study that was performed in 2013. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 15 years.

These assumptions are individually and collectively reasonable for the purposes of this valuation. The methods and assumptions used are in line with the LEOFF I 2013 medical report, which was prepared by OSA.

**Actuarial Assumptions**

The City's OPEB cost, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding years, provide multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Contribution as a Percentage of OPEB Cost</b>	<b>Net OPEB Obligation</b>
12/31/2008	\$595,101	43%	\$337,543
12/31/2009	541,279	53%	591,109
12/31/2010	510,140	61%	774,598
12/31/2011	480,813	42%	1,053,927
12/31/2012	453,671	35%	1,348,792
12/31/2013	379,177	42%	1,566,090
12/31/2014	487,340	30%	1,908,696
12/31/2015	423,474	34%	2,150,355
12/31/2016	441,254	37%	2,428,407
12/31/2017	381,175	36%	2,672,206

**NOTE 10 / CONTINGENCIES**

In the government-wide statements, arbitrage earnings liability is accrued as it is earned, and is expensed at year-end. In 2017, the City had no arbitrage excess earnings liability.

**Litigation**

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

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

**Contingencies under Grant Provisions**

The City participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors of their representatives. Such audits could inherently result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management does not anticipate any such allowances, but should a disallowance occur management believes a reimbursement would will be immaterial.

**Bond Indentures**

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

**Rebate Arbitrage**

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

**NOTE 11 / 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 161 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, errors or omissions, stop

gap, and employment practices and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$21 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$25 million per occurrence subject to aggregates and sub-limits. The Board of Directors determines the limits and terms of coverage annually. Insurance for property, automobile physical damage, fidelity, inland marine, and boiler and machinery coverage are purchased on a group basis. Various deductibles apply by type of coverage. Property coverage is self-funded from the members' deductible to \$750,000, and insured above that to \$300 million per occurrence subject to aggregates and sublimits. Automobile physical damage coverage is self-funded from the members' deductible to \$250,000 and insured above that to \$100 million per occurrence subject to aggregates and sublimits.

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

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

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

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

In the past 12 years insurance settlements have not exceeded insurance coverage.

## **NOTE 12 / 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.

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.

**Interfund Transfers**

Description	General Fund	Street Fund	Arterial Street Fund	1997 GO Bond Fund	LIFT GO Bond Fund	2014 GO Bond Fund	Capital Improvement Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		\$500,000					\$500,000	\$137,376	\$150,000	\$1,287,376
Street Fund										
Arterial Street Fund							2,033,570			2,033,570
Park Cumulative Reserve							196,775			196,775
Capital Improvement Fund	8,714,088				989,575	698,412				10,402,075
Equipment Rental Fund									974,619	974,619
<b>Total Transferred In</b>	<b>\$8,714,088</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$989,575</b>	<b>\$698,412</b>	<b>\$2,730,346</b>	<b>\$137,376</b>	<b>\$1,124,619</b>	<b>\$14,894,416</b>

In 2017, the City did not authorize budgetary transfer between governmental activities and business activities.

**NOTE 13 / LONG-TERM DEBT**

**General Long Term Debt**

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

General obligation bonds pledge the full faith and credit of the City. The City issues two types of general obligation bonds: limited tax general obligation (LTGO) bonds and unlimited tax general obligation (UTGO) bonds.

**2008 Refunding GO Bond**

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. The final principal payment of the twenty year bonds was redeemed on December 1, 2017.

**2013 A (Taxable) & B Limited Tax GO Bonds**

In 2012 the Bothell City Council authorized a \$7,000,000 short- term Limited Tax General Obligation Bond Anticipation Note (2012 BAN) to pay the final balance owed to the Northshore School District for property purchased and to carry out public improvements related to the downtown

revitalization. In 2013, Council authorized extension of the BAN maturity date through May 31, 2013. The BAN extension provided time for staff identify longer-term financing to accommodate the timetable necessary to sell surplus City properties. Staff determined that 20-year, bank qualified (BQ), General Obligation (GO) Bonds would provide the most advantageous financing option, given the current unprecedentedly low interest rates and the City's capital strategy. In June 2013, the City issued Limited Tax GO Bond without a vote 2013A (taxable) \$1,520,000, and GO Bond 2013B \$8,145,000 to retire the 2012 BAN. In 2017, Bond 2013A has been paid off.

**2014 Limited Tax GO Bonds (LIFT) Bonds**

In 2006, the City was awarded LIFT funding for downtown revitalization. The program funding consists of future rebates of state property and sales taxes up to \$1,000,000 per year for a maximum of 25 years and is allocated by the Department of Revenue (DOR) based on the State's portion of tax collected from within the City's designated Revenue Development Area (RDA). These rebated tax monies are restricted for debt service associated with the LIFT Bond.

**2014 Lease Revenue Bonds**

In 2014, COB Properties (COB), a Washington nonprofit corporation, issued \$49,625,000 COB Properties Lease Revenue Bonds for the City of Bothell City Hall Project. The bonds were issued by COB on behalf of City of Bothell pursuant to IRS Revenue Ruling 63-20 and 82-26. The City leased land to COB for construction of the new City Hall and the COB leases the premises to the City. Proceeds of the bonds were used for construction of the City Hall and parking garage. Bond principal and interest payments are the responsibility of COB. Lease payments made by the City will pay debt service of the Bonds. COB is a single purpose entity and not a governmental unit. It has no taxing power and no source of funds to pay debt service on the bonds other than the lease payments from the City of Bothell.

**Public Works Trust Fund (PWTF) Construction Loan**

In 2011, the City was awarded an \$8,000,000 PC12-951-022 construction loan and is allocated to the Bothell Crossroads SR- 522 realignment construction project. This loan is considered the general government obligation and is being paid from Capital Improvement Fund. The balance at the end of 2017 was \$6,259,723.

**Public Works Assistance (PWA) Loan**

Bothell has a PWA loan 98-791-007 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 final payment of \$112,598 will be completed in 2018. 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 2012, the City was awarded an \$800,000 construction loan (PC13-961-060) with 20 year maturity for Horse Creek enhancement project. The City finalized the project in 2016. This loan is a revenue obligation of the Storm & Surface Water Fund. The City began spending down the monies in 2014. The outstanding balance at the end of 2017 was \$683,078.

**Public Works Assistance (PWA) Loan**

In 2017, the City was received a new loan of \$125,000 from Snohomish County to fund installation of crosswalks with Rectangular Rapid Flashing Beacons within the City's various locations. The project will increase kid's safety at school crosswalks and the City spent \$39,450 on this project in 2017. The City repays the loan over ten year period.

**Revenue Bonds**

In 2014, the City issued \$18,355,000 in revenue bonds to finance Water, Sewer and Storm & Surface Water utility projects. The bonds are payable from revenues generated by user fees. A cash reserve is maintained in an amount equal to the lesser of (i) maximum annual debt service, (ii) 125% of average annual debt service, or (iii) 10% of the original proceeds of the bonds. The outstanding balance at the end of 2017 was \$16,535,000.

**Debt Service requirements to maturity**

Year	GO Refund Bond		GO Bond 2013 A&B		GO 2014 LIFT Bond		PWTF Loan		CH Lease Revenue Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
<b>Governmental Activities</b>												
2018			390,000	307,163	715,000	1,280,075	447,123	15,649	1,250,000	1,997,027	6,402,037	
2019			400,000	295,463	740,000	1,258,250	447,123	14,532	1,315,000	1,934,102	6,404,470	
2020			415,000	283,463	765,000	1,231,850	447,123	13,414	1,365,000	1,888,115	6,408,964	
2021			425,000	271,013	795,000	1,200,650	447,123	12,296	1,510,000	1,813,844	6,474,926	
2022			440,000	258,263	835,000	1,163,875	447,123	11,178	1,590,000	1,737,594	6,483,032	
2023-2027			2,450,000	1,037,313	4,845,000	5,133,625	1,788,492	39,123	9,210,000	7,416,719	31,920,272	
2028-2032			2,325,000	580,751	6,220,000	3,757,000	2,235,615	11,178	11,410,000	5,220,507	31,760,050	
2033-2037			1,300,000	58,500	4,555,000	2,159,125			13,700,000	2,928,423	24,701,048	
2038-2040					7,240,000	543,000			6,275,000	101,833	14,159,833	
<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,145,000</b>	<b>\$3,091,928</b>	<b>\$26,710,000</b>	<b>\$17,727,450</b>	<b>\$6,259,723</b>	<b>\$117,370</b>	<b>\$47,625,000</b>	<b>\$25,038,163</b>	<b>\$134,714,632</b>	
<b>Business-Type Activities</b>												
Year	2014 Revenue Bond		PWA Loan		PWTF Loan							Totals
	Principal	Interest	Principal	Interest	Principal	Interest						
2018	685,000	624,769	112,599	1,126	45,516	1,707						1,470,716
2019	720,000	590,519			45,516	1,593						1,357,628
2020	750,000	561,719			45,516	1,479						1,358,714
2021	780,000	531,719			45,516	1,365						1,358,600
2022	815,000	492,719			45,516	1,252						1,354,487
2023-2027	4,715,000	1,833,226			227,581	4,553						6,780,360
2028-2032	5,580,000	970,987			227,581	1,707						6,780,275
2033-2035	2,490,000	129,894										2,619,894
<b>Subtotal</b>	<b>\$16,535,000</b>	<b>\$5,735,552</b>	<b>\$112,599</b>	<b>\$1,126</b>	<b>\$682,742</b>	<b>\$13,656</b>						<b>\$23,080,674</b>
<b>Total</b>											<b>\$157,795,306</b>	

Debt Limit Capacities

State law dictates that City debt cannot be incurred in excess of the following taxable percentages: 1.5% without a vote of the people; 2.5% with a vote of 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. Debt limits were based on assessed property totaling \$8,783,447,254.

Debt Capacity as of January 1, 2018					
Regular levy assessed value less annexations		\$8,783,447,254			
Item	Without a Vote		With a Vote of the People		Total Capacity
	1.5%	1.0%	2.5%	2.5%	
Legal limit	\$131,751,709	\$87,834,473	\$219,586,181	\$219,586,181	\$658,758,544
Outstanding net debt	92,658,302				92,658,302
<b>Margin available</b>	<b>\$39,093,407</b>	<b>\$87,834,473</b>	<b>\$219,586,181</b>	<b>\$219,586,181</b>	<b>\$566,100,242</b>

Changes in Long-Term Liabilities

Description	Beginning Balance 1/01/2017	Additions	Reductions	Ending Balance 12/31/2017	Due Within One Year
<b>Governmental Activities</b>					
GO Refund Bond	695,000		695,000	-	
GO 2013A	385,000		385,000	-	
GO 2013B	8,145,000			8,145,000	390,000
GO 2013 A&B Bond Premium	386,951		22,762	364,189	22,762
LIFT Bond	27,405,000		695,000	26,710,000	715,000
LIFT Bond Premium	1,880,644		85,484	1,795,160	85,484
PTWF Loan PC12-951-022	6,706,846		447,123	6,259,723	447,123
Sno. County Safe School Crossing Loan		39,450		39,450	
COB Lease Revenue Bonds	48,625,000		1,000,000	47,625,000	1,250,000
COB Lease Revenue Bonds Premium	1,797,952		78,172	1,719,780	78,172
OPEB/LEOFF	2,428,407	243,799		2,672,206	
Compensated Absences	2,024,299	3,671,717	2,782,419	2,913,597	2,913,597
Pension	12,906,024	9,674,769	12,906,024	9,674,769	
Pollution Remediation	1,105,778		68,778	1,037,000	130,000
<b>Subtotal</b>	<b>114,491,900</b>	<b>13,629,735</b>	<b>19,165,762</b>	<b>108,955,874</b>	<b>\$6,032,137</b>
<b>Business-Type Activities</b>					
PWA Loan 98-791-007	\$225,197		\$112,599	\$112,598	\$112,598
Construction Loan PC 13-961-060	728,594		45,516	683,078	45,516
Utility Revenue Bonds	17,200,000		665,000	16,535,000	685,000
Revenue Bond Premium	1,123,246		63,281	1,059,964	63,281
Pension	1,354,924	967,840	1,354,924	967,840	
Compensated Absences	146,467	239,537	206,676	179,327	179,327
<b>Subtotal</b>	<b>\$20,778,427</b>	<b>\$1,207,377</b>	<b>\$2,447,996</b>	<b>\$19,537,808</b>	<b>\$1,085,723</b>
<b>Total</b>	<b>135,270,328</b>	<b>14,837,112</b>	<b>21,613,758</b>	<b>128,493,682</b>	<b>7,117,860</b>

## Capital Related Long-Term Liability

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/2017	Issued	Redeemed	Balance 12/31/2017	Due Within One Year
<b>Governmental Activities</b>									
GO Refund Bond	5/20/2008	12/1/2017	3.5-4.0%	6,070,000	695,000		695,000		
GO 2013A	6/25/2013	12/1/2017	0.6-1.65%	1,520,000	385,000		385,000		
GO 2013B	6/25/2013	12/1/2033	3.0-4.5%	8,145,000	8,145,000			8,145,000	390,000
GO 2013 A&B Bond Premium	6/25/2013	12/1/2033	3.0-4.5%	455,236	386,951		22,762	364,189	22,762
GO 2014 LIFT Bond	1/3/2014	3/1/2039	2.0-5.0%	28,210,000	27,405,000		695,000	26,710,000	715,000
GO 2014 LIFT Bond Premium	1/3/2014	3/1/2039	2.0-5.0%	2,137,096	1,880,644		85,484	1,795,160	85,484
PWTW Loan PC12-951-22	6/1/2012	6/1/2031	0.25%	8,000,000	6,706,846		447,123	6,259,723	447,123
COB City Hall Lease Revenue Bonds	7/1/2014	12/31/2039	3.6-5.0%	49,625,000	48,625,000		1,000,000	47,625,000	1,250,000
COB City Hall Lease Revenue Bonds Premium	7/1/2014	12/31/2039	3.6-5.0%	1,954,296	1,797,952		78,172	1,719,780	78,172
Sno. County Safe School Crossing Loan	2/27/2017	2/26/2027	1.50%	125,000		39,450		39,450	
<b>Subtotal</b>				<b>\$106,241,628</b>	<b>\$96,027,393</b>	<b>\$39,450</b>	<b>\$3,408,541</b>	<b>\$92,658,302</b>	<b>\$2,988,541</b>
<b>Business-Type Activities</b>									
PWA Loan 98-791-007	10/15/1998	10/13/2018	1.00%	\$1,890,000	\$225,197		\$112,599	\$112,598	\$112,598
Combined Utility Revenue Bonds 2014	10/8/2014	10/8/2034	2.63-5.0%	18,355,000	17,200,000		665,000	16,535,000	685,000
Combined Utility Revenue Bonds 2014 Premium	10/8/2014	10/8/2034	2.63-5.0%	1,265,629	1,123,246		63,281	1,059,964	63,281
Construction Loan PC13-961-060	6/1/2013	6/1/2032	0.25%	800,000	728,594		45,516	683,078	45,516
<b>Subtotal</b>				<b>\$22,310,629</b>	<b>\$19,277,036</b>		<b>\$886,396</b>	<b>\$18,390,640</b>	<b>\$906,395</b>
<b>Total</b>				<b>\$128,552,257</b>	<b>\$115,304,429</b>	<b>\$39,450</b>	<b>\$4,294,937</b>	<b>\$111,048,942</b>	<b>\$3,894,936</b>

## NOTE 14 / IMPACT FEES

## Park Impact Fees

Since 1997, per the City's Municipal Code, Park impact fees have been accounted for separately in a Special Revenue Fund titled Park Cumulative Reserve. The monies remain in the Special Revenue Fund until they are transferred to the City's Capital Improvements Fund for appropriation towards park capital projects. Park impact fees are recognized as revenue when the development commences. As of December 31, 2017, park impact fee fund balance totaled \$3,480,023.

## Traffic Impact Fees

Traffic impact fees are recognized as 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 until the City Council appropriates the monies toward approved capital improvement projects. As of December 31, 2017, traffic impact fund balance totaled \$6,116,191.

**Fire Impact Fees**

In 2017, fire impact fees were enacted to ensure new development bears a share of the cost of capital facilities to accommodate new growth. Funds are used solely for capital improvements within the fire impact fee service areas. Funds are expended on a "first in/first out" accounting basis, and the City received fire impact fees \$34,108 in 2017.

**NOTE 15 / POLLUTION REMEDIATION OBLIGATIONS**

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

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

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

Beginning in 2010, the City purchased properties for a downtown revitalization plan. As of December 31, 2017, the City has seven sites that constitute pollution remediation obligations. All sites are subject to capitalization, and all expenditures have been recorded according to GASB Statement No. 49.

The sites that constitute pollution remediation obligations are:

- 1) Bothell Landing\* – Contaminated with petroleum in soil and groundwater.
- 2) Bothell Riverside\* – Contaminated with petroleum in soil and groundwater, as well as chlorinated solvents in groundwater.
- 3) Bothell Paint & Decorating\* – Contaminated with petroleum in soil and groundwater, as well as heavy metals in soil.
- 4) Former Hertz\* – Contaminated with petroleum in soil and groundwater.
- 5) Bothell Ultra Custom Cleaners (aka Case) – Contaminated with chlorinated solvents in soil and groundwater.
- 6) Northshore School District – Contaminated with petroleum in soil and groundwater. The City is enrolled in Department of Ecology's Voluntary Cleanup Program. The City performed petroleum remediation in 2010 and partnered with the Northshore School District in 2014 to clean up the off-site contamination that was found on adjacent private property. Additional cleanup may be pursued under The Pollution Liability Insurance Agency (PLIA), as directed by the City manager.
- 7) Bothell Service Center (aka BSC)\*\* – Contaminated with chlorinated solvents in soil and groundwater.

## Basic Financial Statements

City of Bothell

\*Four of these sites lie in the pathway of the recently completed Crossroads realignment project and were acquired with known or suspected pollution that was expected to be remediated. These four parcels are enrolled in Agreed Orders (AO) under the Department of Ecology's remedial oversight program.

\*\*One of the sites lies in the pathway of the Main Street extension and was acquired with known or suspected pollution that was expected to be remediated. This parcel was initially enrolled in the Voluntary Clean-Up Program and was consequently enrolled in a consent decree for clean-up.

Site	Beginning Balance	Costs for 2017	Future Petroleum	Future Solvents	Total
*Bothell Landing	\$1,200,304	\$52,155	\$112,000		\$1,364,460
*Bothell Riverside	788,748	460,104	336,000		1,584,852
*Bothell Paint & Decorating	868,530	23,421	112,000		1,003,951
*Former Hertz	820,396	16,125	112,000		948,521
McDonald's (Clean)	11,116				11,116
Northshore School District	2,553,059	34,634	365,000		2,952,693
Bothell Ultra Custom Cleaners (Case)	1,260,833	129,892		1,020,000	2,410,725
**Bothell Service Center (Up-gradient Solvent Sources)	949,179	372,638		3,820,000	5,141,817
Other Sites	531,064	19,035			550,099
116th Partners Group (Clean)	33,713				33,713
<b>Total</b>	<b>\$ 9,016,942</b>	<b>\$ 1,108,005</b>	<b>\$ 1,037,000</b>	<b>\$ 4,840,000</b>	<b>\$ 16,001,946</b>

Site	Capitalization for 2017	Future Costs (Liabilities)
*Bothell Landing	\$52,155	\$112,000
*Bothell Riverside	460,104	336,000
*Bothell Paint & Decorating	23,421	112,000
*Former Hertz	16,125	112,000
City Hall (Clean)	204	
Horse Creek (Clean)	33,307	
Multiway Boulevard (Clean)	23,159	
Northshore School District	34,634	365,000
Schuck's/ O'Reilly (Clean)	620	
<b>Total</b>	<b>\$643,729</b>	<b>\$1,037,000</b>

**NOTE 16 / LEASES**

**Operating Leases**

The City has one operating lease, the 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. As of December 2017, the monthly lease payment was \$6,799.

