



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Bothell

For the period January 1, 2017 through December 31, 2017

Published September 28, 2018

Report No. 1022238





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

September 28, 2018

Mayor and City Council
City of Bothell
Bothell, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Bothell's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Bothell January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Bothell are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City's compliance with requirements applicable to its major federal program.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs:

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
15.916	Outdoor Recreation Acquisition, Development and Planning

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The City qualified as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Bothell January 1, 2017 through December 31, 2017

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2016 – December 31, 2016	Report Ref. No.: 1019759	Finding Ref. No.: 2016-001
Finding Caption: Internal controls over accounting and financial reporting need to be strengthened to ensure the accurate reporting of infrequent transactions at year's end.		
Background: City management is responsible for designing, implementing and maintaining internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified a significant deficiency in internal controls that affected the City's ability to accurately report cash and investments. <i>Government Auditing Standards</i> requires that the auditors communicate a significant deficiency, as defined below in the Applicable Laws and Regulations section, as a finding.		
Status of Corrective Action: (check one) ☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid		
Corrective Action Taken: <i>While the City followed its established internal control process, and effective controls were in place, the timing of numerous complex transactions regarding a property purchase resulted in the transaction being posted to the incorrect period.</i> <i>City management has reviewed their internal controls and initiated steps to strengthen the monitoring of transactions and review process. Effective controls have been constrained due to software limitations, however in 2018, the City is in the process of implementing a new financial software system which is capable of capturing and supporting data more effectively than the current manual process of generating financial statements in Excel spreadsheets. Additionally, management is including specific control steps to the City's year-end process to ensure transactions are recorded and reflected in the proper period.</i> <i>The City appreciates the State Auditor's staff efforts to ensure Bothell's financial statements are reported accurately each and every year.</i>		

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**City of Bothell
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Bothell
Bothell, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, 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, and have issued our report thereon dated July 31, 2018.

Our report includes a reference to other auditors who audited the financial statements of the City of Bothell (COB) Properties, as described in our report on the City’s financial statements. This report includes our consideration of the results of the other auditor’s testing of internal controls over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of other auditors. The financial statements of COB Properties were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with COB Properties.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s

internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

In addition, we noted certain matters that we have reported to the management of the City in a separate letter dated July 31, 2018.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

July 31, 2018

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**City of Bothell
January 1, 2017 through December 31, 2017**

Mayor and City Council
City of Bothell
Bothell, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the City of Bothell, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended December 31, 2017. The City’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Other Matters

We noted certain matters that we have reported to the management of the City in a separate letter dated September 28, 2018. Our opinion on each major federal program is not modified with respect to these matters.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of

compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters that we have reported to the management of the City in a separate letter dated September 28, 2018.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 28, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Bothell **January 1, 2017 through December 31, 2017**

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, 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 on page 17.

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 did not audit the financial statements of the City of Bothell (COB) Properties, which represents 0.1 percent, 0 percent, 6 percent, and 7 percent, 0 percent, and 18 percent, respectively of the assets, net position and revenues of the governmental activities and aggregate remaining fund information of the City. Those statements were audited by other auditors, whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for COB Properties is based solely on the report of the other auditors.

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. The financial statements of COB Properties were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of the other auditors, 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 on page 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule 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 basic financial statements. The information has been subjected to the 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 basic financial statements or to the basic 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued 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. 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.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

July 31, 2018

FINANCIAL SECTION

City of Bothell **January 1, 2017 through December 31, 2017**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2017

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2017

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2017

Statement of Net Position – Proprietary Funds – 2017

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2017

Statement of Cash Flows – Proprietary Funds – 2017

Statement of Net Position – Fiduciary Funds – 2017

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
– General Fund – 2017

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual
– Arterial Street Fund – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2017

Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2017

Schedule of Proportionate Share of Net Pension Liability – PSERS 2 – 2017

Schedule of Proportionate Share of Net Pension Liability – LEOFF 1 – 2017

Schedule of Proportionate Share of Net Pension Liability – LEOFF 2 – 2017
Schedule of Employer Contributions – PERS 1 – 2017
Schedule of Employer Contributions – PERS 2/3 – 2017
Schedule of Employer Contributions – PSERS 1 – 2017
Schedule of Employer Contributions – LEOFF 1 – 2017
Schedule of Employer Contributions – LEOFF 2 – 2017
Schedule of Changes in Net Pension Liability – Firefighters’ Pension Fund – 2017
Schedule of Employer Contributions – Firefighters’ Pension Fund – 2017
Schedule of Funding Progress – LEOFF 1 Medical Benefits – 2017

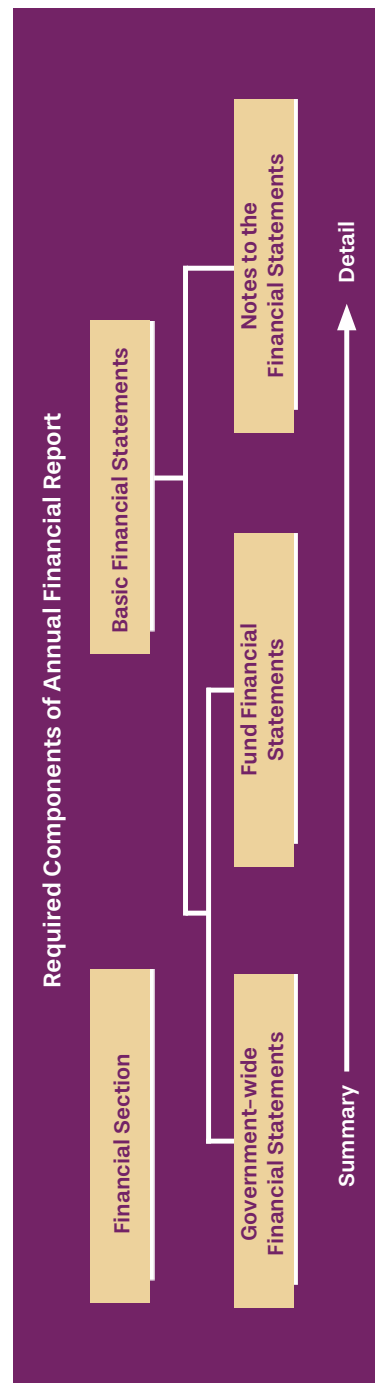
SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2017

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.

