



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Bothell

For the period January 1, 2018 through December 31, 2018

Published September 19, 2019

Report No. 1024592





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

September 19, 2019

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, 2018 through December 31, 2018

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>
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction

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.

**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, 2018 through December 31, 2018**

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, 2018, 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, 2019. As discussed in Note 1 to the financial statements, during the year ended December 31, 2018, the City implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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, is based solely on the reports of other auditors. The financial statements of COB Properties were not audited in accordance with *Governmental 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.

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, 2019

**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, 2018 through December 31, 2018

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, 2018. 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, 2018.

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.

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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

September 10, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

City of Bothell **January 1, 2018 through December 31, 2018**

Mayor and City Council
City of Bothell
Bothell, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Bothell, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed on page 16.

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 percent, 0 percent, 2 percent, and 2 percent, 0 percent, and 21 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, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 16 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, 2019 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, 2019

FINANCIAL SECTION

City of Bothell **January 1, 2018 through December 31, 2018**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018

Statement of Activities – 2018

Balance Sheet - Governmental Funds – 2018

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position – 2018

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2018

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities – 2018

Statement of Net Position – Proprietary Funds – 2018

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2018

Statement of Cash Flows – Proprietary Funds – 2018

Statement of Net Position – Fiduciary Funds – 2018

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2018

Notes to Financial Statements – 2018

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund – 2018

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Arterial Street Fund – 2018

Schedule of Proportionate Share of Net Pension Liability – (PERS 1, PERS 2/3, PSERS 2, LEOFF 1, LEOFF 2) – 2018

Schedule of Employer Contributions – (PERS 1, PERS 2/3, PSERS 2, LEOFF 1, LEOFF 2) – 2018

Schedule of Employer Contributions – Firefighters’ Pension Fund – 2018
Schedule of Changes in Net Pension Liability – Firefighters’ Pension Fund – 2018
Schedule of Changes in Total OPEB Liability and Related Ratios – Single Employer
OPEB Plan – 2018

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards and Notes – 2018

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, 2018. 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).

2018 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 \$676,456,275 (*net position*). Of this amount, \$4,338,696 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 \$23,107,875 mainly because of the substantial depreciation generated in governmental capital assets and the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.
- At the close of the fiscal year, the City's governmental funds reported combined fund balances of \$26,789,694, an increase of \$2,535,212 compared to the prior year. Approximately 28% of this amount (\$7,403,645) 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 \$9,131,525, or approximately 17.7% of total general fund expenditures.
- The City's total outstanding long-term debt decreased by \$3,878,842.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The *statement of net position* presents financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

For the City of Bothell, both of the government-wide statements distinguish functions that are principally supported by taxes and intergovernmental revenues

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

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

The government-wide financial statements are located in Financial Section of this report.

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 for 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: Firemen's Pension Reserve Fund and 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