**Capital Lease**

The City leases Bothell City Hall from COB Properties (COB) under a capital lease arrangement. In 2015, in compliance with GAAP, the City recorded capital lease asset at the present value of future minimum lease payments as of the inception date.

<b>The asset of the City Hall acquired through capital lease is as follows:</b>		
<b>Asset</b>	<b>Governmental Activities</b>	
City Hall Building		\$51,475,433
Less: Accumulated depreciation		(2,573,772)
<b>Total</b>		<b>\$48,901,661</b>
<b>The present value of the future minimum lease obligations:</b>		
<b>Years Ending December 31</b>	<b>Capital Lease</b>	
2018		\$3,247,027
2019		3,249,102
2020		3,253,115
2021		3,323,844
2022		3,327,594
Thereafter		56,262,481
<b>Total</b>		<b>\$72,663,163</b>

**NOTE 17 / BLENDED COMPONENT UNIT**

COB is a non-profit corporation created in 2014 pursuant to Internal Revenue Service Ruling 63-20, and issued \$49,625,000 Lease Revenue Bonds for the City Hall Project. Its sole purpose is to finance, construct and lease the city hall and parking garage to the City under a capital lease arrangement. Capital lease payments from the City are the single source to pay debt service on the Bonds. As required by GAAP, COB as a blended component unit is consolidated into City's fund financial statements and schedules.

As part of the capital lease agreement the City pays monthly maintenance and asset management fees to COB. The financial statements of COB are reported as an Internal Service Fund.

The audited financial statements of COB are reported as an Internal Service Fund in the City's combining financial statements.

**NOTE 18 / HEALTH & WELFARE**

The City of Bothell is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2017, 261 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members. The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2017, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Kaiser ISL at \$1 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and

benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for The AWC Trust HCP is available from the Washington State Auditor's office.

## **NOTE 19 / JOINT VENTURES AND OPERATIONS**

### **A Regional Coalition for Housing (ARCH)**

In November 1992, the City of Bothell joined the Cities of Kirkland, Bellevue, Redmond, and King County to establish A Regional Coalition for Housing (ARCH). The agreement was recently amended in 2010. Since its inception, King County, the Cities of Redmond, Bellevue, Kirkland, Bothell, Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, Yarrow Point, and Beaux Arts Village joined ARCH.

ARCH's purpose is to cooperatively formulate affordable housing goals and policies and to foster efforts to provide affordable housing for low and moderate-income households by combining public funding with private sector resources. ARCH assists member governments in developing housing policies, strategies, programs, and development regulations; identifies and prioritizes projects which the member cities fund directly through their own grants, Community Development Block Grants and US Department of Housing and Urban Development's (HUD) grants.

ARCH is governed by an Executive Board composed of a Chief Executive Officer from each member. The Executive Board is responsible for review and approval of all budgetary, financial, policy and contractual matters. The Board is assisted by an administrative staff and a Citizen Advisory Board.

Each member city provides operating funding and contributes operating revenues as specified in the annual budget for ARCH. Contributions from the member cities are based on each member's population. Contributions by member agencies are held in the ARCH Housing Trust Fund Account and dispersed by the Administering Agency for approved projects. Members may withdraw from the ARCH agreement by giving one year's written notice to the Executive Board, by December 31st of any year, of its intention to terminate, effective December 31st of the following year. Members remain legally and financially responsible for any obligation incurred while a member of ARCH. Upon dissolution, the agreement provides for distribution of all property and assets among the members based on the percentage of the total annual contributions during the period of the agreement paid by each member. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements. In 2017, the City's contributions totaled \$105,410

Budget monitoring information can be obtained from ARCH, c/o Art Sullivan, 16225 NE 87th Street, A-3, Redmond, WA 98052. 0911, Bellevue. WA 98015-0911.

**eCityGov Alliance**

On March 25, 2002, the City of Bellevue City Council unanimously adopted a resolution establishing the eCityGov Alliance between the City of Bellevue and the Cities of Bothell, Issaquah, Kenmore, Kirkland, Mercer Island, Sammamish and Snoqualmie. Since then, additional cities and agencies have joined. The Alliance establishes on-line services through a jointly operated internet portal. In 2014 eCityGov Alliance became a non-profit corporation. Expenditures consist of capital and operations costs as specified in the budget adopted by the eCityGovAlliance Executive Board, and Bellevue's administrative costs associated with performing duties as the Alliance's fiscal agent. Revenues consist of annual membership fees from the members of the eCityGov Alliance. In 2017, the City of Bothell paid dues totaling \$56,495. The interlocal agreement may be terminated if Principals holding at least 66% of the weighted vote of all of the Principals are in concurrence. Upon termination, all property acquired shall be disposed of as follows: (1) property contributed without charge by any member shall revert to the contributor; (2) all property purchased after the effective date of the interlocal agreement shall be distributed to the Principals based upon each Principal's proportional ownership interest at the time of the sale of the property. The City's share of assets is deemed immaterial and thus not reflected in the financial statements.

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, c/o Tarik Rahmani, P.O. Box 90012, Bellevue, WA 98009.

**North East King County Regional Public Safety Communications Agency (NORCOM)**

In November 2007, the City of Bothell, with the Cities of Bellevue, Kirkland, Clyde Hill, Medina, Mercer Island, and Snoqualmie, along with Eastside Fire and Rescue, King County Fire Protection Districts 27 and 45, King and Kittitas County Fire Protection District 51, Northshore Fire Department, Shoreline Fire Department, and Woodinville Fire and Life Safety District entered into an interlocal agreement to establish and maintain a consolidated emergency service communications center to the public for emergency medical services, fire and law enforcement. Prior to the interlocal agreement, the formation efforts were carried out under a Joint Powers Agreement originally approved in 2005 and amended in 2006 and 2007. On July 1st, 2009, the separate dispatch operations of the Cities of Bellevue and Kirkland were combined and began operating as the North East King County Regional Public Safety Communications Agency (or NORCOM).

The Bothell Police Department provides emergency service communications and dispatching services for its law enforcement personnel. Bothell and NORCOM are each Public Safety Answering Points (PSAP) for the purposes of the E9-1-1 system, which requires that each PSAP have a backup agency to provide emergency communications and dispatch services in the event of a disruption in the PSAP's abilities to provide those services at its own primary facility. NORCOM serves as backup facilities for the Bothell Police Department.

NORCOM includes 911 telephone answering, computer aided dispatch of fire, police and EMS resources, public safety field technology and a records management system. Operating revenues are provided by user fees charged to each member based on average call volume. In 2017, the City of Bothell paid \$358,301 for NORCOM services.

Additional financial information can be obtained from NORCOM, c/o Gwen Pilo, Finance Manager, P.O. Box 50911, Bellevue. WA 98015-0911.

**NOTE 20 / GOVERNMENTAL FUND BALANCES**

Governmental fund balances are classified as either spendable or non-spendable. Spendable fund balances are further categorized as restricted, committed, assigned, and unassigned. Restricted amounts are constrained to specific purposes by higher levels of government (such as Federal or State), grantors, bondholders, constitutional provisions or enabling legislation. Committed amounts are amounts specified by the government itself (City Council), and cannot be used for any other purpose than specified by the City Council through resolution. Assigned amounts reflect an intent by the local government (City Council), to use for a specific purpose and delegates the authority to an official or body of the government. Unassigned amounts are available for any purpose of the government with only positive amounts that should be reported in the General Fund.

An itemization of designated fund balance categories from the Governmental Funds Balance Sheet is shown below:

	<u>General</u>	<u>Special Revenue Fund Arterial Street</u>	<u>Major Capital Projects Fund Capital Improvements</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Parks donations	14,540				14,540
Police donations	52,520				52,520
Fire donations	46,146				46,146
Community Development donations	2,469				2,469
Tourism	632,789				632,789
Tourism capital	208,111				208,111
Transportation		6,116,191			6,116,191
Parks and recreation				3,480,023	3,480,023
Capital projects			2,990,654		2,990,654
Street maintainance				2,347,559	2,347,559
Drug Forfeitures	11,035			82,277	93,312
Fire impact fees				34,108	34,108
Debt service				88,030	88,030
Cemetery services				16,321	16,321
<b>Committed to:</b>					
Advance travel	15,000				15,000
Imprest funds	1,750				1,750
Cemetery services				67,692	67,692
<b>Assigned to:</b>					
Capital projects	1,711,130				1,711,130
<b>Unassigned:</b>	6,336,136				6,336,136
<b>Total</b>	<b>9,031,626</b>	<b>6,116,191</b>	<b>2,990,654</b>	<b>6,116,011</b>	<b>24,254,482</b>

**NOTE 21 / TAX ABATEMENT**

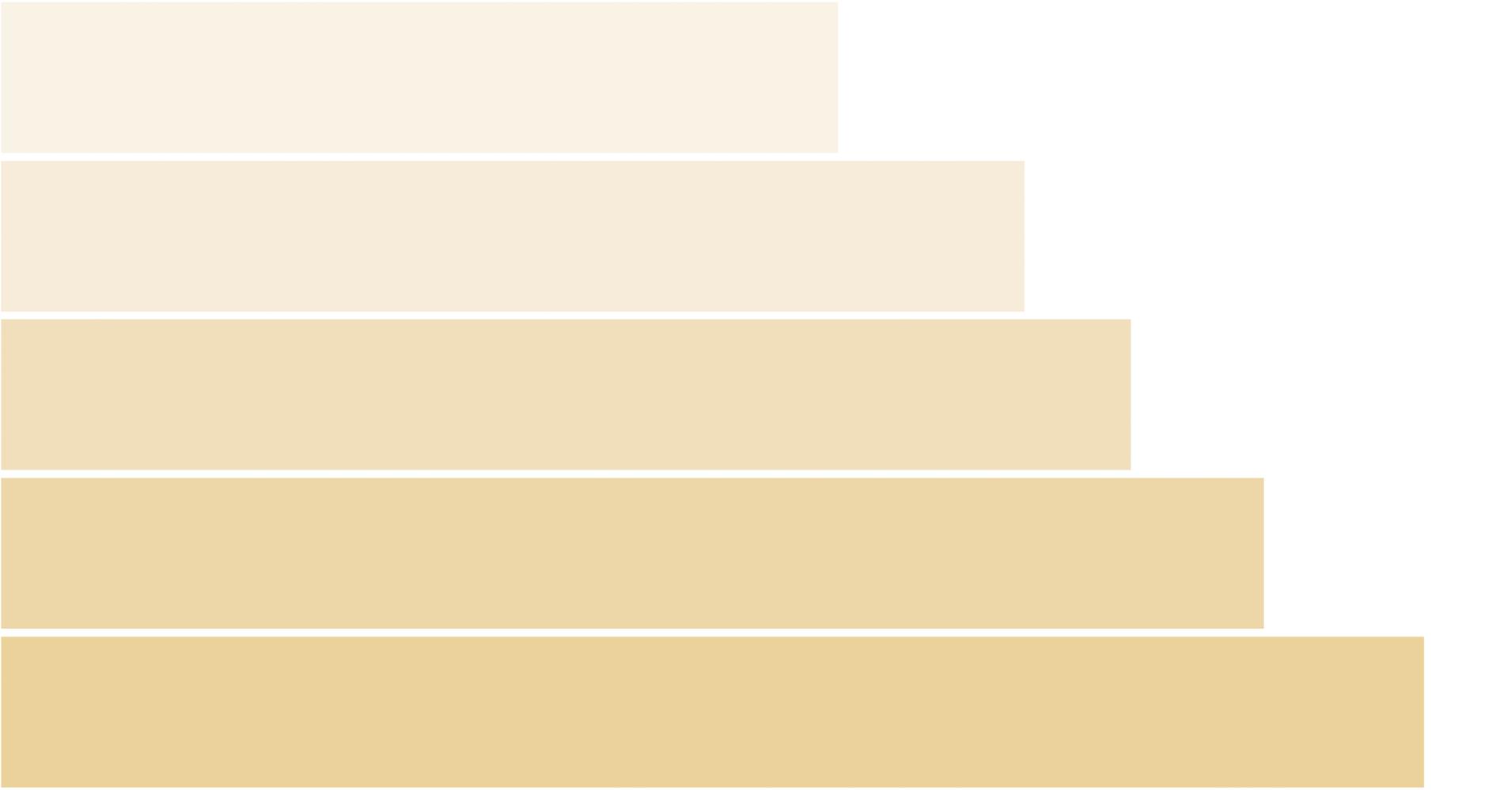
In 2017, the City implemented GASB Statement 77 – Tax Abatement Disclosures. Tax abatement is a reduction in tax revenues that result from an agreement between one or more governments and an individual or entity in which: a) one or more governments promise to forgo tax revenues to which they are otherwise entitled, and b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Bothell, itself, does not have any tax abatement agreements with other entities or individuals. However, the State of Washington provides various tax abatement programs that reduce the amount of tax revenues that flow through to the local jurisdictions. In 2017, the Department of Revenue provided tax abatement programs to biotechnology and high-technology entities within the city limits which reduced the City's sales tax revenues by \$174,206 and \$403,660 respectively. The Department of Revenue's reported figures are estimates based upon calendar year 2016 as a proxy for fiscal year 2017.

Additional information regarding the state tax abatement programs can be found on the [Department of Revenue's](#) website.



City of Bothell™



**REQUIRED SUPPLEMENTAL INFORMATION**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
General Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Taxes	\$ 68,136,844	\$ 68,136,844	\$ 32,761,472		\$ 32,761,472	\$ (35,375,372)
Licenses and permits	7,027,649	7,027,649	3,344,724		3,344,724	(3,682,925)
Intergovernmental revenues	2,636,721	2,636,721	1,670,665		1,670,665	(966,056)
Charges for services	16,473,655	16,795,155	8,025,543		8,025,543	(8,769,612)
Fines and forfeitures	812,100	812,100	301,926		301,926	(510,174)
Interest earnings	504,400	504,400	464,931		464,931	(39,469)
Contributions	111,500	111,500	45,175		45,175	(66,325)
Other revenue	1,048,040	1,048,040	930,305		930,305	(117,735)
Total revenues	<u>96,750,909</u>	<u>97,072,409</u>	<u>47,544,742</u>	<u>-</u>	<u>47,544,742</u>	<u>(49,527,667)</u>
<b>EXPENDITURES</b>						
Current						
General government	23,877,145	23,787,572	11,528,616		11,528,616	12,258,956
Security of persons and property	49,460,829	49,510,829	26,546,317		26,546,317	22,964,512
Transportation	9,704,619	9,821,119	4,418,744		4,418,744	5,402,375
Physical environment	51,600	51,600	18,330		18,330	33,270
Economic environment	8,017,894	8,161,794	4,245,208		4,245,208	3,916,586
Culture and recreation	3,899,706	4,144,906	1,886,405		1,886,405	2,258,501
Debt service						
Debt service - interest						
Capital outlay	77,000	273,073	595,057		595,057	(321,984)
Total expenditures	<u>95,088,793</u>	<u>95,750,893</u>	<u>49,238,677</u>	<u>-</u>	<u>49,238,677</u>	<u>46,512,216</u>
Excess of revenue over (under) expenditures	1,662,116	1,321,516	(1,693,936)	-	(1,693,936)	(3,015,452)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,100,000	9,306,000	8,714,088		8,714,088	(591,912)
Transfers out	(2,762,116)	(2,762,116)	(1,287,376)		(1,287,376)	1,474,740
Total other financing sources	<u>(1,662,116)</u>	<u>6,543,884</u>	<u>7,426,712</u>	<u>-</u>	<u>7,426,712</u>	<u>882,828</u>
Net change in fund balances	\$ -	\$ 7,865,400	\$ 5,732,776	\$ -	\$ 5,732,776	\$ (2,132,624)
FUND BALANCES - JANUARY 1, 2017	3,982,604	3,982,604	3,298,850		3,298,850	(683,754)
<b>FUND BALANCES - DECEMBER 31, 2017</b>	<b>\$ 3,982,604</b>	<b>\$ 11,848,004</b>	<b>\$ 9,031,626</b>	<b>\$ -</b>	<b>\$ 9,031,626</b>	<b>\$ (2,816,378)</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
Arterial Street Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Intergovernmental revenues						
Charges for services	\$ 10,208,113	\$ 10,208,113	\$ 2,687,540		\$ 2,687,540	\$ (7,520,573)
Interest earnings						
Other revenue						
Total revenues	<u>10,208,113</u>	<u>10,208,113</u>	<u>2,687,540</u>	<u></u>	<u>2,687,540</u>	<u>(7,520,573)</u>
<b>EXPENDITURES</b>						
Current						
Construction projects						
Capital Outlay						
Debt Service - principal						
Debt Service - interest						
Total expenditures	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>	<u></u>
Excess of revenue over (under) expenditures	10,208,113	10,208,113	2,687,540		2,687,540	(7,520,573)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in					-	-
Transfers out	<u>(4,028,656)</u>	<u>(4,028,656)</u>	<u>(2,033,570)</u>	<u></u>	<u>(2,033,570)</u>	<u></u>
Total other financing sources	<u>(4,028,656)</u>	<u>(4,028,656)</u>	<u>(2,033,570)</u>	<u></u>	<u>(2,033,570)</u>	<u>-</u>
Net change in fund balances	\$ 6,179,457	\$ 6,179,457	\$ 653,970		\$ 653,970	\$ (5,525,487)
FUND BALANCES - JANUARY 1, 2017	6,836,297	6,836,297	5,462,221		5,462,221	(1,374,076)
<b>FUND BALANCES - DECEMBER 31, 2017</b>	<b><u>\$ 13,015,754</u></b>	<b><u>\$ 13,015,754</u></b>	<b><u>\$ 6,116,191</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,116,191</u></b>	<b><u>\$ (6,899,563)</u></b>