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

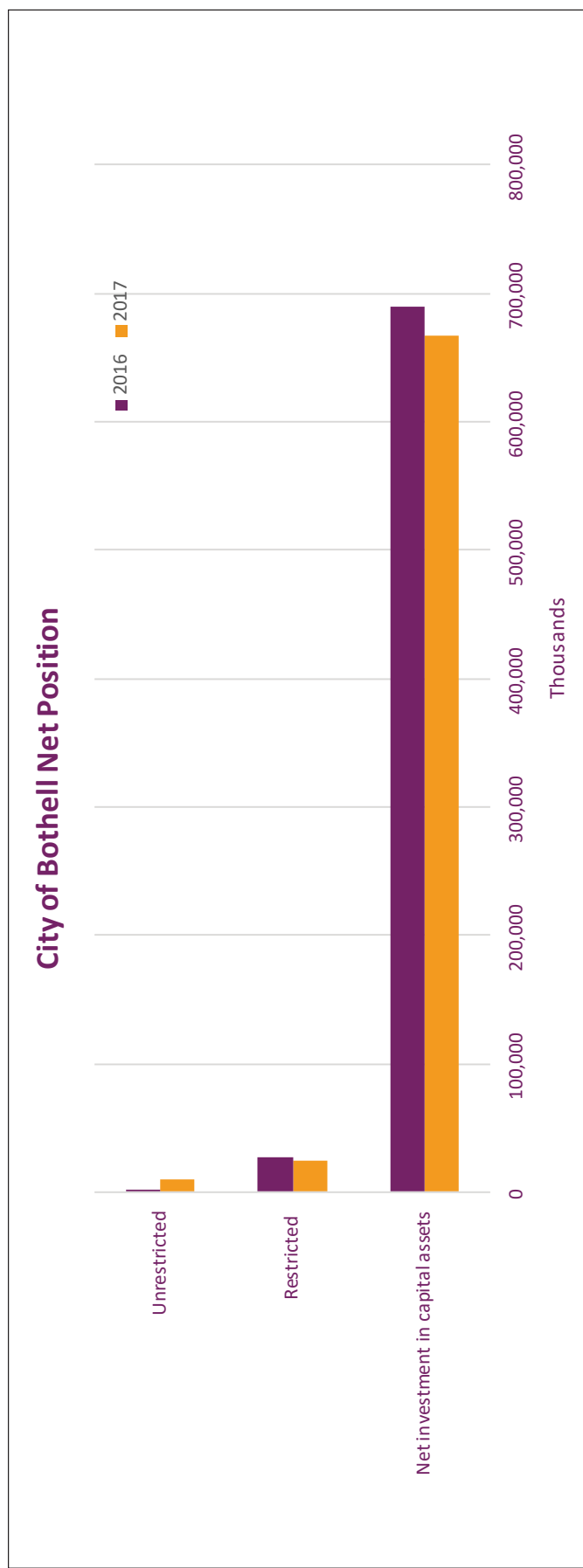
Statement of Net Position

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.

	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	\$57,983,353
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
Total net position	\$640,217,064	\$662,136,973	\$59,347,085	\$55,042,545	\$699,564,150	\$717,179,518

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.

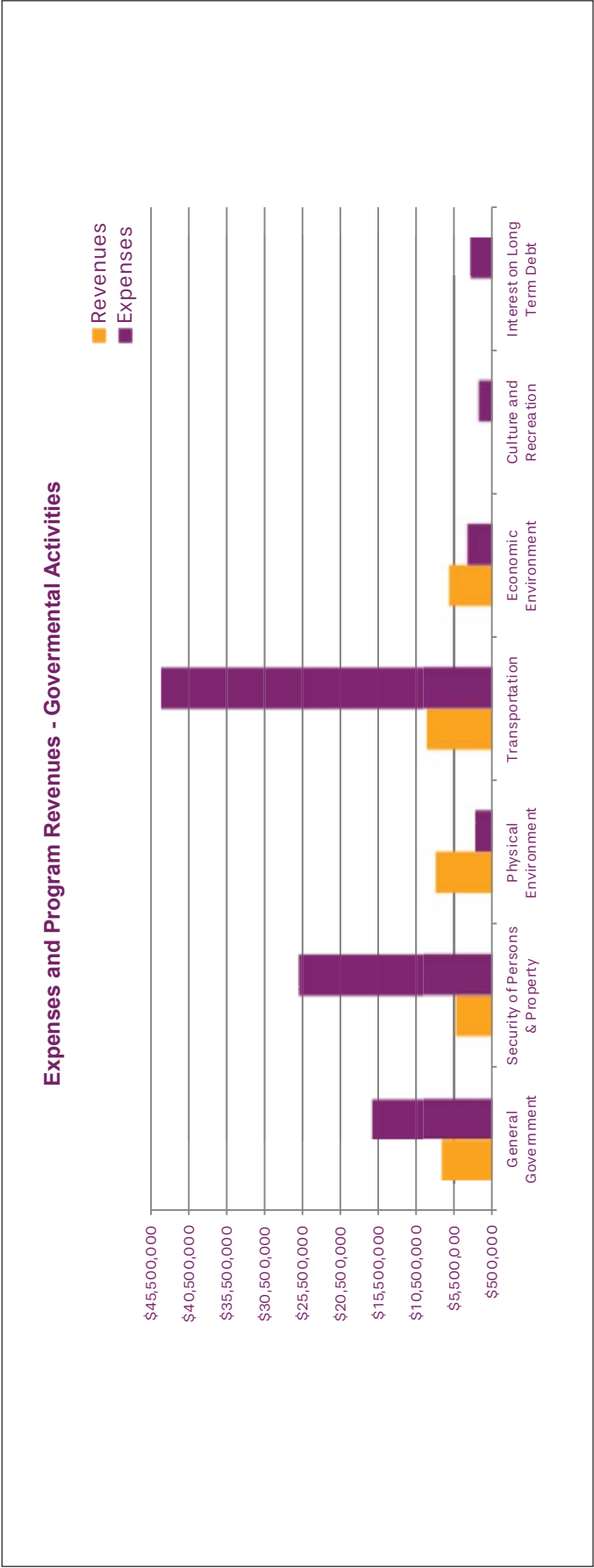
Changes in Net Position

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).