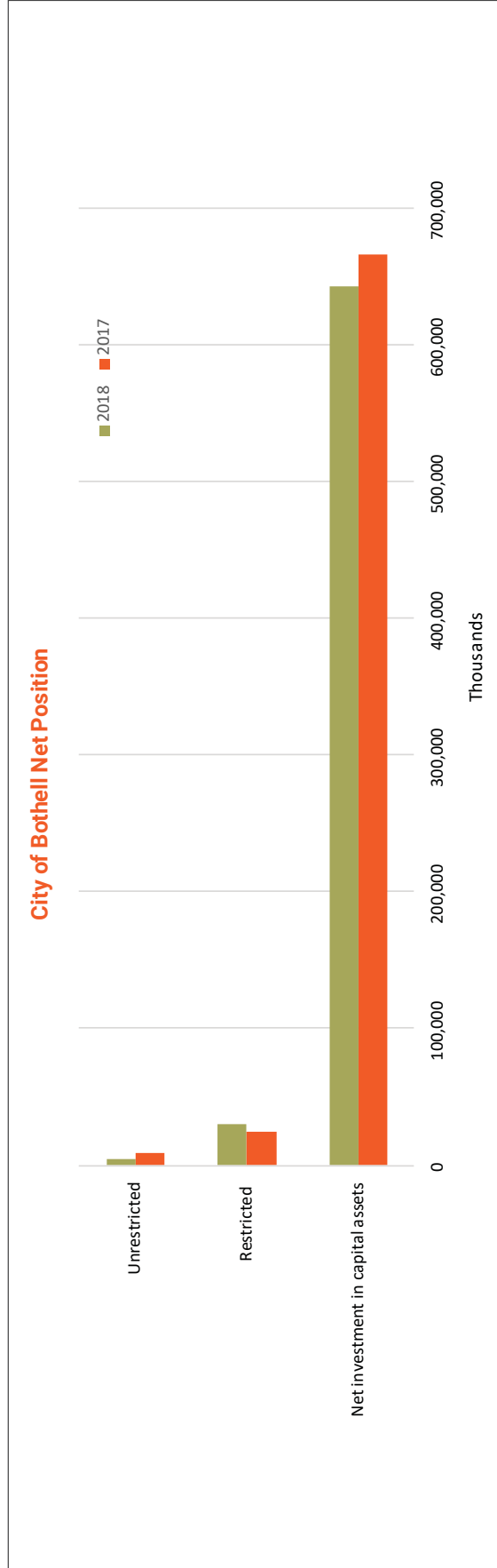
Statement of Net Position

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

As of December 31, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$676,456,275. Net investments in capital assets (e.g. land, buildings, machinery, and equipment) are by far the largest portion of the City's net position (95%), 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 2018 compared to 2017. The City's (\$14,949,438) in unrestricted governmental net position is due to the implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB). The City recorded net OPEB liabilities of \$6,508,717, restating beginning net position by \$4,023,017.

City of Bothell's Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$41,833,347	\$44,475,183	\$18,370,377	\$22,367,914	\$60,203,723	\$66,843,097
Capital assets	716,265,072	688,410,322	61,175,970	61,252,267	777,441,042	749,662,589
Total assets	758,098,419	732,885,505	79,546,347	83,620,181	837,644,767	816,505,686
Deferred outflows of resources	2,185,742	2,813,571	232,172	264,555	2,417,914	3,078,126
Long-term liabilities	108,955,874	110,878,573	19,537,808	18,136,171	128,493,682	129,014,744
Other liabilities	7,346,507	5,620,566	559,712	826,717	7,906,218	6,447,283
Total liabilities	116,302,381	116,499,139	20,097,520	18,962,888	136,399,900	135,462,028
Deferred inflows of resources	3,764,716	7,116,288	333,914	549,322	4,098,630	7,665,610
Net position						
Net investment in capital assets	623,606,770	598,724,468	42,785,330	43,768,023	666,392,100	642,492,492
Restricted	22,700,029	28,308,719	1,316,369	1,316,369	24,016,398	29,625,088
Unrestricted	(6,089,735)	(14,949,438)	15,245,386	19,288,134	9,155,652	4,338,696
Total net position	\$640,217,064	\$612,083,749	\$59,347,085	\$64,372,526	\$699,564,150	\$676,456,275

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.



The City's overall net position decreased \$23,107,875 from the prior fiscal year including the change in net position for operational reasons and for the implementation of GASB 75. 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 (4.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,338,696 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