Schedule of Proportionate Share of the Net Pension Liability PERS 1 As of June 30, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.121450%	0.122680%	0.117383%
Employer's Proportionate Share of the Net Pension Liability	6,352,964	6,588,494	5,569,915
TOTAL	6,352,964	6,588,494	5,569,915
Employer's Covered Employee Payroll	13,786,742	14,498,305	14,618,695
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	46.08%	45.44%	38.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.10%	57.03%	61.24%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Proportionate Share of the Net Pension Liability PERS 2/3 As of June 30, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.151904%	0.150951%	0.145687%
Employer's Proportionate Share of the Net Pension Liability	\$5,427,617	7,650,613	5,061,927
TOTAL	\$5,427,617	7,650,613	5,061,927
Employer's Covered Employee Payroll	\$13,515,966	14,191,416	14,283,210
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	40.16%	53.91%	35.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.20%	85.82%	90.97%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Proportionate Share of the Net Pension Liability PSERS 2 As of June 30, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.042517%	0.051392%	0.054591%
Employer's Proportionate Share of the Net Pension Liability	\$7,760	21,841	10,767
TOTAL	\$7,760	21,841	10,767
Employer's Covered Employee Payroll	\$129,922	166,553	194,556
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	5.97%	13.11%	5.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.08%	90.41%	96.26%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Proportionate Share of the Net Pension Liability LEOFF 1 As of June 30, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.037398%	0.037459%	0.036842%
Employer's Proportionate Share of the Net Pension Liability	(\$450,729)	(385,935)	(558,974)
State's Proportionated Share of the Net Pension Liability (Asset) Associated with the Employer	(\$3,067,869)	(2,610,454)	(3,780,888)
TOTAL	(\$3,518,598)	(2,996,389)	(4,339,862)
Employer's Covered Employee Payroll	-	-	-
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll			
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.36%	123.74%	135.96%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Proportionate Share of the Net Pension Liability LEOFF 2 As of June 30, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Employer's Proportion of the Net Pension Liability (Asset)	0.446157%	0.442168%	0.433695%
Employer's Proportionate Share of the Net Pension Liability	(\$4,585,602)	(2,571,782)	(6,018,281)
LEOFF 2 Employers Only - State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(\$3,032,006)	(1,676,615)	(3,903,947)
TOTAL	(\$7,617,608)	(4,248,397)	(9,922,228)
Employer's Covered Employee Payroll	\$13,047,275	13,395,080	13,567,101
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	-58.38%	-31.72%	-73.13%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	111.67%	106.04%	113.36%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Employer Contributions PERS 1 As of December 31, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Statutorily or Contractually Required Contributions	\$630,678	\$701,167	\$769,301
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$630,678)	(\$701,167)	(\$769,301)
Contribution Deficiency (Excess)	-	-	-
Covered Employer Payroll	\$14,176,738	\$14,322,135	\$15,527,021
Contributions as a Percentage of Covered Employee Payroll	4.45%	4.90%	4.95%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

**Schedule of Employer Contributions  
PERS 2/3  
As of December 31, 2017  
Last 10 Fiscal Years\***

	2015	2016	2017
Statutorily or Contractually Required Contributions	\$784,160	\$883,523	\$1,035,078
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$784,160)	(\$883,523)	(\$1,035,078)
Contribution Deficiency (Excess)	-	-	-
Covered Employer Payroll	\$13,898,168	\$14,181,934	\$15,178,196
Contributions as a Percentage of Covered Employee Payroll	5.64%	6.23%	6.82%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Employer Contributions  
 PSERS 2  
 As of December 31, 2017  
 Last 10 Fiscal Years\*

	2015	2016	2017
Statutorily or Contractually Required Contributions	\$8,910	12,814	13,654
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$8,910)	(12,814)	(13,654)
Contribution Deficiency (Excess)	-	-	
Covered Employer Payroll	\$137,513	194,445	205,096
Contributions as a Percentage of Covered Employee Payroll	6.48%	6.59%	6.66%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Employer Contributions LEOFF 1 As of December 31, 2017 Last 10 Fiscal Years*			
	2015	2016	2017
Statutorily or Contractually Required Contributions	\$ -	\$ -	\$ -
Contributions in Relation to the Statutorily or Contractually Required Contributions	\$ -	\$ -	\$ -
Contribution Deficiency (Excess)	-	-	-
Covered Employer Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	NA	NA	NA

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

**Schedule of Employer Contributions  
LEOFF 2  
As of December 31, 2017  
Last 10 Fiscal Years\***

	2015	2016	2017
Statutorily or Contractually Required Contributions	\$689,895	\$674,658	\$769,582
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$689,895)	(\$674,658)	(\$769,582)
Contribution Deficiency (Excess)	-	-	-
Covered Employer Payroll	\$13,175,218	\$13,364,894	\$14,792,634
Contributions as a Percentage of Covered Employee Payroll	5.24%	5.05%	5.20%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Employer Contributions Firefighters' Pension Fund As of December 31, 2017 Last 10 Fiscal Years*		
	2016	2017
Statutorily or Contractually Required Contributions	\$42,705	\$57,336
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$40,946)	(\$67,108)
Contribution Deficiency (Excess)	1,759	(9,772)
Covered Employer Payroll	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	N/A	N/A

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

**Schedule of Changes in Net Pension Liability  
Firefighters' Pension Fund  
As of December 31, 201**

	<b>2016</b>	<b>2017</b>
Total Pension Liability		
Employer's total pension liability	\$330,775	\$452,534
<b>TOTAL</b>	<b>\$330,775</b>	<b>\$452,534</b>
Plan Fiduciary Net Position		
Employer's contribution	\$56,151	\$57,257
Benefit payments	(\$40,946)	(\$67,108)
Net change in plan fiduciary net position	\$15,205	(\$9,851)
Plan fiduciary net position – beginning	\$328,414	\$343,619
Plan fiduciary net position – ending	\$343,619	\$333,768
Net pension liability (asset) ending	(\$12,844)	\$118,766
Plan fiduciary net position as a percentage of the total pension liability	103.88%	73.76%
Employer's covered employee payroll	\$ -	\$ -
Net pension liability as a % of covered employee payroll	N/A	N/A

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

Schedule of Funding Progress  
LEOFF 1 Medical Benefits  
As of December 31, 2017  
Last 10 Fiscal Years\*

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	-	\$5,987,508	\$5,987,508	0%	\$557,520	1073.96%
12/31/2010	-	\$5,784,108	\$5,784,108	0%	\$538,580	1073.95%
12/31/2011	-	\$5,563,967	\$5,563,967	0%	\$518,082	1073.95%
12/31/2012	-	\$5,416,802	\$5,416,802	0%	\$504,379	1073.95%
12/31/2013	-	\$4,769,138	\$4,769,138	0%	\$444,073	1073.95%
12/31/2014	-	\$6,288,031	\$6,288,031	0%	\$565,552	1111.84%
12/31/2015	-	\$5,768,184	\$5,768,184	0%	\$518,797	1111.84%
12/31/2016	-	\$6,100,079	\$6,100,079	0%	\$548,648	1111.84%
12/31/2017	-	\$5,586,458	\$5,586,458	0%	\$502,452	1111.84%

\*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.



City of Bothell™



# **COMBINING FINANCIAL STATEMENTS**

## NON-MAJOR OTHER 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.

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

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

### PERMANENT FUNDS

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

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

### DEBT SERVICE FUNDS

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

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

**2013 General Obligation Bond Fund** – This fund accounts for the retirement of general purpose bonds issued for public improvements related to the Downtown Revitalization.

**2014 Local Infrastructure Financing Tool (LIFT) Bond Fund** – This fund accounts for the retirement of general purpose bonds issued for public improvements related to LIFT funding for the City's designated Revenue Development Area (RDA).

Combining Balance Sheet  
Other Governmental Funds  
December 31, 2017

	Special Revenue Funds				Total Special Revenue Funds	Permanent Fund	Debt Service Funds			Total Other Governmental Funds	
	Street	Park Cumulative Reserve	Drug Forfeitures	Fire Impact Fees		Cemetery Endowment	2008 GO Refunding Bond	2013 GO Bond	Lift GO Bond		Total Debt Service Funds
<b>ASSETS</b>											
Current cash & cash equivalents	\$ 784,718	\$ 480,023	\$ 80,747	\$ 34,108	\$ 1,379,595	\$ 84,013	\$ 88,030	\$ 25,597	\$ 430,267	\$ 543,894	\$ 2,007,502
Investments	1,500,000	3,000,000			4,500,000						4,500,000
Receivables (net of allowances):					-						
Taxes					-		12,010			12,010	12,010
Accounts receivable	155				155						155
Due from other governmental units	149,927		1,530		151,457						151,457
<b>TOTAL ASSETS</b>	<b>\$ 2,434,799</b>	<b>\$ 3,480,023</b>	<b>\$ 82,277</b>	<b>\$ 34,108</b>	<b>\$ 6,031,207</b>	<b>\$ 84,013</b>	<b>\$ 100,041</b>	<b>\$ 25,597</b>	<b>\$ 430,267</b>	<b>\$ 555,904</b>	<b>\$ 6,671,125</b>
<b>LIABILITIES</b>											
Accounts payable	26,830				26,830			25,597	430,267	455,864	482,693
Payroll payable	60,410				60,410						60,410
Total liabilities	87,240	-	-	-	87,240	-	-	25,597	430,267	455,864	543,104
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Unavailable revenue							12,010			12,010	12,010
Total deferred inflows of resources							12,010			12,010	12,010
<b>FUND BALANCES</b>											
Restricted	\$ 2,347,559	\$ 3,480,023	\$ 82,277	\$ 34,108	\$ 5,943,967	\$ 16,321	\$ 88,030			\$ 88,030	\$ 6,048,318
Committed						67,692					67,692
Total fund balances	2,347,559	3,480,023	82,277	34,108	5,943,967	84,013	88,030	-	-	88,030	6,116,011
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,434,799</b>	<b>\$ 3,480,023</b>	<b>\$ 82,277</b>	<b>\$ 34,108</b>	<b>\$ 6,031,207</b>	<b>\$ 84,013</b>	<b>\$ 100,041</b>	<b>\$ 25,597</b>	<b>\$ 430,267</b>	<b>\$ 555,904</b>	<b>\$ 6,671,125</b>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Other Governmental Funds  
For the Year Ended December 31, 2017**

	Special Revenue Funds				Total Special Revenue Funds	Permanent Funds	Debt Service Funds				Total Other Governmental Funds
	Street	Park Cumulative Reserve	Drug Forfeitures	Fire Impact Fees		Cemetery Endowment	2008 GO Refunding Bond	2013 GO Bond	Lift GO Bond	Total Debt Service Funds	
<b>REVENUES</b>											
Taxes	\$ 3,491,865	\$ 64,841			\$ 3,556,706		\$ 809,569		\$ 1,000,000	\$ 1,809,569	\$ 5,366,275
Licenses and permits	145,179				145,179						145,179
Intergovernmental revenue	1,016,352				1,016,352						1,016,352
Charges for services	25,962	1,053,731		34,108	1,113,800						1,113,800
Fine and forfeitures			55,053		55,053						55,053
Other revenue	5,443				5,443						5,443
<b>Total revenues</b>	<b>4,684,801</b>	<b>1,118,572</b>	<b>55,053</b>	<b>34,108</b>	<b>5,892,534</b>		<b>809,569</b>		<b>1,000,000</b>	<b>1,809,569</b>	<b>7,702,102</b>
<b>EXPENDITURES</b>											
Current											
Security			2,473		2,473						2,473
Transportation	2,625,295				2,625,295						2,625,295
Capital Outlay	280,704				280,704						280,704
Other expenditures					-		127	427	300	853	853
Debt service					-					-	-
Principal retirement					-		695,000	385,000	695,000	1,775,000	1,775,000
Interest					-		25,483	312,986	1,294,275	1,632,744	1,632,744
<b>Total expenditures</b>	<b>2,905,999</b>		<b>2,473</b>	<b>-</b>	<b>2,908,472</b>		<b>720,610</b>	<b>698,412</b>	<b>1,989,575</b>	<b>3,408,597</b>	<b>6,317,069</b>
Excess of revenue over (under)	1,778,802	1,118,572	52,580	34,108	2,984,062		88,959	(698,412)	(989,575)	(1,599,028)	1,385,034
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	500,000				500,000			698,412	989,575	1,687,987	2,187,987
Transfers out		(196,775)			(196,775)						(196,775)
<b>Total other financing sources</b>	<b>500,000</b>	<b>(196,775)</b>			<b>303,225</b>		<b>-</b>	<b>698,412</b>	<b>989,575</b>	<b>1,687,987</b>	<b>1,991,212</b>
Net change in fund balances	\$ 2,278,802	\$ 921,797	\$ 52,580	\$ 34,108	\$ 3,287,287	\$ -	\$ 88,959	\$ -	\$ -	\$ 88,959	\$ 3,376,245
Fund balance - beginning	68,757.54	2,558,226.15	29,696.76	-	2,656,680.45	84,013.33	(928.47)			(928.47)	2,739,765
<b>Fund balance - ending</b>	<b>\$ 2,347,559</b>	<b>\$ 3,480,023</b>	<b>\$ 82,277</b>	<b>\$ 34,108</b>	<b>\$ 5,943,967</b>	<b>\$ 84,013</b>	<b>\$ 88,030</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 88,030</b>	<b>\$ 6,116,011</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Street Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 4,095,000	\$ 4,095,000	\$ 3,491,865		\$ 3,491,865	\$ (603,135)
Licenses and permits	115,000	115,000	145,179		145,179	30,179
Charges for services	26,000	26,000	25,962		25,962	(38)
Intergovernmental revenue	2,026,417	2,026,417	1,016,352		1,016,352	(1,010,065)
Miscellaneous			5,443		5,443	5,443
<b>Total revenues</b>	<b>6,262,417</b>	<b>6,262,417</b>	<b>4,684,801</b>		<b>4,684,801</b>	<b>(1,577,617)</b>
<b>EXPENDITURES</b>						
Current						
Personnel services	2,968,612	2,968,612	1,214,761		1,214,761	1,753,851
Operating supplies	501,790	501,790	152,516		152,516	349,274
Taxes	5,000	5,000	292		292	4,708
Other services and charges	2,817,401	2,817,401	1,257,726		1,257,726	1,559,675
Capital outlay	299,500	299,500	280,704		280,704	18,796
<b>Total expenditures</b>	<b>6,592,303</b>	<b>6,592,303</b>	<b>2,905,999</b>		<b>2,905,999</b>	<b>3,686,304</b>
Excess of revenue over (under) expenditures	(329,886)	(329,886)	1,778,802		1,778,802	2,108,688
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,000,000	1,000,000	500,000		500,000	(500,000)
Transfers out						-
<b>Total other financing sources</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>500,000</b>		<b>500,000</b>	<b>(500,000)</b>
Net change in fund balances	\$ 670,114	\$ 670,114	\$ 2,278,802		\$ 2,278,802	\$ 1,608,688
Fund balance - beginning	64,460	64,460	68,758		68,758	4,298
<b>Fund balance - ending</b>	<b>\$ 734,574</b>	<b>\$ 734,574</b>	<b>\$ 2,347,559</b>		<b>\$ 2,347,559</b>	<b>\$ 1,612,985</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Park Cumulative Reserve Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 86,000	\$ 86,000	\$ 64,841		\$ 64,841	\$ (21,159)
Charges for services			1,053,731		1,053,731	1,053,731
Total revenues	<u>86,000</u>	<u>86,000</u>	<u>1,118,572</u>		<u>1,118,572</u>	<u>1,032,572</u>
<b>EXPENDITURES</b>						
Current						
Construction projects			196,775		196,775	(196,775)
Total expenditures	<u>-</u>	<u>-</u>	<u>196,775</u>		<u>196,775</u>	<u>(196,775)</u>
Excess of revenue over (under) expenditures	86,000	86,000	921,797		921,797	835,797
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out		(219,000)			-	219,000
Total other financing sources	<u>-</u>	<u>(219,000)</u>	<u>-</u>		<u>-</u>	<u>219,000</u>
Net change in fund balances	\$ 86,000	\$ (133,000)	\$ 921,797		\$ 921,797	\$ 1,054,797
Fund balance - beginning	2,427,344	2,427,344	2,558,226		2,558,226	130,882
<b>Fund balance - ending</b>	<b><u>\$ 2,513,344</u></b>	<b><u>\$ 2,294,344</u></b>	<b><u>\$ 3,480,023</u></b>		<b><u>\$ 3,480,023</u></b>	<b><u>\$ 1,185,679</u></b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Drug Forfeitures Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Charges for services	\$ 27,000	\$ 27,000	\$ 55,053		\$ 55,053	\$ 28,053
Total revenues	27,000	27,000	55,053		55,053	28,053
<b>EXPENDITURES</b>						
Current						
Personnel services			1,119		1,119	(1,119)
Operating supplies	5,000	5,000	1,354		1,354	3,646
Other services and charges	12,000	12,000			-	12,000
Total expenditures	17,000	17,000	2,473		2,473	14,527
Excess of revenue over (under) expenditures	10,000	10,000	52,580		52,580	42,580
<b>OTHER FINANCING SOURCES (USES)</b>						
Total other financing sources						
Net change in fund balances	\$ 10,000	\$ 10,000	\$ 52,580		\$ 52,580	\$ 42,580
Fund balance - beginning	33,170	33,170	29,697		29,697	(3,473)
<b>Fund balance - ending</b>	<b>\$ 43,170</b>	<b>\$ 43,170</b>	<b>\$ 82,277</b>		<b>\$ 82,277</b>	<b>\$ 39,107</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Fire Impact Fees Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>REVENUES</b>						
Charges for services		\$ -	\$ 34,108		\$ 34,108	\$ 34,108
Total revenues	-	-	34,108		34,108	34,108
<b>EXPENDITURES</b>						
Total expenditures	-	-	-		-	-
Excess of revenue over (under) expenditures	-	-	34,108		34,108	34,108
<b>OTHER FINANCING SOURCES (USES)</b>						
Total other financing sources						
Net change in fund balances	\$ -	\$ -	\$ 34,108		\$ 34,108	\$ 34,108
Fund balance - beginning		-			-	-
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 34,108</b>		<b>\$ 34,108</b>	<b>\$ 34,108</b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Cemetery Endowment Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Total revenues						
<b>EXPENDITURES</b>						
Total expenditures						
Excess of revenue over (under) expenditures						
Net change in fund balances						
Fund balance - beginning	84,013	84,013	84,013		84,013	
<b>Fund balance - ending</b>	<b>\$ 84,013</b>	<b>\$ 84,013</b>	<b>\$ 84,013</b>		<b>\$ 84,013</b>	

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
2008 General Obligation Refund Bond Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 812,000	\$ 812,000	\$ 809,569		\$ 809,569	\$ (2,431)
Total revenues	<u>812,000</u>	<u>812,000</u>	<u>809,569</u>		<u>809,569</u>	<u>(2,431)</u>
<b>EXPENDITURES</b>						
Current						
Principal retirement	695,000	695,000	695,000		695,000	
Interest	27,800	27,800	25,483		25,483	2,317
Miscellaneous			127		127	(127)
Total expenditures	<u>722,800</u>	<u>722,800</u>	<u>720,610</u>		<u>720,610</u>	<u>2,190</u>
Excess of revenue over (under) expenditures	89,200	89,200	88,959		88,959	(241)
<b>OTHER FINANCING SOURCES (USES)</b>						
Total other financing sources						
Net change in fund balances	\$ 89,200	\$ 89,200	\$ 88,959		\$ 88,959	\$ (241)
Fund balance - beginning	696	696	(928)		(928)	(1,624)
<b>Fund balance - ending</b>	<b><u>\$ 89,896</u></b>	<b><u>\$ 89,896</u></b>	<b><u>\$ 88,030</u></b>		<b><u>\$ 88,030</u></b>	<b><u>\$ (1,866)</u></b>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Lift GO Bond Redemption Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Taxes	\$2,000,000	\$2,000,000	\$1,000,000		\$1,000,000	(\$1,000,000)
Total revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>1,000,000</u>		<u>1,000,000</u>	<u>(1,000,000)</u>
<b>EXPENDITURES</b>						
Current						
Principal retirement	1,410,000	1,410,000	695,000		695,000	715,000
Interest	2,581,300	2,581,300	1,294,275		1,294,275	1,287,025
Miscellaneous			300		300	(300)
Total expenditures	<u>3,991,300</u>	<u>3,991,300</u>	<u>1,989,575</u>		<u>1,989,575</u>	<u>2,001,725</u>
Excess of revenue over (under) expenditures	(1,991,300)	(1,991,300)	(989,575)		(989,575)	1,001,725
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,991,300	1,991,300	989,575		989,575	(1,001,725)
Total other financing sources	<u>1,991,300</u>	<u>1,991,300</u>	<u>989,575</u>		<u>989,575</u>	<u>(1,001,725)</u>
Net change in fund balances						
Fund balance - beginning						
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
2013 GO Obligation Bond Fund  
For the Year Ended December 31, 2017**