Changes in Net Position

	2017			2016		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
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	77,049,810	21,565,367	98,615,177	69,717,101	22,113,711	91,830,812
Program expenses including indirect expenses						
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	98,969,719	17,260,827	116,230,546	96,533,353	15,105,523	111,638,876
Excess (deficiency) Transfers	(21,919,909)	4,304,540	(17,615,369)	(26,816,252)	7,008,189	(19,808,064)
Change in net position	(\$21,919,909)	\$4,304,540	(\$17,615,369)	(\$26,816,252)	\$7,008,189	(\$19,808,065)
Net position beginning	\$662,136,973	\$55,042,546	\$717,179,519	\$688,953,226	\$48,034,356	\$736,987,583
Net position ending	\$640,217,064	\$59,347,085	\$699,564,150	\$662,136,974	\$55,042,546	\$717,179,518



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

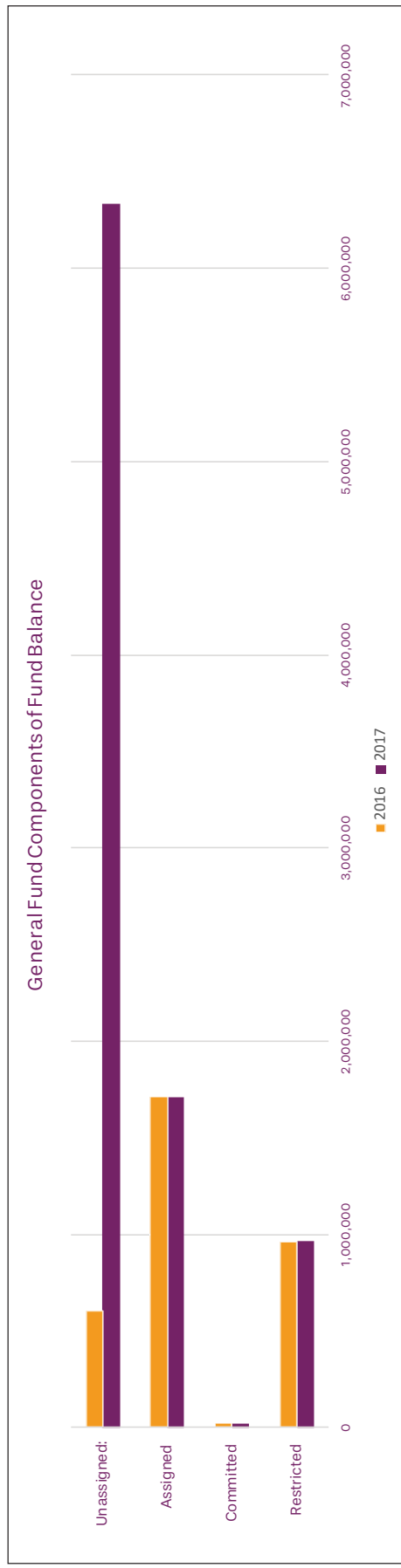
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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.

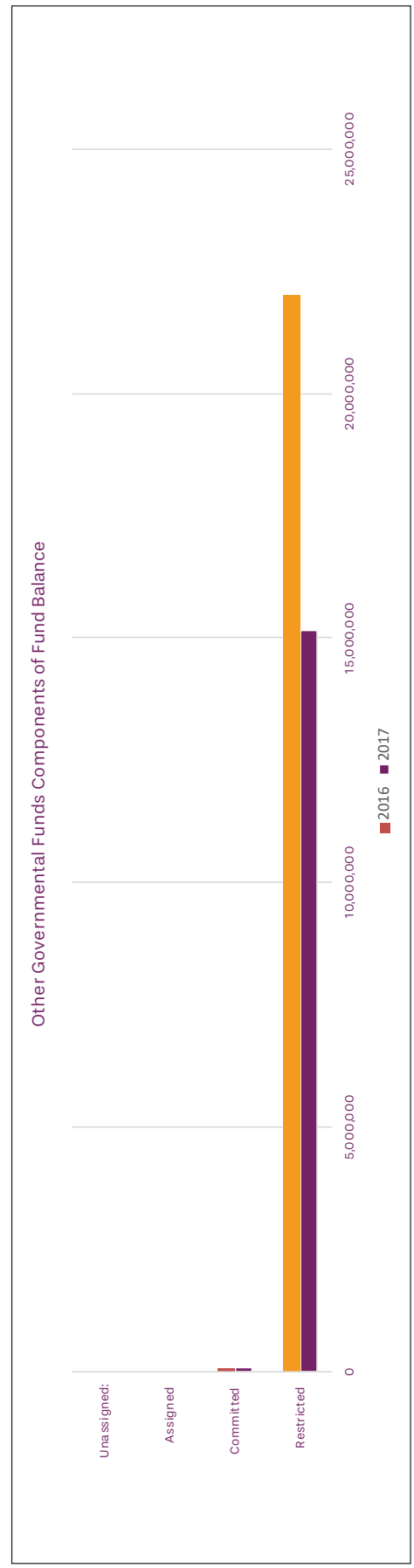
Management Discussion and Analysis

City of Bothell

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.

	2017-2018	2017	2017-2018
	Adopted Budget	Amendment	Modified Budget
Revenue			
General Fund	97,850,909	8,527,500	106,378,409
Capital Improvements Fund	51,445,324	219,000	51,664,324
Expenditure			
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

Management Discussion and Analysis

City of Bothell

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%.

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

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.