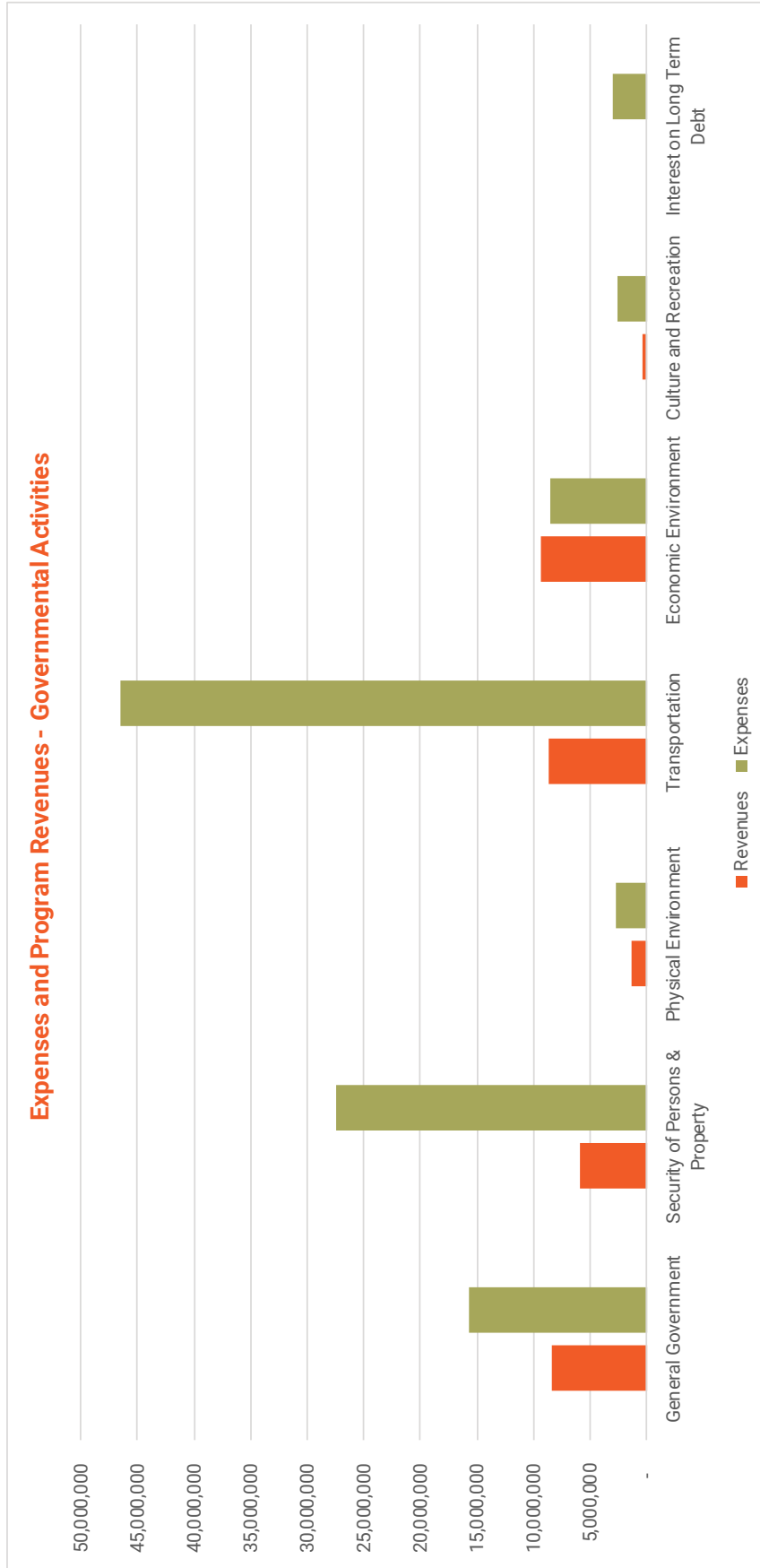
Changes in Net Position

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 2018 and 2017. Bothell's net position from operations decreased citywide by \$19,084,858 during 2018. 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 \$24,110,298. The ending net position also was reduced by \$4,023,017 due to implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB). Governmental activities account for 90.5% of the City's net position. The decrease in the overall net position of governmental activities is the result of depreciation (Refer to Note 6), increase in pollution remediation liability (Refer to Note 15), and increased public safety personnel costs.

Changes in Net Position

	2017			2018		
	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	\$26,171,701	\$21,739,505	\$47,911,206
Operating grants and contributions	337,028	568,848	905,876	466,712	114,516	581,228
Capital grants and contributions	9,679,544	1,093,277	10,772,821	7,261,623	738,591	8,000,214
General revenues						
Property tax	17,417,803		17,417,803	17,500,847		17,500,847
Excise tax	18,610,037		18,610,037	21,868,524		21,868,524
Business tax	7,315,916		7,315,916	7,560,793		7,560,793
Interest and investment earnings	504,584	67,119	571,703	740,880	80,482	821,362
Miscellaneous	1,098,410		1,098,410	793,665		793,665
Total revenues	77,049,810	21,565,367	98,615,177	82,364,747	22,673,094	105,037,840
Program expenses including indirect expenses						
General government	16,389,961		16,389,961	15,736,695		15,736,695
Security of persons and property	25,973,285		25,973,285	27,382,168		27,382,168
Physical environment	2,763,405		2,763,405	2,750,098		2,750,098
Transportation	43,851,764		43,851,764	46,463,697		46,463,697
Economic environment	4,028,902		4,028,902	8,577,058		8,577,058
Culture and recreation	2,459,789		2,459,789	2,616,511		2,616,511
Interest and fiscal charges	3,502,614		3,502,614	2,948,818		2,948,818
Water		4,855,578	4,855,578		4,862,936	4,862,936
Sewer		6,986,948	6,986,948		7,088,546	7,088,546
Storm & surface water		5,418,301	5,418,301		5,696,172	5,696,172
Total expenses	98,969,719	17,260,827	116,230,546	106,475,044	17,647,653	124,122,697
Excess (deficiency)	(21,919,909)	4,304,540	(17,615,369)	(24,110,297)	5,025,441	(19,084,857)
Transfers						
Change in net position	(\$21,919,909)	\$4,304,540	(\$17,615,369)	(\$24,110,297)	\$5,025,441	(\$19,084,858)
Net position beginning	\$662,136,973	\$55,042,546	\$717,179,519	\$640,217,064	\$59,347,085	\$699,564,150
Restatement per GASB 75 implementation (see note 9)				(4,023,017)		(\$4,023,017)
Net position ending	\$640,217,064	\$59,347,085	\$699,564,150	\$612,083,750	\$64,372,526	\$676,456,275