	Budgeted Amounts 2017-2018		2017	2018	Total	Variance with
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis	2017-2018 Actuals	Final Budget Positive (Negative)
<b>REVENUES</b>						
Total revenues						
<b>EXPENDITURES</b>						
Current						
Principal retirement	\$ 775,000	\$ 775,000	\$ 385,000		\$ 385,000	\$ 390,000
Interest	620,678	620,678	312,986		312,986	307,692
Bond costs			427		427	(427)
Total expenditures	<u>1,395,678</u>	<u>1,395,678</u>	<u>698,412</u>		<u>698,412</u>	<u>697,266</u>
Excess of revenue over (under) expenditures	(1,395,678)	(1,395,678)	(698,412)		(698,412)	697,266
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	<u>1,395,678</u>	<u>1,395,678</u>	<u>698,412</u>		<u>698,412</u>	<u>(697,266)</u>
Total other financing sources	<u>1,395,678</u>	<u>1,395,678</u>	<u>698,412</u>		<u>698,412</u>	<u>(697,266)</u>
Net change in fund balances						
Fund balance - beginning						
<b>Fund balance - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual  
Capital Improvement Fund  
For the Year Ended December 31, 2017**

	2017-2018		2017	2018	Total	Variance with
	Budgeted Amounts		Actual Amounts	Actual Amounts	2017-2018	Final Budget
	Original	Final	Budgetary Basis	Budgetary Basis	Actuals	Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ 10,417,500	\$ 10,417,500	\$ 5,197,384		\$ 5,197,384	\$ (5,220,116)
Intergovernmental revenues	26,264,084	26,264,084	8,829,066		8,829,066	(17,435,018)
Licenses and permits	779,382	779,382	518,726		518,726	(260,657)
Investment interest		-	12,505		12,505	12,505
Miscellaneous revenue			7,601		7,601	7,601
Contributions	2,571,738	2,571,738	495,754		495,754	(2,075,984)
<b>Total revenues</b>	<b>40,032,704</b>	<b>40,032,704</b>	<b>15,061,036</b>		<b>15,061,035</b>	<b>(24,971,669)</b>
<b>EXPENDITURES</b>						
Current:						
Economic environment			12,173		12,173	(12,173)
Capital outlay	41,205,308	41,205,308	17,238,010		17,238,010	23,967,298
Debt principle	3,144,246	3,144,246	447,123		447,123	2,697,123
Interest expense	4,076,054	4,076,054	2,055,434		2,055,434	2,020,620
<b>Total expenditures</b>	<b>48,425,608</b>	<b>48,425,608</b>	<b>19,752,739</b>		<b>19,752,739</b>	<b>28,672,869</b>
Excess of revenue over (under) expenditures	(8,392,904)	(8,392,904)	(4,691,703)		(4,691,704)	3,701,200
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sales of capital assets	6,383,964	6,383,964	1,431,042		1,431,042	(4,952,922)
Loan			39,450		39,450	39,450
Transfers in	5,028,656	5,247,656	2,730,346		2,730,346	(2,517,310)
Transfers out	(4,486,978)	(12,692,978)	(10,402,075)		(10,402,075)	2,290,903
<b>Total other financing sources</b>	<b>6,925,642</b>	<b>(1,061,358)</b>	<b>(6,201,238)</b>		<b>(6,201,238)</b>	<b>(5,139,880)</b>
Net change in fund balances	\$ (1,467,262)	\$ (9,454,262)	\$ (10,892,941)		\$ (10,892,942)	\$ (1,438,680)
Fund balance - beginning	15,026,355	15,026,355	13,883,596		13,883,596	(1,142,759)
<b>Fund balance - ending</b>	<b>\$ 13,559,093</b>	<b>\$ 5,572,093</b>	<b>\$ 2,990,654</b>		<b>\$ 2,990,654</b>	<b>\$ (2,581,439)</b>

**Combining Statement of Net Position  
Internal Service Funds  
For the Year Ended December 31, 2017**

	<b>Governmental Activities Internal Service Funds</b>				
	<b>Equipment Rental</b>	<b>Self Insurance</b>	<b>Asset Replacement</b>	<b>COB Properties</b>	<b>Total</b>
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 162,186	\$ 102,084	\$ 410,500		\$ 674,770
Investments			2,000,000		2,000,000
Accounts receivable		24,178		27,989	52,167
Due from other governments			473		473
Restricted assets:					
Deposit held in trust				1,005,154	1,005,154
Total current assets	<u>162,186</u>	<u>126,262</u>	<u>2,410,973</u>	<u>1,033,143</u>	<u>3,732,564</u>
Non-current assets					
Capital assets:					
Building			14,530		14,530
Equipment - shop	74,444		1,161,437		1,235,881
Equipment - vehicles	1,253		7,697,725		7,698,978
Improvements	6,984		1,780,419		1,787,403
Less accumulated depreciation	<u>(54,848)</u>		<u>(6,197,755)</u>		<u>(6,252,603)</u>
Total non-current assets	<u>27,833</u>		<u>4,456,356</u>		<u>4,484,188</u>
Total assets	<u>190,018</u>	<u>126,262</u>	<u>6,867,329</u>	<u>1,033,143</u>	<u>8,216,752</u>
<b>DEFERRED OUTFLOWS</b>					
Deferred outflows - pension	<u>17,381</u>	<u>9,276</u>			<u>26,657</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	66,901	18,383	93,164	29,466	207,913
Payroll payable	18,931	7,942			26,873
Interest Payable				166,402	166,402
Compensated absences	12,486	14,185			26,671
Total current liabilities	<u>98,318</u>	<u>40,510</u>	<u>93,164</u>	<u>195,868</u>	<u>427,859</u>
Non current liabilities					
Pension liability	72,475	37,369			109,844
Unearned revenue				1,005,154	1,005,154
Total non-current liabilities	<u>72,475</u>	<u>37,369</u>		<u>1,005,154</u>	<u>1,114,998</u>
Total liabilities	<u>170,793</u>	<u>77,879</u>	<u>93,164</u>	<u>1,201,022</u>	<u>1,542,857</u>
<b>DEFERRED INFLOWS</b>					
Deferred inflows - pension	<u>25,004</u>	<u>12,893</u>			<u>37,897</u>
<b>NET POSITION</b>					
Net investment in capital assets	27,833		4,456,356		4,484,188
Unrestricted	(16,230)	44,766	2,317,809	(167,879)	2,178,466
<b>Total net position</b>	<b><u>\$ 11,603</u></b>	<b><u>\$ 44,766</u></b>	<b><u>\$ 6,774,165</u></b>	<b><u>\$ (167,879)</u></b>	<b><u>\$ 6,662,655</u></b>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended December 31, 2017**

	<b>Governmental Activities Internal Service Funds</b>				
	<b>Equipment Rental</b>	<b>Self Insurance</b>	<b>Asset Replacement</b>	<b>COB Properties</b>	<b>Total</b>
Operating revenues					
Charges for services	\$ 1,774,986	\$ 1,076,705		\$ 52,164	\$ 2,903,855
Other revenues	261	110,903	44,158	37,688	193,010
Total operating revenues	<u>1,775,247</u>	<u>1,187,608</u>	<u>44,158</u>	<u>89,852</u>	<u>3,096,865</u>
Operating expenses					
Maintenance and operations	189,895		269,948	2,407	462,250
Administration	606,774	1,320,633		143,433	2,070,839
Depreciation and amortization	3,960		886,380		890,340
Total operating expenses	<u>800,628</u>	<u>1,320,633</u>	<u>1,156,328</u>	<u>145,840</u>	<u>3,423,429</u>
Operating income (loss)	<u>974,619</u>	<u>(133,025)</u>	<u>(1,112,170)</u>	<u>(55,988)</u>	<u>(326,564)</u>
Non-operating revenue (expense)					
Gain (loss) on disposition of capital assets			(21,327)		(21,327)
Intergovernmental revenue			473		473
Interest earnings				1,912,984	1,912,984
Interest expense				(1,886,097)	(1,886,097)
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(20,854)</u>	<u>26,887</u>	<u>6,033</u>
Income (loss) before transfers	974,619	(133,025)	(1,133,025)	(29,101)	(320,531)
Transfers in		137,376	1,124,619		1,261,995
Transfers out	(974,619)				(974,619)
Change in net position	<u>-</u>	<u>4,351</u>	<u>(8,406)</u>	<u>(29,101)</u>	<u>(33,155)</u>
Net position - beginning	11,603	40,415	6,782,571	(138,778)	6,695,810
<b>Net position - ending</b>	<b><u>\$ 11,603</u></b>	<b><u>\$ 44,766</u></b>	<b><u>\$ 6,774,165</u></b>	<b><u>\$ (167,879)</u></b>	<b><u>\$ 6,662,655</u></b>

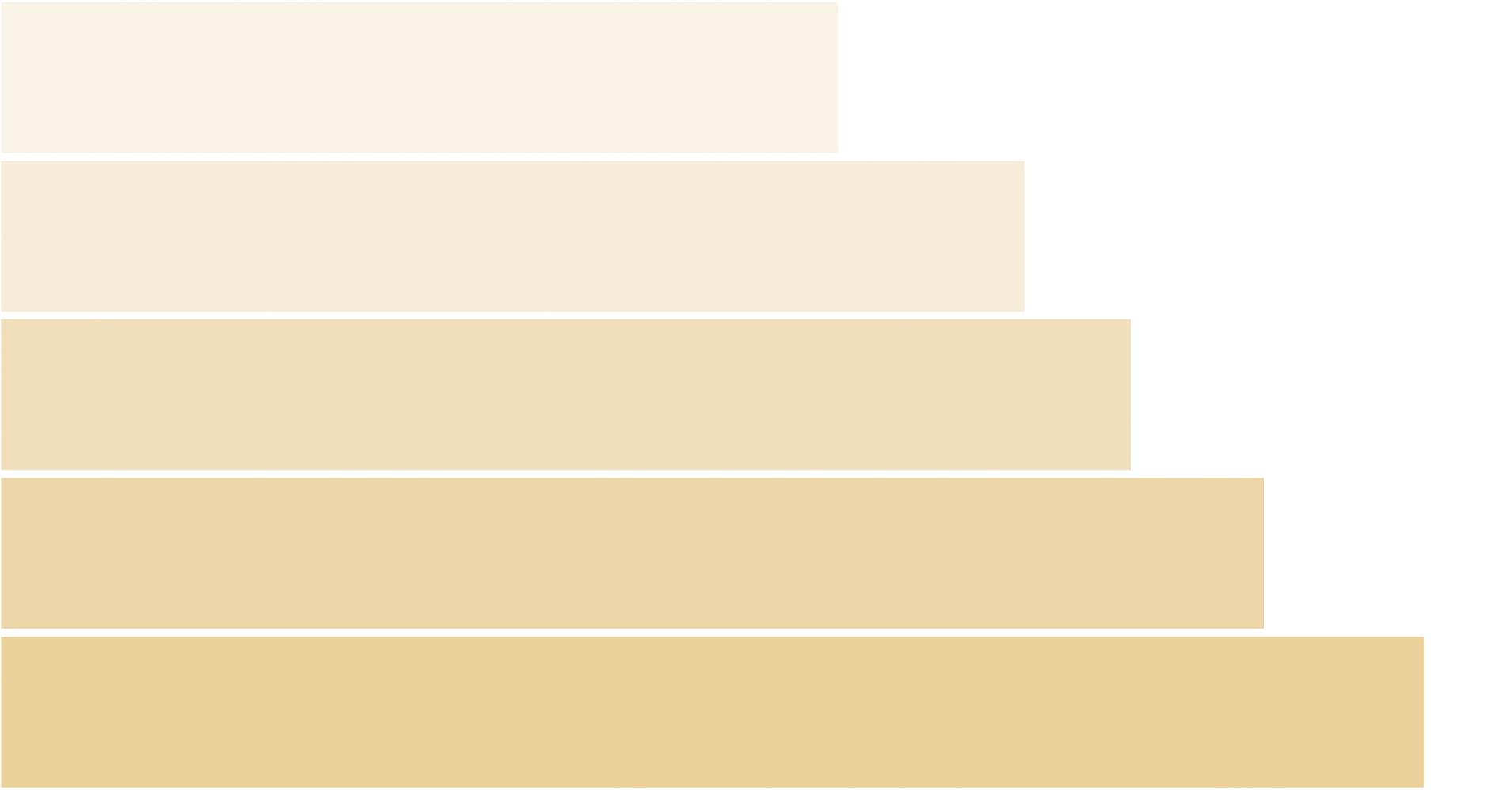
**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2017**

	Governmental Activities Internal Service Funds				Total
	Equipment Rental	Self Insurance	Asset Replacement	COB Properties	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	1,775,247	1,163,430	45,976	177,508	3,162,161
Cash paid to employees for services	(308,917)	(280,777)			(589,694)
Cash paid to suppliers for goods and services	(478,457)	(1,042,371)	(194,546)	(200,954)	(1,916,327)
Net cash provided (used) by operating activities	<u>987,873</u>	<u>(159,718)</u>	<u>(148,570)</u>	<u>(23,446)</u>	<u>656,139</u>
<b>CASH FLOWS FROM NON-OPERATING ACTIVITIES</b>					
Transfers out	(974,619)				(974,619)
Transfers in		137,376	1,124,619		1,261,995
Intergovernmental revenue			473		473
Net cash provided (used) by non-operating activities	<u>(974,619)</u>	<u>137,376</u>	<u>1,125,092</u>	<u>-</u>	<u>287,849</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets			(715,617)		(715,617)
Capital lease				1,208,781	1,208,781
Proceeds from sale of capital assets			30,836		30,836
Construction cost payable				(9,287)	(9,287)
Bond principal paid				(1,000,000)	(1,000,000)
Deposit held in trust				963,450	963,450
Bond interest expenses				(1,161,917)	(1,161,917)
Bond interest payable				6,356	6,356
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>(684,781)</u>	<u>7,383</u>	<u>(677,398)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from sales and maturities of investments			(22,729)		(22,729)
Interest and dividends				16,063	16,063
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>(22,729)</u>	<u>16,063</u>	<u>(6,666)</u>
Net increase (decrease) in cash and cash equivalents	13,254	(22,341)	269,012	-	259,925
Balances - beginning	148,931	124,425	141,488	-	414,845
<b>Balances - ending</b>	<u><b>162,186</b></u>	<u><b>102,084</b></u>	<u><b>410,500</b></u>	<u><b>-</b></u>	<u><b>674,770</b></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	974,619	(133,025)	(1,112,170)	(55,988)	(326,564)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	3,960		886,380		890,340
Change in assets and liabilities:					
Decrease (increase) in accounts receivable		(24,178)	1,818	87,656	65,296
Increase (decrease) in accounts payable	9,235	2,509	75,402	(55,114)	32,032
Increase (decrease) in payroll payable	5,225	1,314			6,540
Increase (decrease) in compensated absences payable	(825)	(120)			(945)
Increase (decrease) in GASB 68 pension adjustments	(4,341)	(6,218)			(10,559)
<b>Net cash provided by operating activities</b>	<u><b>987,873</b></u>	<u><b>(159,718)</b></u>	<u><b>(148,570)</b></u>	<u><b>(23,446)</b></u>	<u><b>656,139</b></u>
<b>Noncash investing, capital, and financing activities:</b>					
Increase (decrease) in fair value of investments	-	-	-	-	-

Statement of Changes in Assets and Liabilities Agency Trust Fund For the Year Ended December 31, 2017				
	Balance 1/1/2017	Additions	Deductions	Balance 12/31/2017
<b>ASSETS</b>				
Cash	\$291,275	\$727,758	\$682,777	\$336,257
<b>Total Assets</b>	<b>\$291,275</b>	<b>\$727,758</b>	<b>\$682,777</b>	<b>\$336,257</b>
<b>LIABILITIES</b>				
Accounts payable	28,395	662,806	644,970	10,560
Deposits payable	262,880	654,690	717,507	325,697
<b>Total Liabilities</b>	<b>\$291,275</b>	<b>\$1,317,497</b>	<b>\$1,362,478</b>	<b>\$336,257</b>



City of Bothell™



## **SUPPLEMENTAL INFORMATION**

Schedule of Operations - Budget to Actual  
 Combined Utility System Fund  
 December 31, 2017

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Intergovernmental revenues						
Other						
Charges for services						
Total operating revenues						
<b>OPERATING EXPENSES</b>						
Administrative and general						
Purchase water						
Maintenance and operation						
Customer accounts						
Taxes						
Capital outlay						
Debt	\$ 1,350,000	\$ 1,350,000				\$ 1,350,000
Depreciation and amortization						
Total operating expenses	1,350,000	1,350,000				1,350,000
OPERATING INCOME (LOSS)	(1,350,000)	(1,350,000)				1,350,000
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings						
Issuance cost						
Interest expense	(1,276,138)	(1,276,138)				1,276,138
Total non-operating revenue (expense)	(1,276,138)	(1,276,138)	-	-	-	1,276,138
Income (loss) before contributions and transfers	(2,626,138)	(2,626,138)				2,626,138
Transfers in	2,626,138	2,626,138				(2,626,138)
Transfers out	(764,145)	(764,145)				764,145
Net position - beginning, January 1, 2017	764,145	764,145				(764,145)
<b>Net position - ending, December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

This schedule is presented as supplemental information 1

**Schedule of Operations - Budget to Actual  
Water Fund  
For the Year Ended December 31, 2017**

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	\$ 10,207,128	\$ 10,207,128	\$ 5,643,707		\$ 5,643,707	\$ (4,563,421)
Other	94,166	94,166	42,826		42,826	(51,340)
Total operating revenues	<u>10,301,294</u>	<u>10,301,294</u>	<u>5,686,533</u>	<u>-</u>	<u>5,686,533</u>	<u>(4,614,761)</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	1,567,768	1,567,768	712,439		712,439	855,329
Purchase water	2,939,161	2,939,161	1,530,560		1,530,560	1,408,601
Maintenance and operation	1,874,623	1,874,623	964,695		964,695	909,928
Customer accounts	302,902	302,902	193,048		193,048	109,854
Taxes	1,202,451	1,202,451	660,781		660,781	541,670
Capital outlay	3,104,895	3,104,895				3,104,895
Debt	225,200	225,200				225,200
Depreciation and amortization	1,532,600	1,532,600	669,458		669,458	863,142
Total operating expenses	<u>12,749,600</u>	<u>12,749,600</u>	<u>4,730,981</u>	<u>-</u>	<u>4,730,981</u>	<u>8,018,619</u>
OPERATING INCOME (LOSS)	<u>(2,448,306)</u>	<u>(2,448,306)</u>	<u>955,553</u>	<u>-</u>	<u>955,553</u>	<u>3,403,859</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Investment earnings			24,592		24,592	24,592
Intergovernmental revenues			268,392		268,392	268,392
Interest expense	(3,378)	(3,378)	(124,597)		(124,597)	(121,219)
Total non-operating revenue (expense)	<u>(3,378)</u>	<u>(3,378)</u>	<u>168,387</u>	<u>-</u>	<u>168,387</u>	<u>171,765</u>
Income (loss) before contributions and transfers	(2,451,684)	(2,451,684)	1,123,940		1,123,940	3,575,624
Transfers in	431,145	431,145				(431,145)
Transfers out	(553,964)	(553,964)				553,964
Contributions			134,981		134,981	134,981
Net position - beginning, January 1, 2017	16,189,249	16,189,249	17,916,405		17,916,405	1,727,156
<b>Net position - ending, December 31, 2017</b>	<b>\$ 13,614,746</b>	<b>\$ 13,614,746</b>	<b>\$ 19,175,325</b>	<b>-</b>	<b>\$ 19,175,325</b>	<b>\$ 5,560,579</b>