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

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

Basic Financial Statements

City of Bothell

Statement of Net Position December 31, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
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
Total assets	758,098,419	79,546,347	837,644,766
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	2,185,742	232,172	2,417,914
Total deferred outflows of resources	2,185,742	232,172	2,417,914
LIABILITIES			
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	9674,769	967,840	10,642,609
Total liabilities	116,302,381	20,097,520	136,399,900
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	3,269,819	333,914	3,603,733
Deferred inflows - advanced grant	494,897		494,897
Total deferred inflows of resources	3,764,716	333,914	4,098,630
NET POSITION			
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
Total net position	\$ 640,217,064	\$ 59,347,085	\$ 699,564,150

Statement of Activities
For the Year Ended December 31, 2017

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

Basic Financial Statements

City of Bothell

Balance Sheet Governmental Funds December 31, 2017						
	General	Special Revenue Fund		Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
		Arterial Street		Capital Improvements		
ASSETS						
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>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
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	<u>9,031,626</u>	<u>6,116,191</u>		<u>2,990,654</u>	<u>6,116,011</u>	<u>24,254,482</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
	<u>\$ 14,639,767</u>	<u>\$ 6,213,330</u>	<u>\$</u>	<u>3,999,307</u>	<u>\$ 6,671,125</u>	<u>\$ 31,523,528</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
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.			
Non-depreciable assets	162,921,658		
Depreciable assets (net)	553,343,415		716,265,072
Deferred inflows of resources in the governmental funds are unavailable revenue in the governmental activities in the statement of net position.			
Unavailable revenue			833,985
Pension fund used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.			
Pension assets			6,577,255
Deferred outflows – pension			2,185,742
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:			2,326,221
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities.			
Compensated absences	(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)
Pension fund used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.			
Deferred inflows – pension			(3,269,819)
Total net position of governmental activities		\$	\$640,217,064

Basic Financial Statements

City of Bothell

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

	Special Revenue Fund				Capital Projects Fund		Other Governmental Funds		Total Governmental Funds
	General	Arterial Street			Capital Improvements				
REVENUES									
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	47,544,742	2,687,540			15,061,035		7,702,102		72,995,419
EXPENDITURES									
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						853		1,886,405
Other expenditures									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	49,238,677				19,752,739		6,317,069		75,308,485
Excess (deficiency) of revenue over expenditures	(1,693,936)	2,687,540			(4,691,704)		1,385,034		(2,313,066)
OTHER FINANCING SOURCES (USES)									
Proceeds from sales of capital assets									
Loan					1,431,042				1,431,042
Transfer in	8,714,088				39,450				39,450
Transfer out	(1,287,376)	(2,033,570)			2,730,346		2,187,987		13,632,421
Total other financing sources	7,426,712	(2,033,570)			(10,402,075)		(196,775)		(13,919,797)
Net change in fund balances	5,732,776	653,970			(6,201,238)		1,991,212		1,183,115
FUND BALANCES - JANUARY 1, 2017	3,298,850	5,462,221			(10,892,942)		3,376,245		(1,129,951)
					13,883,596		2,739,765		25,384,433
FUND BALANCES - DECEMBER 31, 2017	\$ 9,031,626	\$ 6,116,191	\$	\$ 2,990,654	\$ 6,116,011	\$	\$ 6,116,011	\$	24,254,482

**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.		
Change in net position of governmental activities	\$	(21,919,909)

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business - Type Activities				Governmental Activities
	Enterprise Funds			Internal Service Funds	
Water	Sewer	Storm & Surface Water	Total		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 709,189	\$ 535,105	\$ 573,815	\$ 1,818,109	
Investments	4,127,635	4,562,531	3,816,111	12,506,277	
Accounts receivable	739,079	1,525,574	52,981	2,317,634	
Due from other governments	8,267	3,418	400,303	411,989	
Reserved assets:					
Deposit held in trust	109,785	292,497	914,086	1,316,369	
Investment-revenue bond reserve	5,693,955	6,919,125	5,757,296	18,370,377	
Total current assets					
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	2764,861	3,837,340	2,304,125	8,906,326	
Improvements other than buildings	24,585,092	15,173,400	33,747,850	73,506,342	
Equipment	10,464	1,812,988	269,285	2,092,738	
Vehicles	26,445	26,445	252,421	305,311	
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)	
Total non-current assets	17,910,085	13,507,482	29,758,404	61,175,970	
Total assets	23,604,040	20,426,607	35,515,700	79,546,347	
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pension	58,066	57,993	116,113	232,172	
Total deferred outflows of resources	58,066	57,993	116,113	232,172	
LIABILITIES					
Current liabilities					
Accounts payable	228,627	21,431	63,371	313,429	
Payroll payable	62,970	56,368	126,946	246,283	
Compensated absences	45,757	44,912	88,659	179,327	
Interest payable					
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	
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					
Pension Liabilities	244,089	242,541	481,210	967,840	
Total non-current liabilities	3794,271	1,837,774	12,820,039	18,452,085	
Total liabilities	4,402,567	2,031,532	13,663,421	20,097,520	
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pension	842,13	83,679	166,022	333,914	
Total deferred inflows of resources	842,13	83,679	166,022	333,914	
Net investment in capital assets	14,088,960	11,841,202	16,855,169	42,785,330	
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	
Total net position	\$ 19,175,325	\$ 18,369,389	\$ 21,802,370	\$ 59,347,085	
				\$ 6,662,655	

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

	Business-Type Activities				Governmental Activities
	Water	Sewer	Storm & Surface Water	Total	Internal Service Funds
OPERATING REVENUES					
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	5,686,533	7,879,956	6,269,634	19,836,124	3,096,865
OPERATING EXPENSES					
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	4,730,981	6,931,407	5,008,652	16,671,040	3,423,429
OPERATING INCOME (LOSS)	955,553	948,549	1,260,982	3,165,084	(326,564)
NON-OPERATING REVENUES (EXPENSES)					
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)	168,387	(34,868)	(87,340)	46,180	6,033
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
Transfers in	1,123,940	913,682	1,173,642	3,211,264	(320,531)
Transfers out					1,261,995
Capital contributions	134,981	110,216	848,080	1,093,277	(974,619)
CHANGE IN NET POSITION	1,258,921	1,023,898	2,021,722	4,304,540	(33,155)
NET POSITION - BEGINNING	17,916,405	17,345,492	19,780,648	55,042,545	6,695,810
NET POSITION - ENDING	\$ 19,175,325	\$ 18,369,389	\$ 21,802,370	\$ 59,347,085	\$ 6,662,655