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 \$64,372,526. The total increase in net position for business-type activities was \$5,025,440 or 8.74% higher than the prior fiscal year. The growth, in large part, is attributable to an average 3% rate increase throughout all three utility funds - Water, Sewer, and Storm and Surface Water.

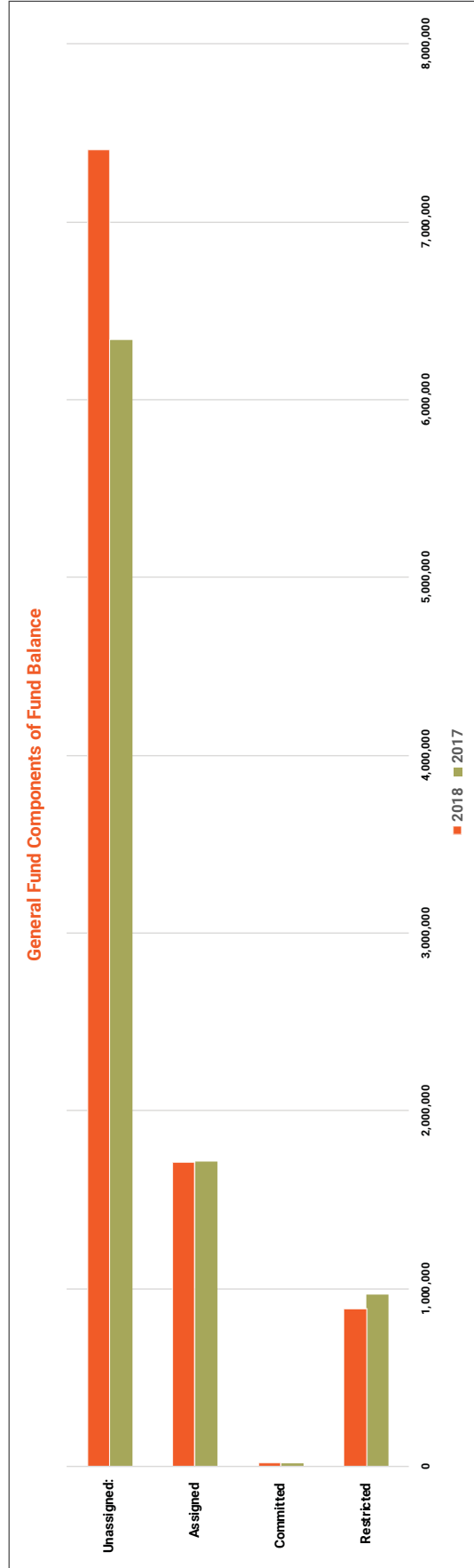
FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