This schedule is presented as supplemental information 2

**Schedule of Operations - Budget to Actual  
Sewer Fund  
For the Year Ended December 31, 2017**

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	\$ 15,027,181	\$ 15,027,181	\$ 7,847,036	\$ -	\$ 7,847,036	\$ (7,180,145)
Other	90,000	90,000	32,920		32,920	(57,080)
Total operating revenues	<u>15,117,181</u>	<u>15,117,181</u>	<u>7,879,956</u>	<u>-</u>	<u>7,879,956</u>	<u>(7,237,225)</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	1,583,475	1,583,475	713,372		713,372	870,103
Metro service	8,088,460	8,088,460	4,342,869		4,342,869	3,745,591
Maintenance and operation	1,480,543	1,480,543	645,149		645,149	835,394
Customer accounts	302,902	302,902	193,643		193,643	109,259
Taxes	1,296,983	1,296,983	495,329		495,329	801,654
Capital outlay	2,429,800	2,429,800				2,429,800
Depreciation and amortization	<u>1,188,000</u>	<u>1,188,000</u>	<u>541,044</u>		<u>541,044</u>	<u>646,956</u>
Total operating expenses	<u>16,370,163</u>	<u>16,370,163</u>	<u>6,931,407</u>	<u>-</u>	<u>6,931,407</u>	<u>9,438,756</u>
OPERATING INCOME (LOSS)	<u>(1,252,982)</u>	<u>(1,252,982)</u>	<u>948,549</u>	<u>-</u>	<u>948,549</u>	<u>2,201,531</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Investment earnings			15,438		15,438	15,438
Intergovernmental revenues			5,236		5,236	5,236
interest expense			(55,541)		(55,541)	(55,541)
Total non-operating revenue (expense)	<u>-</u>	<u>-</u>	<u>(34,868)</u>	<u>-</u>	<u>(34,868)</u>	<u>(34,868)</u>
Income (loss) before contributions and transfers	(1,252,982)	(1,252,982)	913,682		913,682	2,166,664
Transfers in	333,000	333,000				(333,000)
Transfers out	(251,012)	(251,012)				251,012
Contributions			110,216		110,216	110,216
Net position - beginning, January 1, 2017	14,633,251	14,633,251	17,345,492		17,345,492	2,712,241
<b>Net position - ending, December 31, 2017</b>	<b>\$ 13,462,257</b>	<b>\$ 13,462,257</b>	<b>\$ 18,369,389</b>	<b>\$ -</b>	<b>\$ 18,369,389</b>	<b>\$ 4,907,132</b>

This schedule is presented as supplemental information 3

**Schedule of Operations - Budget to Actual  
Storm & Surface Water Fund  
For the Year Ended December 31, 2017**

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	\$ 14,271,109	\$ 14,271,109	\$ 6,225,883	\$ -	\$ 6,225,883	\$ (8,045,226)
Other	51,818	51,818	43,751		43,751	(8,067)
Total operating revenues	<u>14,322,927</u>	<u>14,322,927</u>	<u>6,269,634</u>	<u>-</u>	<u>6,269,634</u>	<u>(8,053,293)</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	4,004,265	4,004,265	2,089,145		2,089,145	1,915,120
Maintenance and operation	3,001,758	3,001,758	1,306,593		1,306,593	1,695,165
Taxes	830,771	830,771	381,932		381,932	448,839
Capital outlay	3,362,000	3,362,000				3,362,000
Debt service	91,032	91,032				91,032
Depreciation and amortization	2,456,095	2,456,095	1,230,982		1,230,982	1,225,113
Total operating expenses	<u>13,745,921</u>	<u>13,745,921</u>	<u>5,008,652</u>	<u>-</u>	<u>5,008,652</u>	<u>8,737,269</u>
OPERATING INCOME (LOSS)	<u>577,006</u>	<u>577,006</u>	<u>1,260,982</u>	<u>-</u>	<u>1,260,982</u>	<u>683,976</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>						
Intergovernmental revenues	522,578	522,578	561,529		561,529	38,951
Investment earnings			27,089		27,089	27,089
Interest expense	(7,005)	(7,005)	(409,649)		(409,649)	(402,644)
Total non-operating revenue (expense)	<u>515,573</u>	<u>515,573</u>	<u>178,970</u>	<u>-</u>	<u>178,970</u>	<u>(336,603)</u>
Income (loss) before contributions and transfers	1,092,579	1,092,579	1,439,952	-	1,439,952	347,373
Transfers in						
Transfers out	(1,821,162)	(1,821,162)				1,821,162
Contributions			581,770		581,770	581,770
Net position - beginning, January 1, 2017	15,698,705	15,698,705	19,780,648		19,780,648	4,081,943
<b>Net position - ending, December 31, 2017</b>	<b>\$ 14,970,122</b>	<b>\$ 14,970,122</b>	<b>\$ 21,802,370</b>	<b>\$ -</b>	<b>\$ 21,802,370</b>	<b>\$ 6,832,248</b>

This schedule is presented as supplemental information 4

**Schedule of Operations - Budget to Actual  
Equipment Rental Fund  
For the Year Ended December 31, 2017**

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Charges for services	\$ 3,734,782	\$ 3,734,782	\$ 1,774,986	\$ -	\$ 1,774,986	\$ (1,959,796)
Other revenues			\$261		\$261	\$261
Total operating revenues	<u>3,734,782</u>	<u>3,734,782</u>	<u>1,775,247</u>	<u>-</u>	<u>1,775,247</u>	<u>(1,959,535)</u>
<b>OPERATING EXPENSES</b>						
Administrative and general	1,356,535	1,356,535	606,774		606,774	749,761
Maintenance and operation	417,165	417,165	189,895		189,895	227,270
Depreciation	11,839	11,839	3,960		3,960	7,879
Total operating expenses	<u>1,785,539</u>	<u>1,785,539</u>	<u>800,628</u>	<u>-</u>	<u>800,628</u>	<u>984,911</u>
OPERATING INCOME (LOSS)	<u>1,949,243</u>	<u>1,949,243</u>	<u>974,619</u>	<u>-</u>	<u>974,619</u>	<u>(974,624)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Total non-operating revenue (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	1,949,243	1,949,243	974,619		974,619	(974,624)
Transfers out	(1,949,238)	(1,949,238)	(974,619)		(974,619)	974,619
Transfers in						
Net position - beginning, January 1, 2017	218,574	218,574	11,603		11,603	(206,971)
<b>Net position - ending, December 31, 2017</b>	<b>\$ 218,579</b>	<b>\$ 218,579</b>	<b>\$ 11,603</b>	<b>\$ -</b>	<b>\$ 11,603</b>	<b>\$ (206,976)</b>

This schedule is presented as supplemental information 5

**Schedule of Operations - Budget to Actual  
Self Insurance Fund  
For the Year Ended December 31, 2017**

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Insurance recovery	\$ 100,000	\$ 100,000	\$ 110,903	\$ -	\$ 110,903	\$ 10,903
Charges for insurance premiums	2,351,220	2,351,220	1,076,705		1,076,705	(1,274,515)
Total operating revenues	2,451,220	2,451,220	1,187,608	-	1,187,608	(1,263,612)
<b>OPERATING EXPENSES</b>						
Administrative and general	2,351,217	2,351,217	1,183,256		1,183,256	1,167,961
Health insurance services	462,117	462,117	137,376		137,376	324,741
Total operating expenses	2,813,334	2,813,334	1,320,633	-	1,320,633	1,492,701
OPERATING INCOME (LOSS)	(362,114)	(362,114)	(133,025)	-	(133,025)	229,089
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Total non-operating revenue (expense)						
Income (loss) before contributions and transfers	(362,114)	(362,114)	(133,025)		(133,025)	229,089
Transfers in	462,116	462,116	137,376		137,376	(324,740)
Net position - beginning, January 1, 2017	18,842	18,842	40,415		40,415	21,573
<b>Net position - ending, December 31, 2017</b>	<b>\$ 118,844</b>	<b>\$ 118,844</b>	<b>\$ 44,766</b>	<b>\$ -</b>	<b>\$ 44,766</b>	<b>\$ (74,078)</b>

**Schedule of Operations - Budget to Actual  
Asset Replacement Fund  
For the Year Ended December 31, 2017**

	2017-2018 Budgeted Amounts		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final				
<b>OPERATING REVENUES</b>						
Other	\$ -	\$ -	\$ 44,158	\$ -	\$ 44,158	\$ 44,158
Total operating revenues			44,158	-	44,158	44,158
<b>OPERATING EXPENSES</b>						
Capital outlay	3,235,654	3,235,654				3,235,654
Maintenance and operations	740,804	740,804	269,948		269,948	470,856
Administrative and general	190,958	190,958				190,958
Depreciation	1,641,000	1,641,000	886,380		886,380	754,620
Total operating expenses	5,808,416	5,808,416	1,156,328	-	1,156,328	4,652,088
OPERATING INCOME (LOSS)	(5,808,416)	(5,808,416)	(1,112,170)	-	(1,112,170)	4,696,246
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest earnings						
Intergovernmental revenues			473		473	473
Gain (loss) on disposition of capital assets			(52,164)		(52,164)	(52,164)
Proceeds from the sale of capital assets	104,600	104,600	30,836		30,836	(73,764)
Total non-operating revenue (expense)	104,600	104,600	(20,854)	-	(20,854)	(125,454)
Income (loss) before contributions and transfers	(5,703,816)	(5,703,816)	(1,133,025)		(1,133,025)	4,570,791
Transfers in	2,249,238	2,249,238	1,124,619		1,124,619	(1,124,619)
Net position - beginning, January 1, 2017	5,753,452	5,753,452	6,782,571		6,782,571	1,029,119
<b>Net position - ending, December 31, 2017</b>	<b>\$ 2,298,874</b>	<b>\$ 2,298,874</b>	<b>\$ 6,774,165</b>	<b>\$ -</b>	<b>\$ 6,774,165</b>	<b>\$ 4,475,291</b>

**Schedule 16  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017**

Grantor/Pass Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenditures			Pass Through to Subrecipients	Note
			Direct	Pass-Through	Total		
Department of Homeland Security/Pierce County Emergency Management/Washington State Task Force <u>National Urban Search &amp; Rescue (US&amp;R) Response System</u> Structural Collapse & Heavy Rescue Training	97.025	NA	-	1,505	1,505	-	1,2,3
Department of Homeland Security/Washington State Military Department <u>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</u> Public Assistance Grant	97.036	D17-173	-	35,418	35,418	-	1,2,3
Department of Homeland Security/Washington State Military Department <u>Emergency Management Performance Grants</u> Emergency Management Performance Grant (2016-17)	97.042	E17-123	-	22,288	22,288	-	
Emergency Management Performance Grant (2017-18)	97.042	E18-090	-	1,375	1,375	-	1,2,3
		Total CFDA 97.042	-	\$23,663	\$23,663	-	
		<b>Total Department of Homeland Security</b>	<b>\$0</b>	<b>\$60,586</b>	<b>\$60,586</b>	<b>\$0</b>	
Department of the Interior/Washington State Recreation & Conservation Office <u>Outdoor Recreation Acquisition, Development and Planning</u> North Creek Forest Acquisition, Phase 2	15.916	12-1230A (Fed Award# P14AP00407)	-	697,500	697,500	-	1,2,3
		<b>Total Department of Interior</b>	<b>\$0</b>	<b>\$697,500</b>	<b>\$697,500</b>	<b>\$0</b>	
Department of Justice <u>Bulletproof Vest Partnership Program</u> Bulletproof Vest Partnership Program	16.607	NA	2,737	-	2,737	-	1,2,3
		<b>Total Department of Justice</b>	<b>\$2,737</b>	<b>\$0</b>	<b>\$2,737</b>	<b>\$0</b>	
<b>Highway Planning and Construction Cluster</b> <u>Department of Transportation/Washington State DOT</u> 19th Ave SE/232nd St SE Non-Motorized Imp	20.205	SRTS-2449(001)	-	26,092	26,092	-	
228th St SE & 29th Dr SE Traffic Signal & Intersection	20.205	STPUL-2570 (010)	-	346,000	346,000	-	1,2,3
228th St SE & Bothell-Everett Hwy (SR527) Intersection Safety Improvements	20.205	HSIP-2570 (008)	-	91,499	91,499	-	1,2,3
Main Street Enhancement, Phase 1	20.205	STPUL-2458 (002)	-	59,870	59,870	-	1,2,3
North Creek Trail - Section 3	20.205	CM-STPE-0110 (011)	-	3,437	3,437	-	1,2,3
North Creek Trail - Section 4	20.205	CM-0110 (014)	-	132,899	132,899	-	1,2,3
SR522 Multi-Modal Corridor - Stage 3	20.205	STPUL-0522 (057)	-	205,849	205,849	-	1,2,3
		<b>Total Highway Planning &amp; Construction Cluster</b>	<b>\$0</b>	<b>\$865,646</b>	<b>\$865,646</b>	<b>\$0</b>	
<b>Highway Safety Cluster</b> <u>State &amp; Community Highway Safety</u> Traffic Safety Equipment Grant	20.600	NA	-	\$3,000	\$3,000	-	1,2,3
Distracted Driving Emphasis Patrols	20.600	NA	-	1,703	1,703	-	1,2,3
DUI Emphasis Grant	20.600	NA	-	4,501	4,501	-	1,2,3
Seat Belt Emphasis Patrols	20.600	NA	-	261	261	-	1,2,3
Target Zero Emphasis Program	20.600	NA	-	6,597	6,597	-	1,2,3
		Total CFDA 20.600	\$0	\$16,062	\$16,062	\$0	
<u>National Priority Safety Programs</u> Click It or Ticket Program	20.616	NA	-	1,947	1,947	-	1,2,3
Motorcycle Safety Grant	20.616	NA	-	2,720	2,720	-	1,2,3
Speed Emphasis Grant	20.616	NA	-	977	977	-	1,2,3
		Total CFDA 20.616	\$0	\$5,644	\$5,644	\$0	
		<b>Total Highway Safety Cluster</b>	<b>\$0</b>	<b>\$21,706</b>	<b>\$21,706</b>	<b>\$0</b>	
Environmental Protection Agency/Washington State Department of Ecology <u>Puget Sound Action Agenda: Tech Investigations/Implementation Assistance Program</u> Local Source Control Partnership	66.123	C1600106	-	49,307	49,307	-	1,2,3
Nearshore Estuary Program Watershed Protection/Restoration	66.123	C1800019	-	57,559	57,559	-	1,2,3
		<b>Environmental Protection Agency Total</b>	<b>\$0</b>	<b>\$106,866</b>	<b>\$106,866</b>	<b>\$0</b>	
		<b>Total Federal Awards Expended</b>	<b>\$2,737</b>	<b>\$1,752,304</b>	<b>\$1,755,042</b>	<b>\$0</b>	

**Note 1 - Basis of Accounting**

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses full accrual basis of accounting in government-wide financials and modified accrual basis in governmental fund financials.

**Note 2 - Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect Cost Rate**

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The accompanying notes are an integral part of this schedule.

**Schedule 15**  
**Schedule of State and Local Financial Assistance**  
**For the Year Ended December 31, 2017**

Grantor/Pass Through Grantor Program Title	BARS Account Number	Other Identification Number	Current Year Expenditures
<b>Port of Seattle</b>			
2016 Economic Development Partnership	337.00.00	S-0031830	25,410
<b>Port of Seattle Total</b>			<u>25,410</u>
<b>King County</b>			
Local Hazardous Waste Management Program	337.07.00	1272EHS	11,240
North Creek Forest Acquisition Project	337.07.00	NA	498,339
Parr Creek Flood Control	337.07.00	4.15.003	39,139
Sammamish River Side Channel Restoration, Phase 3	337.07.00	4.8.15.003	160,270
Waste Reduction & Recycling	337.07.00	5902755	28,717
<b>King County Total</b>			<u>737,704</u>
<b>4Culture (Cultural Development Authority of King County)</b>			
Music in the Park	337.07.04	117746A	2,500
Preservation Sustained Support	337.07.04	117067P	5,000
Preservation Special Projects	337.07.04	116541P	2,066
<b>4Culture Total</b>			<u>9,566</u>
<b>Washington State Patrol</b>			
Firefighter Training Reimbursement	334.01.30	K13001	1,587
<b>Washington State Patrol Total</b>			<u>1,587</u>
<b>Washington State Military Department</b>			
Public Assistance Grant	334.01.80	D17-173	4,092
<b>Washington State Military Department Total</b>			<u>4,092</u>
<b>Washington State Department of Ecology</b>			
Coordinated Prevention Grant	334.03.10	W2RCPG-1517-BothPW-00056	12,016
Drain Rangers - Statewide Youth Education Curriculum Implementation	334.03.10	WQSWGRS-2016-BothPW-00011	131,244
Toxics Cleanup Remedial Action Grant - Bothell Landing	334.03.10	TCPRA-2015-BothPW-00002	79,416
Toxics Cleanup Remedial Action Grant - Former Riverside	334.03.10	TCPRA-2015-BothPW-00025	105,169
Toxics Cleanup Remedial Action Grant - Bothell Paint	334.03.10	TCPRA-2015-BothPW-00029	7,000
Toxics Cleanup Remedial Action Grant - Hertz	334.03.10	TCPRA-2015-BothPW-00038	6,447
Toxics Cleanup Remedial Action Grant - Riverside	334.03.10	TCPRA-2015-BothPW-00037	204,134
Toxics Cleanup Remedial Action Grant - Ultra	334.03.10	TCPRA-2015-BothPW-00039	49,436
<b>Washington State Dept of Ecology Total</b>			<u>594,861</u>
<b>Washington State Department of Health</b>			
EMS Prehospital Participation Grant	334.04.90	SFY17	1,270
<b>Washington State Dept of Health Total</b>			<u>1,270</u>
<b>Washington State - Recreation &amp; Conservation Office (RCO)</b>			
North Creek Forest Acquisition, Phase 2	334.02.70	12-1230A	49,625
<b>Washington State Recreation &amp; Conservation Office (RCO)</b>			<u>49,625</u>
<b>Washington State - Salmon Recovery Funding Board (SRFB) &amp; Recreation &amp; Conservation Office (RCO)</b>			
Sammamish River Side Channel Restoration, Phase 3	334.02.70	15-1054R	66,900
<b>Washington State SRFB &amp; RCO Total</b>			<u>66,900</u>
<b>Washington State Traffic Safety Commission</b>			
School Zone Safety Grant	334.03.50	NA	1,528
<b>Washington State Traffic Safety Commission Total</b>			<u>1,528</u>
<b>Washington State Transportation Improvement Board</b>			
Bothell Way NE, SR522 to NE 88th Street	334.03.80	15-1054R	2,030,568
Main St Enhancement Ph 1 - Bothell Way NE to 102nd Ave NE	334.03.80	8-1-114(008)-1	3,492,519
TIB Complete Streets Award	334.03.80	C-P-114(001)-1	5,103
<b>Washington State Transportation Improvement Board Total</b>			<u>5,528,190</u>
<b>Total State &amp; Local Financial Assistance for 2017</b>			<b>\$ 7,020,733</b>

**Note 1 - Basis of Accounting**

This schedule is prepared on the same basis of accounting as the City's financial statements. The City uses full accrual basis of accounting in government-wide financials and modified accrual basis in governmental fund financials.