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

	Business-type Activities				Governmental Activities	
	Enterprise Funds			Total	Internal Service Funds	
	Water	Sewer	Storm & Surface Water			
CASH FLOW FROM OPERATING ACTIVITIES						
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	1,409,526	1,142,144	2,439,794	4,991,465		656,139
CASH FLOW FROM NON-CAPITAL ACTIVITIES						
Transfers out						
Transfers in	268,392	5,236	295,220	568,848		(974,619)
Operating grants	268,392	5,236	295,220	568,848		1,261,995
Net cash provided from non-capital activities						473
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
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		963,450
Deposit held in trust						30,836
Proceeds from the sale of capital assets	824,972	690,560	980,157	2,495,689		(1,000,000)
Proceeds from revenue bonds	(140,000)	(65,000)	(460,000)	(665,000)		
Paid on revenue bond			(45,516)	(158,115)		
Paid on capital debt	(112,599)		(538)	(2,347)		6,356
Debt interest payable	(1,591)	(218)	(538)	(2,347)		(677,398)
Net cash (used) by capital and related activities	(729,251)	(398,159)	(348,734)	(1,476,144)		
CASH FLOW FROM INVESTING ACTIVITIES						
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	(561,463)	(557,698)	(2,167,661)	(3,286,822)		(6,666)
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
Balances - December 31	709,189	535,105	573,815	1,818,109	\$	\$ 674,770
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	689,458	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)		32,032
Increase (decrease) in non-capital accounts payable	(167,298)	(319,917)	(52,365)	(539,579)		6,540
Increase (decrease) in payroll payable	12,555	11,952	31,633	56,140		(945)
Increase (decrease) in compensated absences payable	9,090	7,389	16,381	32,861		(10,559)
Increase (decrease) in GASB 68 pension adjustments	15,850	17,853	(14,963)	18,740		
Net cash provided by operating activities	1,409,526	1,142,144	2,439,794	4,991,465	\$	\$ 656,139
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	\$	-

Statement of Changes in Net Position Fiduciary Funds For the Year Ended December 31, 2017			
	Pension Trust	Agency	
	Firemen's Pension Reserve	Trust	
ASSETS			
Cash and cash equivalents	\$ 333,768	\$	336,257
Investment			
Total assets	333,768		336,257
LIABILITIES			
Accounts payable			336,257
Total liabilities			336,257
NET POSITION			
Held in trust for pension benefits	\$ 333,768	\$	-

Statement of Changes in Net Position Fiduciary Funds For the Year Ended December 31, 2017	
	Pension Trust
	Firemen's Pension Reserve
ADDITIONS	
Contributions	
Employer	\$ 57,257
Total additions	57,257
DEDUCTIONS	
Benefits	67,108
Total deductions	67,108
Change in net position	(9,851)
Net position – beginning	343,619
Net position – ending	\$ 333,768

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).

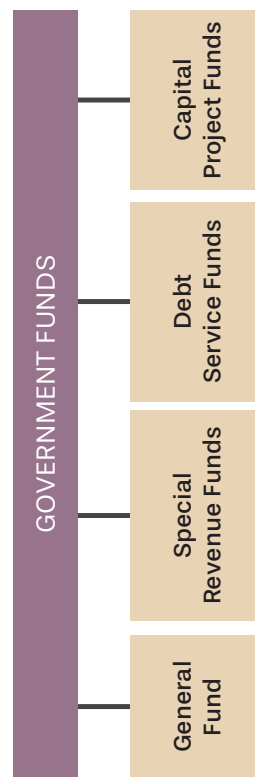
General government revenues (property taxes, retail sales & use taxes, business taxes, excise taxes, and other taxes) also support these functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating, and capital grants. Program revenues 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 Z](#)).

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:

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City of Bothell

- **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.

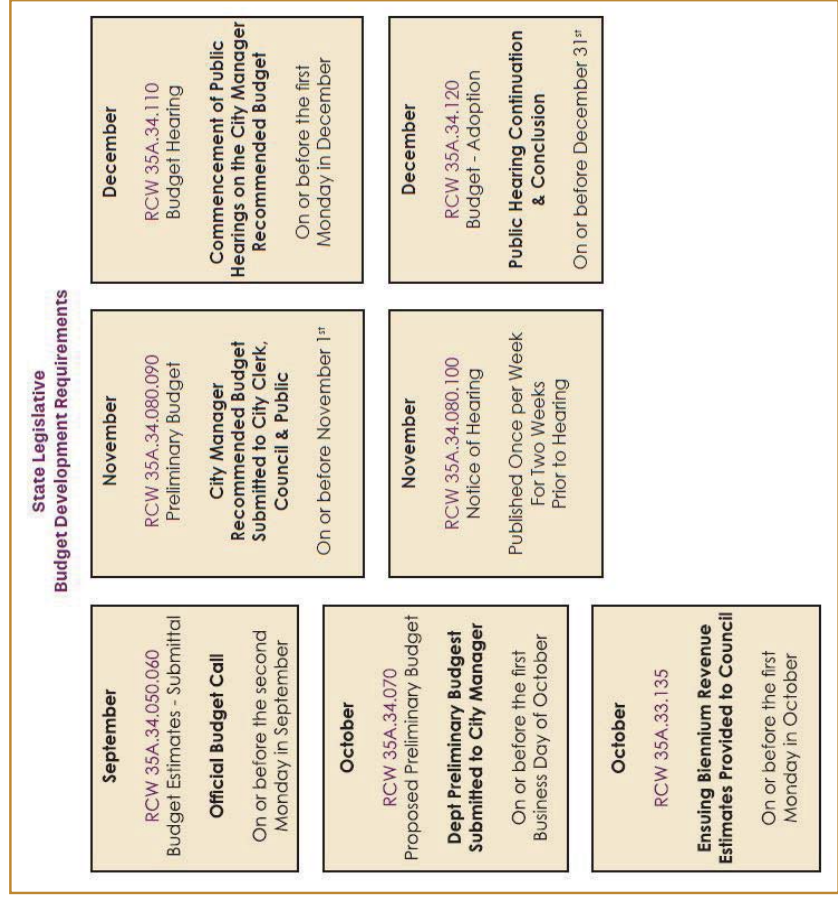
NOTE 2 / COMPLIANCE AND ACCOUNTABILITY

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.



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.