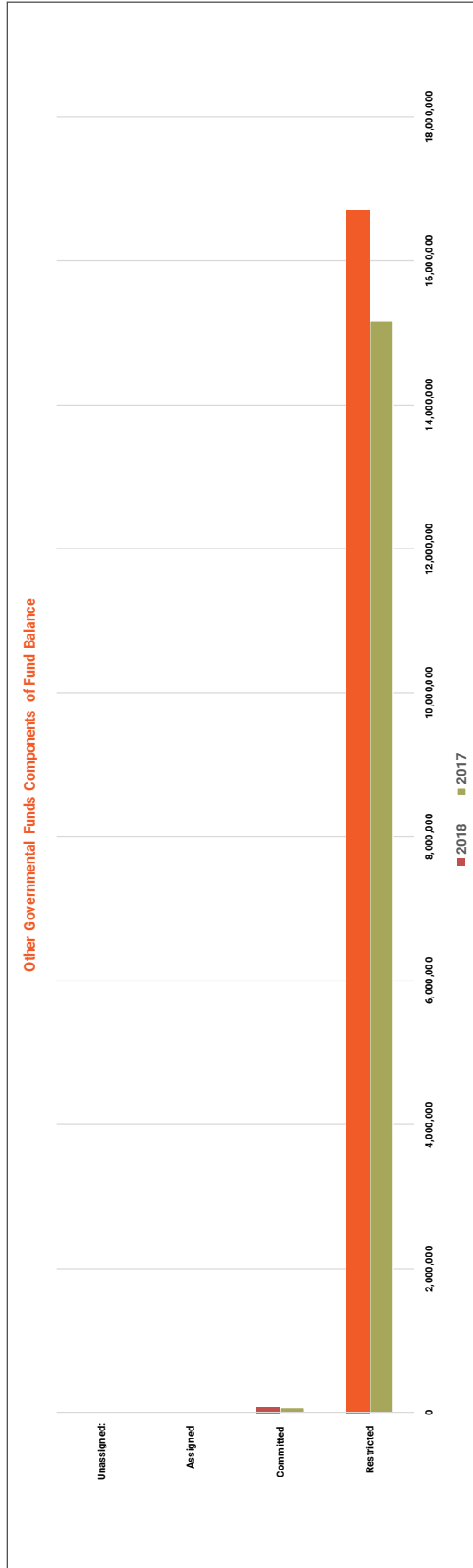
Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure 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 Council.

At end of 2018, the City's governmental funds reported combined fund balances of \$26,789,694, an increase of \$2,535,212 compared to the prior year. This increase is due mainly to excise tax revenue, which was up 17.5% (\$3,258,487) over 2017.

Approximately 28% of fund balance (\$7,403,644) 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 (\$17,590,477), 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 \$7,403,645, while total fund balance increased by \$988,482 due to increased sales tax revenue, and suspension of transfers to the Street Fund (\$500,000) and Capital Improvement Fund (\$500,000). 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 74% of total General Fund balance and 14% of total General Fund expenditures.



The Capital Improvements Fund, a major fund, increased \$3,617,276 in fund balance, largely due to the growth of real estate excise taxes (\$ 2,291,199).

The Arterial Street Fund, the remaining major governmental fund, decreased fund balance by \$506,448 during the current year, bringing the year-end fund balance to \$5,609,743. This decrease was a result of using transportation impact fees and mitigation fees for capital transportation projects in accordance with the City's adopted Capital Facilities Plan (CFP).

All other governmental funds experienced a decrease in fund balance of \$1,564,099. The decrease was due mainly to the reduction of the General Fund's transfer to the Street Fund.

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 \$5,344,115, the Sewer Fund was \$7,800,213, and the Storm & Surface Water Fund was \$6,143,805. The total growth in net position for all three funds was \$928,442, \$1,355,354 and \$2,741,644, 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

The City of Bothell adopts a biennial budget for its General Fund. During the 2018 fiscal year, the Council modified the City's adopted budget on one occasion. The 2018 budget amendment was adopted by ordinance on December 18, 2018. Net budgetary impact on the General Fund was a fund balance decrease of \$1,003,000. Following are the main components of the decrease:

- \$2,197,000 - Revenue appropriations increased due to:
 - \$1,600,000 - Construction sales tax revenues increased more than projected.
 - \$500,000 - Reimbursements for fire wildfire overtime costs that were not budgeted.
 - \$97,000 - Remaining balance transfer from 2008 Refunding GO Bond Fund. Final payment of bond was made in 2017.
- \$3,200,000 - Expenditure appropriations increased due to:
 - Public safety personnel costs in excess of original budget. The overage was connected to collective bargaining agreements, an over-hire strategy and wildfire overtime personnel costs. Public safety expenditures increased \$1,556,888 from 2017.

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, 2018, amounts to \$749,662,589 (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 2018 was 3.57%.