**Note 2 - Program Costs**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City's portion, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The accompanying notes are an integral part of this schedule.

General Obligation Bond LIFT Bond 2014 For the Year Ended December 31, 2017				
Year Ended December 31, 2017	Interest Rate	Interest	Principal Principal	Total Debt Service
2018		1,280,075	715,000	1,995,075
2019		1,258,250	740,000	1,998,250
2020		1,231,850	765,000	1,996,850
2021		1,200,650	795,000	1,995,650
2022		1,163,875	835,000	1,998,875
2023-2027		5,133,625	4,845,000	9,978,625
2028-2032		3,757,000	6,220,000	9,977,000
2033-2037		2,159,125	4,555,000	6,714,125
2038-2039		543,000	7,240,000	7,783,000
<b>Total</b>	<b>2.0-5.0%</b>	<b>\$ 17,727,450</b>	<b>\$ 26,710,000</b>	<b>\$ 44,437,450</b>

**General Obligation Bonds 2013 A & B  
For the Year Ended December 31, 2017**

Year Ended December 31, 2017	Interest Rate Range	Interest	Principal	Total Debt Service
2018		307,163	390,000	697,163
2019		295,463	400,000	695,463
2020		283,463	415,000	698,463
2021		271,013	425,000	696,013
2022		258,263	440,000	698,263
2023-2027		1,037,313	2,450,000	3,487,313
2028-2032		580,751	2,325,000	2,905,751
2033		58,500	1,300,000	1,358,500
<b>Total</b>	<b>0.60-4.5%</b>	<b>\$ 3,091,928</b>	<b>\$ 8,145,000</b>	<b>\$ 11,236,929</b>

Utility Revenue Bond 2014 For the Year Ended December 31, 2017				
Year Ended December 31, 2017	Interest Rate	Interest	Principal	Total Debt Service
2018		624,769	685,000	1,309,769
2019		590,519	720,000	1,310,519
2020		561,719	750,000	1,311,719
2021		531,719	780,000	1,311,719
2022		492,719	815,000	1,307,719
2023-2027		1,833,226	4,715,000	6,548,226
2028-2032		970,987	5,580,000	6,550,987
2033-2034		129,894	2,490,000	2,619,894
<b>Total</b>	<b>2.63-5.0%</b>	<b>\$ 5,735,552</b>	<b>\$ 16,535,000</b>	<b>\$ 22,270,552</b>

Public Works Trust Fund Loan PC12-951-022 For the Year Ended December 31, 2017				
Year Ended December 31, 2017	Interest Rate	Interest	Principal	Total Debt Service
2018	0.25%	15,649	447,123	462,772
2019	0.25%	14,532	447,123	461,655
2020	0.25%	13,414	447,123	460,537
2021	0.25%	12,296	447,123	459,419
2022	0.25%	11,178	447,123	458,301
2023-2027	0.25%	39,123	1,788,492	1,827,615
2028-2031	0.25%	11,178	2,235,615	2,246,793
<b>Total</b>		<b>\$ 117,370</b>	<b>\$ 6,259,723</b>	<b>\$ 6,377,093</b>

Public Works Trust Fund Loan PW98-791-007 For the Year Ended December 31, 2017				
Year Ended December 31, 2017	Interest Rate	Interest	Principal	Total Debt Service
2018	1.00%	1,126	112,599	113,725
<b>Total</b>		<b>\$ 1,126</b>	<b>\$ 112,599</b>	<b>\$ 113,725</b>

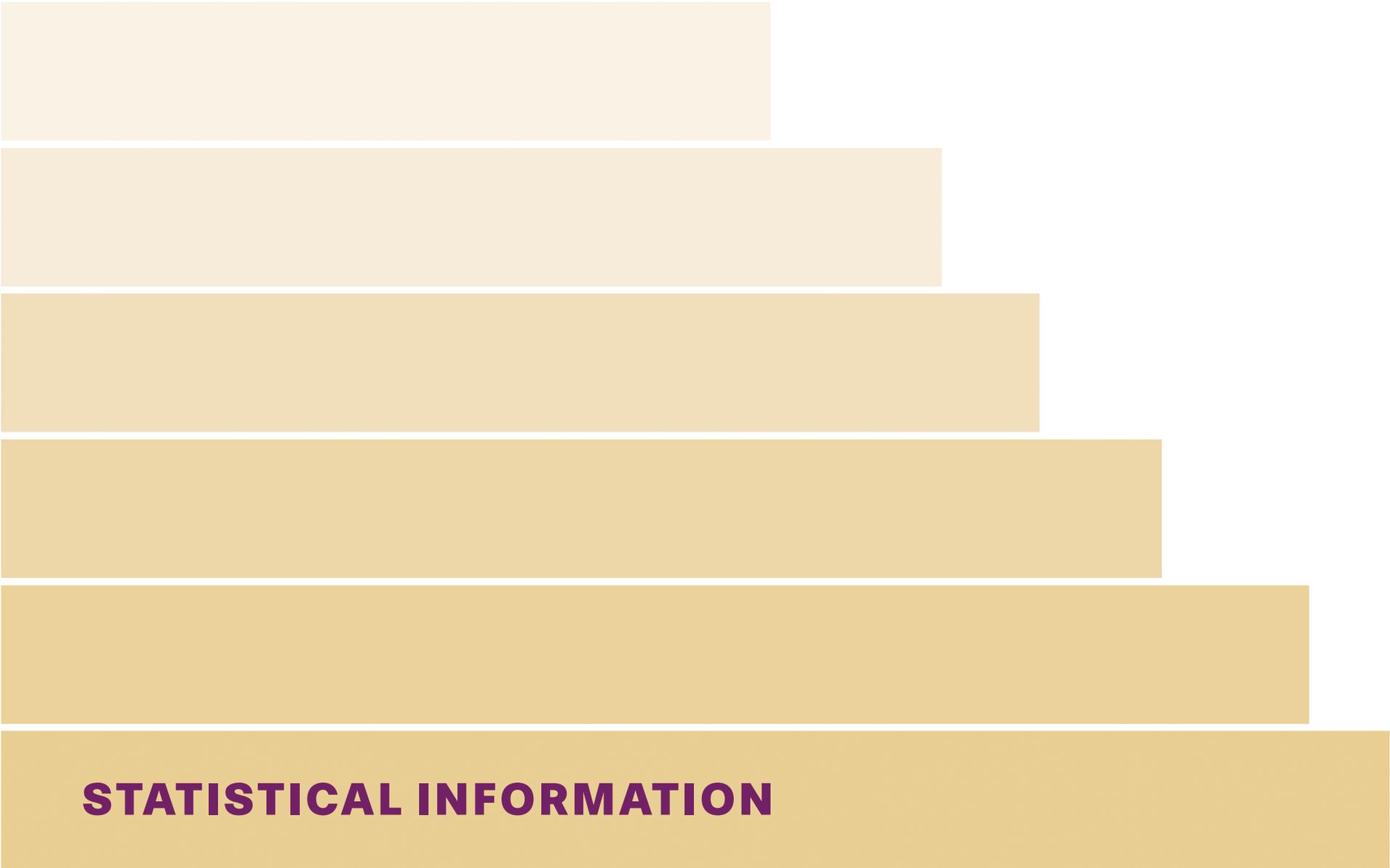
Public Works Trust Fund Loan Horse Creek PC13-961-060 For the Year Ended December 31, 2017				
Year Ended December 31, 2017	Interest Rate	Interest	Principal	Total Service Debt
2018	0.25%	1,707	45,516	47,223
2019	0.25%	1,593	45,516	47,109
2020	0.25%	1,479	45,516	46,995
2021	0.25%	1,365	45,516	46,881
2022	0.25%	1,252	45,516	46,768
2023-2027	0.25%	4,553	227,581	232,134
2028-2032	0.25%	1,707	227,581	229,288
<b>Total</b>		<b>\$ 13,656</b>	<b>\$ 682,742</b>	<b>\$ 696,398</b>

**City Hall Lease Revenue Bonds  
For the Year Ended December 31, 2017**

Year Ended December 31, 2017	Interest Rate Range	Interest	Principal	Total Service Debt
2018	5.0%	1,997,027	1,250,000	3,247,027
2019	4.0%	1,934,102	1,315,000	3,249,102
2020	5.0%	1,888,115	1,365,000	3,253,115
2021	5.0%	1,813,844	1,510,000	3,323,844
2022	5.0%	1,737,594	1,590,000	3,327,594
2023-2027	5.0%	7,416,719	9,210,000	16,626,719
2028-2032	3.6-5%	5,220,507	11,410,000	16,630,507
2033-2037	3.6-3.9%	2,928,423	13,700,000	16,628,423
2038-2039	4.0%	101,833	6,275,000	6,376,833
<b>Total</b>		<b>\$ 25,038,163</b>	<b>\$ 47,625,000</b>	<b>\$ 72,663,164</b>



City of Bothell™



**STATISTICAL INFORMATION**

**TABLE OF CONTENTS - 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.

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

**1-4**

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

**5-10**

**DEBT CAPACITY /** These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

**11-16**

**DEMOGRAPHIC & ECONOMIC INFORMATION /** These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

**17-18**

**OPERATING INFORMATION /** These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

**19-21**

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

Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)										
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$841,148,841	\$829,995,723	\$797,260,030	\$772,845,492	\$746,225,080	\$720,584,679	\$709,089,935	\$677,138,001	\$645,750,647	\$623,606,770
Restricted			7,754,246	9,780,831	7,578,092	12,554,203	15,409,677	17,584,435	25,939,390	22,700,029
Unrestricted	44,506,169	14,636,710	6,887,300	4,879,019	3,614,460	3,262,857	1,729,590	(5,769,209)	(9,553,063)	(6,089,735)
<b>Total governmental activities net position</b>	<b>885,655,008</b>	<b>844,632,433</b>	<b>811,901,576</b>	<b>787,505,342</b>	<b>757,417,631</b>	<b>736,401,739</b>	<b>726,229,202</b>	<b>688,953,226</b>	<b>662,136,973</b>	<b>640,217,064</b>
Business-type activities										
Net investment in capital assets	22,894,341	25,684,286	32,408,696	32,660,784	33,185,063	34,892,575	37,917,645	39,266,084	43,249,528	42,785,330
Restricted	45,960						1,316,369	1,316,369	1,316,369	1,316,369
Unrestricted	10,884,406	8,920,530	2,658,185	1,771,470	3,074,506	4,531,648	4,435,715	7,451,903	10,476,648	15,245,386
<b>Total business-type activities net position</b>	<b>33,824,706</b>	<b>34,604,816</b>	<b>35,066,881</b>	<b>34,432,254</b>	<b>36,259,569</b>	<b>39,424,223</b>	<b>43,669,729</b>	<b>48,034,356</b>	<b>55,042,545</b>	<b>59,347,085</b>
Primary government										
Net investment in capital assets	864,043,182	855,680,009	829,668,726	805,506,276	779,410,143	755,477,254	747,007,580	716,404,085	689,000,175	666,392,100
Restricted	45,960		7,754,246	9,780,831	7,578,092	12,554,203	16,726,046	18,900,804	27,255,759	24,016,398
Unrestricted	55,390,573	23,557,239	9,545,485	6,650,489	6,688,966	7,794,505	6,165,305	1,682,694	923,584	9,155,651
<b>Total primary government net position</b>	<b>\$919,479,714</b>	<b>\$879,237,248</b>	<b>\$846,968,458</b>	<b>\$821,937,596</b>	<b>\$793,677,200</b>	<b>\$775,825,961</b>	<b>\$769,898,931</b>	<b>\$736,987,582</b>	<b>\$717,179,518</b>	<b>\$699,564,149</b>

Change in Net Position Last Ten Fiscal Years (accrual basis of accounting)										
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses – Governmental activities</b>										
General government	\$9,462,780	\$9,413,427	\$9,442,611	\$9,877,418	\$10,969,744	\$10,073,570	\$22,655,176	\$12,868,567	\$16,501,329	\$16,389,961
Security of persons and property	19,342,241	20,646,387	22,005,979	21,575,204	22,078,983	23,098,903	22,723,613	23,376,244	23,953,206	25,973,285
Physical environment	4,626,024	6,262,903	6,354,100	6,398,497	4,914,790	5,972,811	2,196,908	2,548,539	2,757,415	2,763,405
Transportation	38,946,938	42,394,908	39,919,102	34,044,668	36,833,751	35,896,052	41,362,523	42,686,251	43,696,700	43,851,764
Economic environment	3,413,764	3,026,618	3,347,504	3,298,490	2,860,182	2,882,941	4,770,995	4,067,230	4,318,103	4,028,902
Culture and recreation					1,613,519	2,005,064	1,852,966	2,205,709	2,243,434	2,459,788
Interest on long-term debt	229,262	213,348	303,378	581,295	517,471	686,700	2,064,923	2,756,555	3,063,168	3,502,614
<b>Total governmental activities</b>	<b>76,021,008</b>	<b>81,957,592</b>	<b>81,372,674</b>	<b>75,775,571</b>	<b>79,788,440</b>	<b>80,616,039</b>	<b>97,627,104</b>	<b>90,509,095</b>	<b>96,533,353</b>	<b>98,969,719</b>
<b>Business-type activities</b>										
Water	3,150,986	3,188,527	3,234,985	3,708,205	3,369,337	3,947,670	4,045,439	4,471,061	4,312,430	4,855,578
Sewer	4,099,024	4,436,576	4,809,616	5,454,241	4,976,045	5,136,854	5,865,582	6,045,555	6,331,025	6,986,948
Storm & Surface Water	1,645,670	2,094,509	2,381,009	2,864,914	2,938,653	2,985,040	3,793,237	4,099,932	4,462,068	5,418,301
<b>Total business-type activities</b>	<b>8,895,680</b>	<b>9,719,612</b>	<b>10,425,610</b>	<b>12,027,360</b>	<b>11,284,035</b>	<b>12,069,565</b>	<b>13,704,258</b>	<b>14,616,548</b>	<b>15,105,523</b>	<b>17,260,827</b>
<b>Total primary government expenses</b>	<b>\$84,916,688</b>	<b>\$91,677,203</b>	<b>\$91,798,284</b>	<b>\$87,802,932</b>	<b>\$91,072,475</b>	<b>\$92,685,604</b>	<b>\$111,331,362</b>	<b>\$105,125,643</b>	<b>\$111,638,876</b>	<b>\$116,230,546</b>
<b>Program Revenues – Governmental activities</b>										
Charges for services										
General government	\$1,686,890	\$1,858,979	\$2,687,935	\$4,810,917	\$4,841,692	\$5,795,890	\$4,949,225	\$7,083,683	\$9,956,908	\$6,978,338
Security of persons and property	2,084,447	1,901,973	2,743,162	2,273,740	2,663,755	3,243,837	3,368,962	4,456,563	4,392,999	5,317,863
Physical environment	1,420,714	2,330,963	3,566,661	1,376,855	2,078,244	1,352,480	937,303	933,754	986,097	1,393,217
Transportation	1,764,671	79,707	1,185,102	607,870	1,818,764	349,447	268,215	1,375,389	1,896,846	1,747,125
Economic environment	1,713,091	1,390,869	1,594,278	1,338,169	1,961,284	4,218,724	4,176,516	3,924,331	5,406,921	6,355,160
Culture and recreation	149,021	225,350	328,879	457,981	268,711	266,648	288,713	354,039	280,506	294,786
Operating grants and contributions	525,398	357,367	383,325	360,152	969,659	1,566,336	541,291	364,737	334,328	337,028
Capital grants and contributions	12,229,943	3,064,379	8,068,251	10,650,614	4,324,101	11,102,307	8,153,286	4,451,573	8,684,810	9,679,544
<b>Total governmental activities program revenues</b>	<b>21,574,175</b>	<b>11,209,588</b>	<b>20,557,594</b>	<b>21,876,297</b>	<b>18,926,210</b>	<b>27,895,669</b>	<b>22,683,511</b>	<b>22,944,069</b>	<b>31,939,415</b>	<b>32,103,061</b>
<b>Business-type activities</b>										
Charges for services										
Water	3,377,642	3,731,390	3,098,581	3,210,573	3,656,582	4,371,380	4,247,227	6,053,287	5,722,568	5,686,533
Sewer	4,448,313	4,913,071	4,421,861	5,012,251	5,639,707	6,088,614	6,601,973	7,556,241	7,998,203	7,879,956
Storm & Surface Water	1,753,920	2,478,439	2,605,276	2,927,059	3,645,575	4,255,802	5,147,336	5,462,436	6,284,605	6,269,635
Operating grants and contributions									149,637	568,848
Capital grants and contributions	787,526	411,475	757,700	241,500	164,800	501,000	1,951,300	1,105,654	1,923,454	1,093,277
<b>Total business-type activities program revenue</b>	<b>10,367,401</b>	<b>11,534,375</b>	<b>10,883,418</b>	<b>11,391,383</b>	<b>13,106,664</b>	<b>15,216,797</b>	<b>17,947,836</b>	<b>20,177,618</b>	<b>22,078,467</b>	<b>21,498,249</b>
<b>Total primary government program revenues</b>	<b>\$31,941,576</b>	<b>\$22,743,963</b>	<b>\$31,441,012</b>	<b>\$33,267,680</b>	<b>\$32,032,874</b>	<b>\$43,112,466</b>	<b>\$40,631,347</b>	<b>\$43,121,687</b>	<b>\$54,017,882</b>	<b>\$53,601,310</b>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(\$54,446,834)	(\$70,748,004)	(\$60,815,080)	(\$53,899,274)	(\$60,862,229)	(\$52,720,370)	(\$74,943,593)	(\$67,565,026)	(\$64,593,938)	(\$66,866,658)
Business-type activities	1,471,721	1,814,763	457,808	(635,977)	1,822,629	3,147,232	4,243,578	5,561,070	6,972,944	4,237,421
<b>Total primary government net expense</b>	<b>(52,975,113)</b>	<b>(68,933,241)</b>	<b>(60,357,272)</b>	<b>(54,535,251)</b>	<b>(59,039,600)</b>	<b>(49,573,138)</b>	<b>(70,700,015)</b>	<b>(62,003,956)</b>	<b>(57,620,994)</b>	<b>(62,629,237)</b>
<b>General Revenue and Other Changes in Net Position</b>										
Governmental activities										
Taxes										
Property tax	9,979,056	9,480,272	10,190,952	10,963,812	11,128,474	12,506,112	15,501,155	12,402,051	12,644,299	17,417,803
Excise tax	11,731,999	9,842,288	10,482,416	9,960,281	10,341,621	11,071,149	12,889,402	17,053,937	16,804,847	18,610,037
Business tax	7,085,015	7,312,792	6,832,556	6,795,259	6,972,159	6,759,484	7,945,069	7,686,370	7,659,567	7,315,916
Unrestricted grants and contributions										
Investment earnings	1,627,957	1,055,739	123,457	310,195	512,991	164,714	116,931	441,188	229,685	504,584
Special item							23,858,356			
Miscellaneous	1,020,245	915,788	454,842	516,090	540,813	1,033,726	4,682,318	438,912	439,287	1,098,410
Transfers	959,111	1,118,550				(17,422)		37,103		
<b>Total governmental activities</b>	<b>32,403,383</b>	<b>29,725,430</b>	<b>28,084,224</b>	<b>28,545,636</b>	<b>29,496,058</b>	<b>31,517,764</b>	<b>64,993,231</b>	<b>38,059,561</b>	<b>37,777,685</b>	<b>44,946,749</b>
<b>Business-type activities</b>										
Investment earnings	180,799	62,247	4,259	1,350	4,685		1,928	20,233	35,244	67,119
Miscellaneous		21,650								
Transfers	(959,111)	(1,118,550)				17,422		(37,103)	0	0
<b>Total business-type activities</b>	<b>(778,311)</b>	<b>(1,034,652)</b>	<b>4,260</b>	<b>1,350</b>	<b>4,685</b>	<b>17,422</b>	<b>1,928</b>	<b>(16,870)</b>	<b>35,244</b>	<b>67,119</b>
<b>Total primary government</b>	<b>\$31,625,072</b>	<b>\$28,690,778</b>	<b>\$28,088,483</b>	<b>\$28,546,986</b>	<b>\$29,500,743</b>	<b>\$31,535,186</b>	<b>\$64,995,159</b>	<b>\$38,042,691</b>	<b>\$37,812,929</b>	<b>\$45,013,868</b>
<b>Change in Net Position</b>										
Government activities	(\$22,043,451)	(\$41,022,574)	(\$32,730,857)	(\$25,353,638)	(\$31,366,171)	(\$21,202,606)	(\$9,950,362)	(\$29,505,465)	(\$26,816,253)	(\$21,919,909)
Business-type activities	693,410	780,109	462,066	(634,627)	1,827,315	3,164,654	4,245,507	5,544,200	7,008,188	4,304,540
<b>Total primary government</b>	<b>(\$21,350,042)</b>	<b>(\$40,242,465)</b>	<b>(\$32,268,791)</b>	<b>(\$25,988,265)</b>	<b>(\$29,538,856)</b>	<b>(\$18,037,952)</b>	<b>(\$5,704,855)</b>	<b>(\$23,961,265)</b>	<b>(\$19,808,065)</b>	<b>(\$17,615,369)</b>