2017-2018 Final Budget Inflows and Outflows				
Fund	Original Inflows	Original Outflows	Final Inflows	Final Outflows
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
Total	\$225,849,513	\$228,855,247	\$234,596,013	\$237,942,347

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.

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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
Total cash and investments	21,773,700	3,679,924	15,640,754	670,025	41,764,403

The cash and investments listed by fund type:

	General Fund	Special Revenue Fund	Capital Project Fund	Other Governmental Funds	Total
		Arterial Street	Capital Improvements		
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
Total cash and investments	7,274,602	6,213,330	1,778,267	6,507,502	21,773,700

Proprietary Funds	Enterprise Funds			Internal Service Funds	
	Water	Sewer	Storm & Surface Water		
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	
Total cash and investments	4,946,609	5,390,133	5,304,012	15,640,754	3,679,924

Basic Financial Statements

City of Bothell

Internal Service Funds	Equipment Retal	Self Insurance	Asset Replacement	COB Properties	Total
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
Total cash and investments	162,186	102,084	2,410,500	1,005,154	3,679,924

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

Primary Government	Governmental Activities		Business-Type Activities		Primary Government
	Governmental Funds	Internal Service Funds	Total	Enterprise Funds	Total
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
Total Cash, Deposit and Investments	21,773,700	3,679,924	25,453,624	15,640,754	41,094,378

Investment Fair Market Value Measurement						
As of December 31, 2017						
	Fair Value Measurements Using			Not Measured at Fair Value		
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs			
Total	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	
Total investments	33,883,919	-	23,954,981		9,928,938	

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%
Total investments	34,111,542	33,883,919	22,415,226	8,582,783	2,885,910	1.594	100.00%

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
Corporate Bonds:					
	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-
	Total Corporate Bonds		8,140,803	24.03%	
Municipal Bonds:					
	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
	Total Municipal Bonds		7,561,055	22.31%	
US Agency Securities					
	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
	Total US Agency Securities		3,271,878	9.66%	
Supranational Agency:					
	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
	Total Supranational Agency Securities		4,981,245	14.70%	
Local Government Investment Pool					
			9,928,938	29.30%	N/A
GRAND TOTAL			33,883,919	100.00%	

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
Total	\$8,783,447,254

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

NOTE 5 / DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

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

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

Deferred Inflows and Outflows of Resources	
Description	Governmental Funds
Deferred Inflows of Resources - Governmental Funds Balance Sheet	
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
Total	\$1,328,881

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:

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

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

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

Basic Financial Statements

City of Bothell

Construction Commitments as of December 31, 2017

Government Activities	Construction in Progress	Remaining Commitment
Canyon Park Radio Project	\$39,242	
1st Lt Nicholas Memorial Park	179,188	8,569
7th Ave SE/88th Ave NE Non-Motorized Improv	7,749	
19th Ave NE & 232nd St SE Ped & Bike Imp	151,544	52,000
228th St SE & 29th Dr SE Traffic Safety		9,293
228th St SE Pavement Preservation	11,287	
Adaptive Signal Control System Phase 1	4,507	
Annual Arterial Overlay Program	714,962	802,290
Blyth Park Improvements	65,656	
Bridge Rehab & Seismic Retrofit	437,858	37,611
Citywide Child Ped School & Park Zone Safety	4,502	
Downtown Soil/Ground Cleanup	4,661,905	4,341,185
East Norway Hill Improvements	44,274	394
General Park Improvements	30,831	
Horse Creek Plaza	191,826	85,746
Main Street Enhancement	5,369,806	1,485,747
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 Blvr	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
Total Governmental Activities	\$16,943,871	8,649,633

Business-Type Activities	Construction in Progress	Remaining Commitment
Bloomerg Reservoir Painting	\$5,039	
Morningside Booster Station Retrofit	110,268	59,251
Penn Park Reservoir		146,984
Water Main Replacement	160,113	29,901
Lift Station #3		62,807
Promontory Hillside Sewer Replacement	434,172	31,253
Sewer Main Replacement	208,336	
Annual Stormwater Capital Projects	92,382	
Blyth Creek Erosion Control	28,718	
Downtown Revitalization Utility - Stori	67,665	1,320
Horse Creek Improvements	(52,981)	220,286
Monte Villa Drainage Improvements	26,875	34,850
North Creek TMDL Plan	7,040	
Parr Creek Flood Mitigation	43,675	20,171
Sammamish River Side Channel		95,579
Total Business-Type Activities	\$1,131,302	702,402

Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
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
Total capital not being depreciated	\$158,812,876	\$6,606,346	\$2,497,564	\$162,921,658
Other capital assets:				
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
Total other capital assets at historical cost	\$1,759,784,240	\$14,077,621	\$233,952	\$1,773,627,909
Less accumulated depreciation for:				
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
Total accumulated depreciation	\$1,176,819,075	\$43,647,157	\$181,738	\$1,220,284,494
Governmental activities capital assets, net	\$741,778,040	(\$22,963,190)	\$2,549,777	\$716,265,073
Business-type activities:				
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
Total capital not being depreciated	\$7,956,171	\$3,649,860	\$8,254,346	\$3,351,684
Other capital assets:				
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
Total other capital assets at historical cost	\$77,020,782	\$8,254,346	\$53,232	\$85,221,896
Less accumulated depreciation for:				
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
Total accumulated depreciation	\$25,009,358	\$2,441,484	\$53,232	\$27,397,610
Business-type activities capital assets, net	\$59,967,594	\$9,462,722	\$8,254,346	\$61,175,970

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:

Aggregate Pension Amounts – All Plans	
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.

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:

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

*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:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
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
Total	11.18%	6.12%
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
Total	12.70%	7.38%

*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:

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

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:

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

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.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return
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%
Total	100%	

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.

Pension Plan	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
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)
Total	(4,339,862)	(\$9,922,228)

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:

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

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
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	
Total	\$413,145	(\$207,854)

Basic Financial Statements

City of Bothell

PERS 2/3	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	\$512,893	(166,478)
Changes of assumptions	53,767	(1,349,388)
Changes in proportion and differences between contributions and proportionate share of contributions	51,724	(230,555)
Contributions subsequent to the measurement date	586,143	
Total	\$1,204,526	(\$1,746,421)

PSERS 2	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	\$6,368	(765)
Changes of assumptions	91	(7,551)
Changes in proportion and differences between contributions and proportionate share of contributions	1,258	(72)
Contributions subsequent to the measurement date	7,211	
Total	\$14,928	(\$8,388)

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		
Total	-	(\$51,942)

LEOFF 2	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	\$264,515	(228,223)
Changes of assumptions	7,247	(1,351,146)
Changes in proportion and differences between contributions and proportionate share of contributions	88,510	(9,763)
Contributions subsequent to the measurement date	425,040	
Total	\$785,312	(\$1,589,133)

	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	
Total		\$2,417,914	(\$3,603,733)

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)
Total	(207,854)	(\$1,128,038)	(\$671)	(\$51,942)	(\$1,228,861)	(\$2,617,365)

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.

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 Social Security Life Table	2013 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)		
Total				57,336		(645,540)	(452,534)	333,768	(118,766)

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

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.

Determination of Annual Required Contribution	Fiscal Year Ending 12/31/2017
Normal Cost at Year End	-
Amortization of UAAL *	502,452
Annual Required Contribution	502,452
*Unfunded Actuarial Accrued Liability (UAAL)	
Determination of Net OPEB Obligation	Fiscal Year Ending 12/31/2017
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

Basic Financial Statements

City of Bothell

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)	Accrued Liability	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 ¹	4.00%
Inflation ²	3.00%
General Salary Increases (due to inflation) ³	3.75%
Medical Trend	7.50%
Long - Term Care Inflation Rate	4.75%
¹ Annual rate, compounded annually.	
² Based on the CPI: Urban Wage Earners & Clerical Workers, Seattle - Tacoma - Bremerton, WA - All Items.	
³ 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.

Fiscal Year Ended	Annual OPEB Cost	Contribution as a Percentage of OPEB Cost	Net OPEB Obligation
12/31/2008	\$595,101	43%	\$337,543
12/31/2009	541,279	53%	591,109
12/31/2010	510,140	61%	774,598
12/31/2011	480,813	42%	1,053,927
12/31/2012	453,671	35%	1,348,792
12/31/2013	379,177	42%	1,566,090
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 grant or 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										
Park Cumulative Reserve	8,714,088				989,575	698,412	2,033,570			2,033,570
Capital Improvement Fund							196,775			196,775
Equipment Rental Fund										10,402,075
Total Transferred In	\$8,714,088	\$500,000	\$0	\$0	\$989,575	\$698,412	\$2,730,346	\$137,376	\$1,124,619	\$14,894,416

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 Principal	GO Refund Bond Interest	GO Bond 2013 A&B Principal	GO Bond 2013 A&B Interest	GO 2014 LIFT Bond Principal	GO 2014 LIFT Bond Interest	PWTF Loan Principal	PWTF Loan Interest	CH Lease Revenue Bonds Principal	CH Lease Revenue Bonds Interest	Totals
Governmental Activities											
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
Subtotal	\$0	\$0	\$8,145,000	\$3,091,928	\$26,710,000	\$17,727,450	\$6,259,723	\$117,370	\$47,625,000	\$25,038,163	\$134,714,632
Business-Type Activities											
2014 Revenue Bond											
Year	Principal	Interest	PWA Loan Principal	PWA Loan Interest	PWTF Loan Principal	PWTF Loan Interest					
2018	685,000	624,769	112,599	1,126	45,516	1,707					
2019	720,000	590,519			45,516	1,593					
2020	750,000	561,719			45,516	1,479					
2021	780,000	531,719			45,516	1,365					
2022	815,000	492,719			45,516	1,252					
2023-2027	4,715,000	1,833,226			227,581	4,553					
2028-2032	5,580,000	970,987			227,581	1,707					
2033-2035	2,490,000	129,894									
Subtotal	\$16,535,000	\$5,735,552	\$112,599	\$1,126	\$682,742	\$13,656					
Total											\$157,795,306

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 1.5%	With a Vote of the People 2.5%	2.5%	Total Capacity 7.5%
Legal limit	\$131,751,709	\$87,834,473	\$219,586,181	\$658,758,544
Outstanding net debt	92,658,302			92,658,302
Margin available	\$39,093,407	\$87,834,473	\$219,586,181	\$666,100,242

Changes in Long-Term Liabilities

Description	Beginning Balance 1/01/2017	Additions	Reductions	Ending Balance 12/31/2017	Due Within One Year
Governmental Activities					
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
Subtotal	114,491,900	13,629,735	19,165,762	108,955,874	\$6,032,137
Business-Type Activities					
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
Subtotal	\$20,778,427	\$1,207,377	\$2,447,996	\$19,537,808	\$1,085,723
Total	135,270,328	14,837,112	21,613,758	128,493,682	7,117,860

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
Governmental Activities									
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
Sho. County Safe School Crossing Loan	2/27/2017	2/26/2027	1.50%	125,000		39,450		39,450	
Subtotal				\$106,241,628	\$96,027,393	\$39,450	\$3,408,541	\$92,658,302	\$2,988,541
Business-Type Activities									
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
Subtotal				\$22,310,629	\$19,277,036		\$886,396	\$18,390,640	\$906,395
Total				\$128,552,257	\$115,304,429	\$39,450	\$4,294,937	\$111,048,942	\$3,894,936

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 now development bears a share of the cost of capital facilities to accommodate now 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
Total	\$ 9,016,942	\$ 1,108,005	\$ 1,037,000	\$ 4,840,000	\$ 16,001,946

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	
Total	\$643,729	\$1,037,000

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.

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

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:

	General	Special Revenue Fund		Major Capital Projects Fund Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
		Arterial	Street			
Fund Balances:						
Restricted for:						
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
Committed to:						
Advance travel	15,000					15,000
Imprest funds	1,750					1,750
Cemetery services					67,692	67,692
Assigned to:						
Capital projects	1,711,130					1,711,130
Unassigned:						
Capital projects	6,336,136					6,336,136
Total	9,031,626	6,116,191	2,990,654	6,116,011	24,254,482	

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](#).