Fund Balances of Government Funds Last Ten Fiscal Years (modified accrual basis of accounting)										
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved										
Unreserved	12,955,076	6,994,173	4,052,527							
Committed				16,750	16,750	16,750	22,250	22,250	22,250	16,750
Restricted				391,930	526,522	602,871	738,694	867,549	1,307,401	967,611
Assigned				1,711,130	1,711,130	1,711,130	1,711,130	1,711,130	1,711,130	1,711,130
Unassigned				1,587,189	870,296	1,446,023	1,316,482	1,381,675	258,069	6,336,136
Prior Period Adjustment						11,035				
<b>Total general fund</b>	<b>\$12,955,076</b>	<b>\$6,994,173</b>	<b>\$4,052,527</b>	<b>\$3,706,999</b>	<b>\$3,124,698</b>	<b>\$3,787,810</b>	<b>\$3,788,556</b>	<b>\$3,982,604</b>	<b>\$3,298,850</b>	<b>\$9,031,627</b>
All Other Governmental Funds										
Unreserved										
Special revenue funds	\$2,320,927	\$2,124,745	\$2,410,436	\$2,268,368	\$3,916,223	\$4,709,781	\$7,290,304	\$7,392,924	\$8,118,902	\$12,060,158
Debt service funds	690,991	2,012	669	55,295	142,231	120,129	29,739	396	(928)	88,030
Capital projects funds	24,686,299	2,077,727	5,266,801	7,065,239	2,976,365	6,917,958	7,594,931	9,307,244	13,883,596	2,990,654
Permanent funds							16,321	16,321	16,321	16,321
Restricted				9,388,902	7,034,819	11,747,868	14,914,974	16,700,564	22,001,569	15,138,842
Committed				68,153	67,692	67,692	67,692	67,692	67,692	67,692
Prior Period Adjustment						175,679	(222,175)			
<b>Total all other governmental funds</b>	<b>\$27,698,218</b>	<b>\$4,204,485</b>	<b>\$7,677,906</b>	<b>\$9,457,055</b>	<b>\$7,102,511</b>	<b>\$11,991,239</b>	<b>\$14,776,812</b>	<b>\$16,784,577</b>	<b>\$22,085,583</b>	<b>\$15,222,856</b>

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$28,070,855	\$26,635,353	\$27,505,967	\$27,719,352	\$28,442,253	\$30,413,113	\$34,443,409	\$36,521,449	\$36,673,875	\$43,325,131
Licenses and permits	1,280,479	989,656	1,128,293	1,081,549	1,761,220	2,953,512	2,837,610	3,404,797	4,055,011	4,008,628
Intergovernmental	14,260,853	5,766,032	10,748,505	13,700,129	8,015,234	11,647,160	8,816,626	6,226,412	9,996,150	11,516,083
Charges for services	5,438,718	3,617,008	5,587,104	4,703,004	6,467,279	9,037,134	9,137,788	9,121,997	10,872,110	11,826,883
Fines and forfeitures	396,602	436,520	431,188	387,550	421,304	381,258	371,011	377,964	406,083	356,979
Interest earnings	1,555,854	1,033,628	120,261	306,511	509,634	162,427	115,776	113,568	245,754	477,436
Proceeds from the sale of capital assets	12,399	501								
Contributions	132,230	30,706	68,260	50,930	45,605	890,862	397,021	49,271	604,887	540,930
Other revenue	802,892	805,466	347,338	445,398	435,486	330,305	2,560,223	443,354	393,242	943,349
<b>Total revenues</b>	<b>51,950,883</b>	<b>39,314,871</b>	<b>45,936,917</b>	<b>48,394,423</b>	<b>46,098,016</b>	<b>55,815,771</b>	<b>58,679,464</b>	<b>56,258,812</b>	<b>63,247,111</b>	<b>72,995,419</b>
<b>Expenditures</b>										
General government	8,102,794	8,074,767	8,248,773	8,702,807	8,248,283	8,651,252	8,134,152	9,024,948	10,318,936	11,528,616
Security of persons and property	17,894,731	18,984,021	20,223,188	19,958,652	20,292,352	20,829,840	22,072,891	23,695,773	23,474,573	26,548,790
Transportation	1,601,855	1,574,859	1,567,865	1,732,338	1,725,232	1,688,875	5,449,765	5,960,100	6,936,056	7,044,039
Physical environment	3,614,666	3,675,595	3,984,208	4,183,070	4,185,398	3,450,807	20,409	20,455	48,026	18,330
Cultural Environment						1,334,713	1,535,044	1,720,662	1,609,254	1,886,405
Economic environment	3,203,110	2,853,133	3,129,153	2,864,765	2,860,182	2,882,941	4,391,995	3,696,718	3,997,153	4,257,381
Bond issue costs	73,595		79,488	41,603	170,753	125,039	311,422	1,577		
Debt service										
Interest	117,539	213,348	223,890	539,692	517,471	686,700	1,753,501	1,767,419	3,222,695	2,222,123
Principal	668,862	558,862	545,000	23,301,611	11,272,161	5,258,421	31,479,922	1,460,527	2,172,123	3,688,178
Other expenditures	80,743	27,872	15,777	28,645	2,436	10,474	21,136	1,959	1,200	853
Capital outlay	25,199,063	31,859,238	38,541,728	16,982,124	12,124,363	21,441,381	13,477,686	58,858,361	15,878,284	18,113,770
<b>Total expenditures</b>	<b>60,556,958</b>	<b>67,821,695</b>	<b>76,559,071</b>	<b>78,335,307</b>	<b>61,398,630</b>	<b>66,360,442</b>	<b>88,647,923</b>	<b>106,208,500</b>	<b>67,658,300</b>	<b>75,308,485</b>
Excess of revenue over (under) expenditures	(8,606,075)	(28,506,824)	(30,622,154)	(29,940,884)	(15,300,615)	(10,544,671)	(29,968,459)	(49,949,688)	(4,411,189)	(2,313,066)
<b>Other Financing Sources (Uses)</b>										
Refunding bonds issued	6,070,000									
Premium on refunding bonds	123,226									
2013 GO bonds						9,665,000				
2013 GO bond premium						455,236				
LIFT GO bonds							28,210,000			
LIFT GO bond premium							2,137,096			
Capital lease								51,475,433		
Proceeds from sales of capital assets					4,607,525	15,088	1,800,000	761,483	9,337,640	1,431,042
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			5,953,936	1,819,279	226,786		39,450
Transfers in	1,992,268	5,880,761	1,880,598	2,348,144	2,406,488	1,889,311	2,052,217	2,609,009	5,840,299	13,632,421
Transfers out	(3,720,477)	(6,828,573)	(2,218,278)	(1,931,044)	(2,478,701)	(2,068,775)	(3,041,638)	(2,921,209)	(6,149,499)	(13,919,797)
<b>Total other financing sources uses</b>	<b>(1,651,337)</b>	<b>(947,812)</b>	<b>31,153,931</b>	<b>30,417,100</b>	<b>11,085,311</b>	<b>15,909,796</b>	<b>32,976,954</b>	<b>52,151,501</b>	<b>9,028,440</b>	<b>1,183,115</b>
<b>Net change in fund balances</b>	<b>(\$10,257,412)</b>	<b>(\$29,454,636)</b>	<b>\$531,776</b>	<b>\$476,216</b>	<b>(\$4,215,304)</b>	<b>\$5,365,125</b>	<b>\$3,008,495</b>	<b>\$2,201,813</b>	<b>\$4,617,251</b>	<b>(\$1,129,950)</b>
Debt service as a percentage of noncapital expenditures	2%	2%	2%	39%	24%	13%	44%	7%	10%	10%

Assessed Value of Taxable Property Last Ten Fiscal Years				
Year	Real Property	Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate*
2008	5,475,256,395	1,032,949,319	6,899,208,239	1.36
2009	6,068,825,132	852,179,192	6,921,004,324	1.27
2010	5,448,364,635	1,135,077,757	6,583,442,392	1.40
2011	5,170,948,110	1,166,946,298	6,337,894,408	1.49
2012	4,765,234,231	1,142,409,091	5,907,643,322	1.62
2013	4,788,399,900	1,016,236,063	5,804,635,963	1.67
2014	5,226,252,184	902,744,249	6,128,996,433	1.60
2015	6,756,976,860	894,227,150	7,651,204,010	1.50
2016	7,223,612,278	1,072,446,159	8,296,058,437	1.43
2017	8,097,355,849	686,091,405	8,783,447,254	1.90

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.

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years															
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	RTA	Total Direct & Overlapping Rate
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	.010		10.53
2011	1.37	0.12	1.49	2.28	1.34	4.60	.22	.48	.57	.30	.15	.11	.004		11.55
2012	1.48	0.13	1.62	2.42	1.42	4.75	.23	.49	.57	.30	.02	.12	.004		11.94
2013	1.54	0.13	1.67	2.57	1.54	5.30	.23	.52	.57	.30	.02	.13	.004		12.85
2014	1.49	0.11	1.60	2.38	1.52	4.93	.22	.47	.56	.29	.02	.15	.003		12.13
2015	1.41	0.09	1.50	2.29	1.35	4.44	.19	.40	.50	.30	.01	.14			11.12
2016	1.33	0.10	1.43	2.17	1.48	4.22	.17	.38	.48	.28	.01	.13			10.75
2017	1.79	0.11	1.90	2.03	1.39	4.01	.15	.36	.45	.26	.01	.12		.25	10.93

City Direct Rates				Overlapping Tax Rates - Snohomish County											
Year	Regular Levy	GO Bond	Total Direct Rate	WA State	Snohomish County	School District	County Port	Hospital District	Library District	Emergency Medical Services	Park/Rec District	Flood District	Ferry District	RTA	Total Direct & Overlapping Rate
2008	1.24	0.12	1.36	1.91	0.72	3.62		.16	.45	.19	.03				8.43
2009	1.18	0.09	1.27	1.91	0.72	3.48		.16	.42	.19	.01				8.16
2010	1.29	0.11	1.40	1.99	0.78	4.04		.18	.49	.20	.02				9.10
2011	1.37	0.12	1.49	2.21	0.87	4.60		.15	.57	.21	.02				10.11
2012	1.48	0.13	1.62	2.38	0.98	4.75		.11	.50	.30	.02				10.65
2013	1.54	0.13	1.67	2.43	1.08	5.30		.11	.57	.30	.02				11.47
2014	1.49	0.11	1.60	2.38	1.08	4.93			.56	.29	.02				10.85
2015	1.41	0.09	1.50	2.28	1.00	4.44			.50	.27	.01				10.00
2016	1.33	0.10	1.43	2.12	0.93	4.22		.09	.48	.26	.01				9.55
2017	1.79	0.11	1.90	2.03	0.88	4.01			.45	.25	.01			.25	9.78

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

Principal Property Tax Payers Current and Ten Years Ago						
Snohomish County Taxpayers			2017		2008	
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
BRE WA Office Owner LLC	\$128,945,000	1	3.56%	\$39,771,900	5	
Steelwave Bothell LLC	115,636,855	2	3.19%			
Philips Ultrasound Inc	81,215,149	3	2.24%	74,821,327	4	2.62%
Seattle Genetics Inc	57,701,267	4	1.59%			
BRE Properties Inc	52,260,000	5	1.44%			0.00%
Stonemeadow Farm Apartments Inc	41,774,647	6	1.15%			
Monte Villa Farms LLC	39,185,685	7	1.08%	34,282,593	7	1.20%
TRC Canyon Park Place LLC	35,292,500	8	0.97%			
Essex Portfolio LP	35,000,000	9	0.97%			
EQR-Fanwell	32,000,000	10	0.88%			
Teachers Insurance & Annuity Assn				116,249,100	1	4.06%
AT&T Mobility LLC				82,865,455	3	2.90%
Arden Realty Inc/Thompson Prop Tax Svc				111,984,000	2	3.91%
RREEF				32,523,700	8	1.14%
Verizon Northwest Inc.				36,473,708	6	1.27%
Diamond Canyon Park LLC				32,500,000	9	1.14%
Immunex Mfg Corp				29,291,900	10	1.02%
Total Assessed Valuation - Largest Taxpayers	619,011,103		17.10%	590,763,683		20.65%
Total Assessed Valuation - All Other	3,001,461,658		82.90%	2,270,039,066		79.35%
<b>Total Assessed Value</b>	<b>\$3,620,472,761</b>		<b>100.00%</b>	<b>\$2,860,802,749</b>		<b>100.00%</b>

King County Taxpayers			2017		2008	
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
AT&T Mobility LLC	\$270,639,074	1	5.60%			
Grosvenor International Ltd (formerly Schnitzer West)	152,479,663	2	3.16%			0.00%
Greystar (formerly BRE Silver MF 522)	134,082,000	3	2.78%			
Village at Beardslee (formerly Gateway Apartments LLC)	107,763,100	4	2.23%			
Belcorp Holdings Inc.	64,496,000	5	1.34%			
North Creek Facility LLC	45,976,600	6	0.95%			0.00%
Willina LLC	44,751,000	7	0.93%			
Essex Property Trust	44,216,000	8	0.92%	26,891,000	8	0.95%
Pugest Sound Energy/Electric	44,128,551	9	0.91%	27,130,441	7	0.96%
MRM North Creek LLC (formerly BRE WA Office Owner LLC)	37,798,000	10	0.78%			
T-Mobile				321,916,944	1	11.43%
Cingular Wireless						0.00%
Seattle Times				73,715,519	4	2.62%
Archstone Communities Trust				24,524,000	9	0.87%
Arden Realty Inc. (formerly Allstate Ins.)				42,344,900	5	1.50%
RREEF						0.00%
Schnitzer Northwest				120,812,400	2	4.29%
E-property Tax Inc				76,153,731	3	2.70%
Home Depot				16,048,047	10	0.57%
S/I North Creek VII LLC				31,388,620	6	1.11%
Total Assessed Valuation - Largest Taxpayers	946,329,988		19.59%	760,925,602		27.02%
Total Assessed Valuation - All Other	3,883,293,457		80.41%	2,055,625,124		72.98%
<b>Total Assessed Value</b>	<b>\$4,829,623,445</b>		<b>100.00%</b>	<b>\$2,816,550,726</b>		<b>100.00%</b>

Sources: Snohomish County assessor  
King County Levy Administration

City of Bothell is split between Snohomish and King Counties

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
2008	4,366,603	4,280,026	98%	86,076	4,366,102	100%
2009	4,942,927	4,816,176	97%	113,042	4,816,176	97%
2010	5,214,713	5,124,092	98%	56,137	5,180,229	99%
2011	5,234,385	5,159,574	99%	56,803	5,216,377	100%
2012	5,331,158	5,260,360	99%	69,928	5,330,288	100%
2013	5,470,860	5,416,398	99%	20,701	5,437,099	99%
2014	5,678,750	5,629,993	99%	53,147	5,683,140	100%
2015	5,775,353	5,713,365	99%	40,298	5,753,663	100%
2016	5,862,819	5,806,545	99%	43,374	5,849,919	100%
2017	7,760,704	7,704,520	99%		7,704,520	99%

**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
2008	4,414,782	4,323,657	98%	39,563	4,363,220	99%
2009	4,470,381	4,363,474	98%	147,170	4,363,474	98%
2010	4,639,863	4,498,804	97%	104,875	4,603,679	99%
2011	4,837,689	4,738,381	98%	54,796	4,793,177	99%
2012	5,015,207	4,850,830	97%	52,224	4,903,054	98%
2013	5,006,353	4,928,974	98%	34,990	4,963,964	99%
2014	4,950,243	4,861,991	98%	23,324	4,885,315	99%
2015	6,476,342	6,373,525	98%	43,787	6,417,312	99%
2016	6,791,598	6,710,643	99%	44,166	6,754,809	99%
2017	9,606,199	9,469,463	99%		9,469,463	99%

Sales Tax Revenue by Category Last Ten Fiscal Years										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retail trade	\$2,862,393	\$2,636,007	\$2,660,629	\$2,679,046	\$2,483,071	\$2,285,820	\$2,459,483	\$2,813,968	\$3,515,580	\$3,253,940
Wholesale trade	1,306,267	911,702	1,057,129	914,654	1,247,453	1,133,400	1,231,411	1,152,732	1,003,675	1,012,938
Construction	1,922,867	1,883,587	2,038,018	1,433,788	1,370,608	2,176,732	2,022,908	2,176,682	2,265,917	2,801,526
Information	554,324	492,863	403,623	344,136	545,752	704,458	655,963	589,189	627,239	444,910
Professional, scientific, technical services	432,359	326,240	561,669	534,827	533,135	302,826	371,777	463,557	606,318	629,583
Accommodation and food services	678,197	647,083	697,014	724,495	779,264	820,289	904,148	1,058,599	1,416,027	1,246,141
Real estate, rental, leasing	230,538	188,787	179,855	171,944	166,304	199,154	491,200	570,635	599,020	723,113
Manufacturing	377,019	211,566	149,227	187,089	267,381	260,679	318,465	490,391	461,910	578,907
Admin, supp, remed services	253,074	200,105	233,155	233,104	228,612	240,316	250,973	282,831	317,043	460,863
Other services	133,389	148,760	223,163	278,395	413,643	459,074	495,436	162,927	189,596	175,003
Other	733,565	512,235	558,650	630,764	230,837	668,765	730,573	364,861	446,420	428,507
<b>Total</b>	<b>\$9,483,992</b>	<b>\$8,158,935</b>	<b>\$8,762,132</b>	<b>\$8,132,242</b>	<b>\$8,266,060</b>	<b>\$9,251,513</b>	<b>\$9,932,337</b>	<b>\$10,126,372</b>	<b>\$11,448,745</b>	<b>\$11,755,431</b>

City direct sales tax rate is 0.85%

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

Source: Washington State Department of Revenue

Direct and Overlapping Sales Tax Rates  
Last Ten Fiscal Years

King County

Year	Local	State	Rapid Transit	Total Sales Tax
2008	2.0%	6.5%	.4%	8.9%
2009	2.5%	6.5%	.4%	9.4%
2010	2.5%	6.5%	.5%	9.5%
2011	2.5%	6.5%	.5%	9.5%
2012	2.5%	6.5%	.5%	9.5%
2013	2.5%	6.5%	.5%	9.5%
2014	2.5%	6.5%	.5%	9.5%
2015	2.5%	6.5%	.5%	9.5%
2016	2.5%	6.5%	.5%	9.5%
2017	2.5%	6.5%	1.0%	10.0%

Snohomish County

Year	Local	State	Rapid Transit	Total Sales Tax
2008	2.0%	6.5%	.4%	8.9%
2009	2.4%	6.5%	.4%	9.3%
2010	2.5%	6.5%	.5%	9.5%
2011	2.5%	6.5%	.5%	9.5%
2012	2.5%	6.5%	.5%	9.5%
2013	2.5%	6.5%	.5%	9.5%
2014	2.5%	6.5%	.5%	9.5%
2015	2.5%	6.5%	.5%	9.5%
2016	2.8%	6.5%	.5%	9.8%
2017	2.8%	6.5%	1.0%	10.3%

Source: Washington State Department of Revenue

Ratios of Outstanding Debt by Type Last Ten Fiscal Years												
Year	Government Activities			Business-Type Activities				Total Primary Government	Per Capita Income*	Percentage of Personal Income	Population	Debt Per Capita
	General Obligation	Special Assessment	Term Loan Payable	Water Bonds	Sewer Bonds	Combined Utility Bonds	Term Loan Payable					
2008	5,435,000		33,864				1,125,985	6,594,849	58,141	0	32,860	201
2009	4,910,000						1,013,388	5,923,388	59,198	0	33,240	178
2010	17,106,611		18,750,000				900,787	36,757,398	59,198	2	33,430	1,100
2011	33,749,705		8,750,000				788,188	43,287,893	49,115	3	33,720	1,284
2012	37,832,839						675,589	38,508,428	50,559	2	34,000	1,133
2013	48,193,354						562,992	48,756,346	52,943	3	34,460	1,415
2014	39,375,000		7,367,710			18,355,000	1,014,416	66,112,126	58,402	3	41,630	1,588
2015	92,206,274		7,153,969			19,021,527	1,024,715	119,406,485	61,021	5	42,640	2,800
2016	89,320,547		6,706,846			18,323,246	953,791	115,304,430	64,553	4	43,980	2,622
2017	86,359,129		6,299,173			17,594,964	795,676	111,048,942			44,370	2,503

**Note: General Obligation includes COB Lease Revenue Bonds of \$50,422,952**

**\*Bureau of Economic Analysis**

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
2008	5,435,000	6,899,208,239	0	32,860	165
2009	4,910,000	6,921,004,324	0	33,240	148
2010	17,106,611	6,583,442,392	0	33,430	512
2011	33,749,705	6,337,894,408	1	33,720	1,001
2012	37,732,759	5,907,643,322	1	34,000	1,110
2013	48,193,354	5,804,635,963	1	34,460	1,399
2014	39,375,000	6,128,996,433	1	41,630	946
2015	92,206,274	7,651,204,010	1	42,640	2,162
2016	89,320,547	8,296,058,437	1	43,980	2,031
2017	86,359,129	8,783,447,254	1	44,370	1,946

**Note: General Obligation includes COB Lease Revenue Bonds of \$50,422,952**

**Computation of Direct and Overlapping Debt  
December 2017**

**Overlapping Debt**

Governmental Unit	Net Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
King County	\$719,456,000	2%	\$13,403,796
Snohomish County	375,760,000	8%	31,422,231
Northshore School District	357,626,361	51%	183,647,175
Port of Seattle	388,360,000	2%	7,235,325
Northshore Parks & Rec	927,803	52%	484,624
King County Library System	87,869,746	3%	2,728,188
<b>Total overlapping debt</b>	<b><u>\$1,929,999,910</u></b>		<b><u>\$238,921,339</u></b>

**Direct Debt**

City of Bothell	\$92,658,302	100%	\$92,658,302
<b>Total direct and overlapping debt</b>	<b><u>\$2,022,658,212</u></b>		<b><u>\$331,579,641</u></b>

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

Legal Debt Margin Information Last Ten Fiscal Years										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed value	\$6,899,208,239	\$6,921,004,324	\$6,583,442,392	\$6,337,894,408	\$5,907,643,322	\$5,804,635,963	\$6,128,996,433	\$7,651,204,010	\$8,296,058,437	\$8,783,447,254
Debt limit (7.5% of assessed value)	517,440,618	519,075,324	493,758,179	475,342,081	443,073,249	435,347,697	459,674,732	573,840,301	622,204,383	658,758,544
Debt applicable to limit General obligation bonds	5,435,000	4,910,000	17,106,611	33,805,000	37,832,839	48,193,354	46,742,710	99,360,243	96,027,393	92,658,302
Less: amount set aside for repayment	124,082	16,204	669	55,295	100,080	103,808	29,738	396	(928)	88,030
Total net debt applicable to limit	5,310,918	4,893,796	17,105,942	33,749,705	37,732,759	48,089,546	46,712,972	99,359,847	96,028,321	92,570,272
Legal debt margin	\$512,129,700	\$514,181,529	\$476,652,237	\$441,592,376	\$405,340,490	\$387,258,151	\$412,961,760	\$474,480,454	\$526,176,061	\$566,188,272
Total net debt applicable to the limit as a percentage of debt limit	1.03%	0.94%	3.46%	7.10%	8.52%	11.05%	10.16%	17.31%	15.43%	14.05%

Pledged-Revenue Coverage Last Ten Fiscal Years						
Combined Utility System Bonds						
Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2014	\$15,996,535	\$13,332,786	\$2,663,749	\$520,000	\$794,301	2.03
2015	\$19,071,965	\$13,913,731	\$5,158,234	\$635,000	\$676,769	3.93
2016	\$20,005,376	\$14,487,888	\$5,517,488	\$665,000	\$651,369	4.19
2017	\$19,836,124	\$16,671,040	\$3,165,084	\$665,000	\$651,369	2.40

Utility Revenue Bond Statistics (WATER) Debt Service Coverage Ratios					
Year	Operating Revenue	Operating Expense	Operating Income	Debt Service	Coverage Ratio
2014	\$4,247,227	\$3,963,237	\$283,990		
2015	\$6,053,287	\$4,320,189	\$1,733,098	\$277,473	6.25
2016	\$5,722,568	\$4,180,760	\$1,541,808	\$277,681	5.55
2017	\$5,686,533	\$4,730,981	\$955,552	\$277,281	3.45

Utility Revenue Bond Statistics (SEWER) Debt Service Coverage Ratios					
Year	Operating Revenue	Operating Expense	Operating Income	Debt Service	Coverage Ratio
2014	\$6,601,973	\$5,830,950	\$771,023		
2015	\$7,556,241	\$5,979,353	\$1,576,888	\$125,380	12.58
2016	\$7,998,203	\$6,273,035	\$1,725,168	\$124,206	13.89
2017	\$7,879,956	\$6,931,407	\$948,549	\$126,806	7.48

Utility Revenue Bond Statistics (STORM SURFACE WATER) Debt Service Coverage Ratios					
Year	Operating Revenue	Operating Expense	Operating Income	Debt Service	Coverage Ratio
2014	\$5,147,336	\$3,538,598	\$1,608,738		1.77
2015	\$5,462,436	\$3,614,189	\$1,848,247	\$911,448	2.03
2016	\$6,284,605	\$4,034,093	\$2,250,512	\$909,881	2.47
2017	\$6,269,634	\$5,008,652	\$1,260,982	\$912,281	1.38

**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
- 2014 Combined Utility Bonds debt service requirement is maximum annual debt service \$1,316,369

Utility Revenue Bond Statistics

Water

Total Volume

Year	Residential Volume (CCF) <sup>1</sup>	Commercial Volume (CCF)	Irrigation Volume (CCF)	Residential Revenue	Commercial Revenue	Irrigation Revenue
2014	449,900	153,098	101,396	\$2,068,377	\$766,624	\$767,292
2015	431,743	159,648	136,363	\$2,842,981	\$891,066	\$1,027,296
2016	443,516	175,473	121,815	\$2,407,187	\$956,181	\$920,974
2017	456,067	153,945	121,580	\$2,657,446	\$909,992	\$1,036,958

<sup>1</sup>Residential includes apartments and mobile home parks

Utility Customers

Year	Residential Volume	Commercial/Nonresidential	Total
2014	3,494	502	3,996
2015	3,580	505	4,085
2016	3,656	519	4,175
2017	4,079	580	4,659

Approximately 88% of Water Utility customers are residential and the remainder are commercial or non-residential

Total Consumption

Year	Consumption (CCF)	Number of Accounts	Average GPD/Account
2014	715,943	4,031	363.98
2015	754,601	4,085	378.56
2016	753,195	4,175	371.04
2017	745,366	4,230	367.00

Sewer

Total Volume

Year	Residential Volume (CCF)	Commercial Volume (CCF)	Residential Revenue	Commercial Revenue
2014	449,900	153,098	\$5,140,586	\$1,028,971
2015	431,743	159,648	\$5,526,670	\$1,183,067
2016	443,516	175,473	\$5,732,613	\$1,363,537
2017	456,067	153,945	\$6,021,440	\$1,240,531

Utility Customers

Year	Residential	Commercial / Nonresidential	Total
2014	4,764	333	5,097
2015	4,795	333	5,128
2016	4,867	333	5,200
2017	5,373	343	5,716

Approximately 94% of Sewer Utility customers are residential and the remainder are commercial or non-residential

Storm Surface Water

Total Volume

Year	Residential	Condominiums	Seniors	Commercial/ Nonresidential	Total
2014	9,528	1,613	491	805	12,437
2015	N/A	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A	N/A
2017	N/A	N/A	N/A	N/A	N/A

Approximately 77% of Storm & Surface Water Utility customers are residential and the remainder are commercial or non-residential

Notes:

-See the BMC Title 18 for utility rates on the City's Website  
 << Statistical Section - Table of Contents

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
2008	32,860	1,910,513	58,141	36	13.7	22,846	6.30%
2009	33,240	1,967,742	59,198	37	13.7	23,730	8.90%
2010	33,430	1,641,914	49,115	38	13.7	27,521	9.10%
2011	33,720	1,704,849	50,559	38	13.7	27,598	7.90%
2012	34,000	1,800,062	52,943	38	13.7	28,390	6.50%
2013	34,460	1,890,053	65,131	38	13.7	25,548	5.30%
2014	41,630	2,460,526	59,105	40	13.7	29,140	4.60%
2015	42,640	2,683,704	61,021	40	13.7	30,995	5.00%
2016	43,980	2,839,041	64,553	40	13.7	31,984	3.70%
2017	44,370	NA	NA	38	13.7	31,528	4.10%

**Sources:**

- Washington State - Office of Financial Management (OFM)
- US Department of Labor - Bureau of Labor Statistics (BLS)
- US Department of Commerce - Bureau of Economic Analysis (BEA)
- Northshore School District (NSSD), University of Washington-Bothell (UW-B), Cascadia College
- US Census Bureau 2010 Demographic Profile Data
- Northshore School District (NSSD), University of Washington-Bothell (UW-B), Cascadia College

NA = Not Available

Principal Employers Current Year and Ten Years Ago							
Employer	Product or Service	2017			2008		
		Rank	Employees	Percentage of Total City Employment	Rank	Employees	Percentage of Total City Employment
Northshore School District	Education	1	2,147	7.63%	2	1,835	21.16%
Phillips Ultrasound	Diagnostic imaging manufacturer	2	1,831	6.51%	3	1,262	14.55%
AT&T Mobile	Telecommunications	3	1,770	6.29%	1	3,046	35.13%
Seattle Genetics Inc	Genetic research	4	958	3.41%			
University of Washington-Bothell	Education	5	717	2.55%	8	300	3.46%
Molina Healthcare of WA Inc	Insurance	6	707	2.51%			
Panasonic (Matsushita) Avionics	Aviation manufacturer	7	508	1.81%	4	499	5.75%
Puget Sound Energy	Utility services - electric/gas	8	459		7	360	4.15%
City of Bothell	Municipal government	9	345		10	287	3.31%
Vertafore Inc	Insurance software systems	10	283	1.01%			
Sonosite	Ultrasound manufacturer				9	288	3.32%
Phillips Electric No American Corp	Electric manufacturer				6	389	4.49%
Seattle Times					5	405	4.67%
<b>Total</b>			<b>9,725</b>	<b>31.72%</b>		<b>8,671</b>	<b>28.00%</b>

**Sources:**

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

Full-Time Equivalent City Government Employees by Function/Program Last Ten Fiscal Years										
Function/Program	Full-Time Equivalent Employees as of December 31					Full-Time Equivalent Employees as of December 31				
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Executive										
Legislative	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Judicial	4.00	4.00	4.00	4.50	4.50	4.50	4.50	4.50	4.50	6.35
City Manager	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00
City Clerk	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	3.00	3.00
Information Technology	7.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	14.00
Non-Dept/Tourism	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.20
Finance	7.80	8.25	8.25	8.25	8.25	8.65	8.65	8.85	9.20	12.20
Legal	2.56	3.56	3.56	3.56	3.56	4.15	4.15	4.15	4.15	5.75
Human Resources	5.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00
Police										
Officers	57.00	58.00	58.00	58.00	58.00	58.00	58.00	57.00	57.00	57.00
Civilians	26.75	25.75	25.75	25.75	25.75	26.75	32.00	32.00	32.00	32.00
Fire										
Firefighters and officers	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00
Civilians	6.75	7.75	7.75	7.75	7.75	7.75	9.75	9.75	9.75	9.25
Community Development	24.00	22.50	22.50	21.00	21.00	21.00	22.00	23.50	23.50	24.00
Parks & Recreation	10.79	10.42	10.42	10.42	10.42	9.45	11.45	11.50	11.50	15.80
Public Works										
Facilities	1.33	4.71	4.71	4.71	4.71	4.55	5.30	5.30	5.30	7.60
Engineering	23.80	26.27	26.27	26.27	26.27	25.20	25.20	25.71	25.71	24.80
Street	7.54	7.80	7.80	7.80	7.80	7.30	8.60	10.71	10.71	13.30
Water	8.78	8.83	8.83	8.83	8.83	8.81	8.83	8.94	8.94	9.86
Sewer	8.38	8.41	8.41	8.41	8.41	8.43	9.43	9.54	9.54	9.46
Storm & Surface Water	12.82	13.31	13.31	13.31	13.31	15.06	17.24	18.35	18.35	20.49
Fleet	2.33	2.72	2.72	2.72	2.72	2.55	2.80	2.80	2.80	2.80
Self-Insurance/Risk Mgmt	.70	.70	.70	.70	.70	1.35	1.35	1.35	1.35	1.25
<b>Totals</b>	<b>292.08</b>	<b>303.73</b>	<b>303.73</b>	<b>302.73</b>	<b>302.73</b>	<b>304.25</b>	<b>319.00</b>	<b>323.70</b>	<b>324.30</b>	<b>345.10</b>

Source: Human Resources Department

Operating Indicators by Function/Program Last Ten Fiscal Years										
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Calls for service	25,650	25,678	26,909	25,071	26,417	25,188	26,891	25,865	29,758	27,923
Physical arrests	2,298	1,969	1,975	1,568	1,565	NA	NA	NA	682	1,133
Traffic violations	3,928	4,272	5,188	3,828	3,625	2,472	2,388	2,512	2,791	2,914
<b>Fire</b>										
Emergency alarms	4,261	4,378	4,788	4,975	4,946	5,300	5,870	6,196	6,253	6,341
Inspections	1,133	1,043	1,231	1,193	1,422	1,324	2,210	1,174	1,799	569
<b>Community Development</b>										
Building permits issued	1,142	408	392	464	529	633	519	607	709	1,590
Building inspections	4,342	2,922	3,772	3,132	3,177	4,223	5,428	5,241	6,089	5,445
<b>Parks and Recreation</b>										
Field & shelter bookings	1,644	2,288	2,437	2,332	2,444	2,703	2,394	2,808	2,764	1181*
<b>Water</b>										
Units served	3,868	3,874	3,945	3,950	3,944	3,950	3,996	4,083	4,175	4,659
Water main breaks	3	3	5	2				2		3
Average daily consumption (thousands of gallons)	1,538	1,591	1,376	1,287	1,324	1,360	1,470	1,499	1,496	1,552

Sources: City Departments

\* Incomplete data due to software conversion. Data from July–December 2017.

Capital Asset Statistics by Function/Program Last Ten Fiscal Years										
Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Safety</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	3	3	3	3	3	3	3
<b>Public Works - Streets</b>										
Streets (miles)	325	326	326	326	326	262.7*	302	303.4	303.9	306.4
Street lights	1,907	1,957	1,957	1,957	1,957	2,100	2,100	2,100	2,100	
<b>Parks and Recreation</b>										
Acreage	200.84	201.02	201.02	237.23	237.23	247.62	262.7	262.7	297.07	400.54
Parks	25	23	23	23	23	23	24	24	27	28
<b>Water</b>										
Water mains (miles)	71.5	72.5	72.5	72.5	79.5	94.9	96.9	97.8	115.3	116.5
<b>Sewer/Storm &amp; Surface</b>										
Sanitary sewers (miles)	57.4	58.2	58.2	58.6	62.4	62.8	63.9	65.00	69.20	69.60
Storm sewers (miles)	109.7	110	110	110	119.9	119.9	139.7	143.0	145.7	143.4
Average daily consumption (thousands of gallons)	1,538	1,591	1,376	1,287	1,324	1,360	1,470	1,499	1,496	1,552

Sources: City Departments



City of Bothell™