Required Supplemental Information

City of Bothell

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

	Budgeted Amounts 2017-2018		Final	2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original						
REVENUES							
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	96,750,909		97,072,409	47,544,742	-	47,544,742	(49,527,667)
EXPENDITURES							
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	95,088,793		95,750,893	49,238,677	-	49,238,677	46,512,216
Excess of revenue over (under) expenditures	1,662,116		1,321,516	(1,693,936)	-	(1,693,936)	(3,015,452)
OTHER FINANCING SOURCES (USES)							
Transfers in	1,100,000		9306,000	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	(1,662,116)		6,543,884	7,426,712	-	7,426,712	882,828
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)
FUND BALANCES - DECEMBER 31, 2017	\$ 3,982,604	\$ 11,848,004	\$ 9,031,626	\$ 9,031,626	\$ -	\$ 9,031,626	\$ (2,816,378)

Required Supplemental Information

City of Bothell

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		2018		Total 2017-2018 Actuals	Final Budget Positive (Negative)
	Original	Final	Actual Amounts Budgetary Basis	Actual Amounts Budgetary Basis				
REVENUES								
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	10,208,113	10,208,113	2,687,540			2,687,540	(7,520,573)	
EXPENDITURES								
Current								
Construction projects								
Capital Outlay								
Debt Service - principal								
Debt Service - interest								
Total expenditures								
Excess of revenue over (under) expenditures	10,208,113	10,208,113	2,687,540			2,687,540	(7,520,573)	
OTHER FINANCING SOURCES (USES)								
Transfers in								-
Transfers out	(4,028,656)	(4,028,656)	(2,033,570)			(2,033,570)		
Total other financing sources	(4,028,656)	(4,028,656)	(2,033,570)			(2,033,570)		-
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)	
FUND BALANCES - DECEMBER 31, 2017	\$ 13,015,754	\$ 13,015,754	\$ 6,116,191	\$ -	\$ -	\$ 6,116,191	\$ (6,899,563)	

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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 Proportionate 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.

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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	NA

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

Required Supplemental Information

City of Bothell

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 Changes in Net Pension Liability Firefighters' Pension Fund As of December 31, 201		
	2016	2017
Total Pension Liability		
Employer's total pension liability	\$330,775	\$452,534
TOTAL	\$330,775	\$452,534
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.

Required Supplemental Information

City of Bothell

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.

Required Supplemental Information

City of Bothell

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.

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 & Rescue (USAR) Response System</u>	97.025	NA	-	1,505	1,505	- 12,3
Structural Collapse & Heavy Rescue Training						
Department of Homeland Security/Washington State Military Department <u>Disaster Grants - Public Assistance (Presidentially Declared Disasters)</u>	97.036	D17-173	-	35,418	35,418	- 12,3
Public Assistance Grant						
Department of Homeland Security/Washington State Military Department <u>Emergency Management Performance Grants</u>	97.042	E17-123	-	22,288	22,288	-
Emergency Management Performance Grant (2016-17)	97.042	E18-090	-	1,375	1,375	- 12,3
Emergency Management Performance Grant (2017-18)			-	\$23,663	\$23,663	-
		Total CFDA 97.042	\$0	\$60,586	\$60,586	\$0
		Total Department of Homeland Security				
Department of the Interior/Washington State Recreation & Conservation Office <u>Outdoor Recreation Acquisition, Development and Planning</u>	15.916	12-1230A (Fed Award# P14APO0407)	-	697,500	697,500	- 12,3
North Creek Forest Acquisition, Phase 2		Total Department of Interior	\$0	\$697,500	\$697,500	\$0
Department of Justice <u>Bulletproof Vest Partnership Program</u>	16.607	NA	2,737	-	2,737	- 12,3
Bulletproof Vest Partnership Program		Total Department of Justice	\$2,737	\$0	\$2,737	\$0
Highway Planning and Construction Cluster						
Department of Transportation/Washington State DOT <u>19th Ave SE/232nd St SE Non-Motorized Imp</u>	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	- 12,3
228th St SE & Bothell-Everett Hwy (SR527)	20.205	HSP-2570(008)	-	91,499	91,499	- 12,3
Intersection Safety Improvements						
Main Street Enhancement, Phase 1	20.205	STPUL-2458(002)	-	59,870	59,870	- 12,3
North Creek Trail - Section 3	20.205	CM-STPE-0110(011)	-	3,437	3,437	- 12,3
North Creek Trail - Section 4	20.205	CM-0110(014)	-	132,899	132,899	- 12,3
SR522 Multi-Modal Corridor - Stage 3	20.205	STPUL-0522(057)	-	205,849	205,849	- 12,3
		Total Highway Planning & Construction Cluster	\$0	\$865,646	\$865,646	\$0
Highway Safety Cluster						
State & Community Highway Safety	20.600	NA	-	\$3,000	\$3,000	- 12,3
Traffic Safety Equipment Grant	20.600	NA	-	1,703	1,703	- 12,3
Distracted Driving Emphasis Patrols	20.600	NA	-	4,501	4,501	- 12,3
DUI Emphasis Grant	20.600	NA	-	261	261	- 12,3
Seat Belt Emphasis Patrols	20.600	NA	-	6,597	6,597	- 12,3
Target Zero Emphasis Program		Total CFDA 20.600	\$0	\$16,062	\$16,062	\$0
National Priority Safety Programs						
Click It or Ticket Program	20.616	NA	-	1,947	1,947	- 12,3
Motorcycle Safety Grant	20.616	NA	-	2,720	2,720	- 12,3
Speed Emphasis Grant	20.616	NA	-	977	977	- 12,3
		Total CFDA 20.616	\$0	\$5,644	\$5,644	\$0
		Total Highway Safety Cluster	\$0	\$21,706	\$21,706	\$0
Environmental Protection Agency/Washington State Department of Ecology <u>Pacific Sound Action Agenda Local Investigators Implementation Assistance Program</u>	66.123	C1600106	-	49,307	49,307	- 12,3
Local Source Control Partnership	66.123	C1800019	-	57,559	57,559	- 12,3
Nearshore Estuary Program Watershed Protection/Restoration						
		Environmental Protection Agency Total	\$0	\$106,866	\$106,866	\$0
		Total Federal Awards Expended	\$2,737	\$1,752,304	\$1,755,042	\$0

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.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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