City of Bothell's Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land and land improvements	\$64,675,385	\$67,456,592	\$285,302	\$285,302	\$64,960,687	\$67,741,894
Infrastructure right-of-way	81,302,402	81,833,639	1,935,081	1,935,868	83,237,483	83,769,507
Buildings	12,808,664	12,464,987	7,236,893	6,712,218	20,045,557	19,177,206
Capital lease - City Hall	48,901,661	47,872,153			48,901,661	47,872,153
Improvements	51,677,043	51,609,783	49,126,617	49,813,452	100,803,660	101,423,235
Infrastructure	431,002,772	400,691,624			431,002,772	400,691,624
Vehicles	3,465,465	4,505,192	94,790	79,137	3,560,256	4,584,328
Machinery & equipment	1,437,929	1,696,334	1,365,986	1,186,827	2,803,915	2,883,162
Construction in progress	16,943,871	16,549,318	1,131,302	1,239,464	18,075,173	17,788,782
Work of art	133,213	127,366			133,213	127,366
Intangible asset	3,916,667	3,603,333			3,916,667	3,603,333
Total	\$716,265,073	\$688,410,322	\$61,175,970	\$61,252,267	\$777,441,043	\$749,662,589

Major capital asset events in 2018 included the following:

- Completion of the Main Street Enhancement Project (\$7,451,718)
- Repurchase of City Center Lot (\$2,311,355)
- Completion of Beardslee Overlay Project (\$1,260,868)
- Asset Replacement purchase of two fire trucks (\$1,415,926)

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. In 2018, the City's total debt decreased by \$3,894,937, (3.5%). The City paid debt principal of \$3,645,238 in accordance with debt schedules, and amortized bond premiums of \$249,699 using the straight-line method. In addition, the City had one new debt issuance of \$16,092 for a school safety 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, 2019, the City's legal debt capacity was \$652,880,449, with \$89,685,854 in governmental non-voter approved debt.

At the end of 2018, the City's total long-term debt was \$107,170,098, including bonded debt outstanding of \$52,647,787. Of this amount, \$35,801,104 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		Business-Type Activities		Total	
	Activities		Activities		Total	
	2017	2018	2017	2018	2017	2018
General obligation debt	\$37,014,349	\$35,801,104			\$37,014,349	\$35,801,104
Capital lease	49,344,780	48,016,609			\$49,344,780	48,016,609
Loans	6,299,173	5,868,142	795,676	637,562	\$7,094,849	6,505,704
Utility revenue bonds			17,594,964	16,846,683	17,594,964	16,846,683
Total	\$92,658,302	\$89,685,854	\$18,390,640	\$17,484,245	\$111,048,942	\$107,170,098

Economic Factors and 2019 Budget and Rates

The following economic factors were considered in developing the City's 2019-2020 biennial budget:

- In November 2018, voters approved two public safety ballot measures. Proposition One is a 12-year levy lid lift that will fund public safety positions, operations and equipment. The levy will provide an additional \$4.85 million in 2019, and increases by CPI over the next five years. Proposition Two is a 20-year \$35.5 million bond measure to fund replacement of two city-owned fire stations. The City plans to issue partial bonds to begin construction of Canyon Park Fire Station 45 in 2019. Revenues and expenditures for both propositions will be included in the 2019 budget amendment.
- In December 2018, City Council approved a 1% property tax increase for 2019. State law (Initiative 747) limits the increase of property tax from the actual amount collected in the previous year to 1%.
- City fees increase annually on January 1 of each year. Fees are increased based upon the June-to-June Consumer Price Index (CPI-W), or by the amount required to continue to ensure full cost recovery. Effective January 1, 2019, fees increased by 3.6%.
- Effective January 1, 2019, City Council approved a 3% utility rate increase in each of the City's utility funds to pay for utility expenses and capital projects identified in the City's 2019-2025 Capital Facilities Plan. The City's utility funds remain financially stable due to sound operational and project management, coupled with continued adoption of annual rate increases that keep pace with inflation and capital demands.
- Sale of the remaining five City-owned downtown parcels remains a priority, and will continue to require both significant staff resources and funding to complete all the environmental clean-up and to sell the parcels. Proceeds from the sale of these parcels are important to fund the original financial strategy created as part of the downtown revitalization plan. Other fiscal priorities for the coming year include developing financial policies for Council's consideration; developing a strategy focused on long-term financial sustainability; and working with our business community to study revenue options.
- Unemployment rate as of March 2019 for the Puget Sound region was 3.7%. The Puget Sound Economic Forecaster reports employment in the region over the past few quarters remains strong and may well continue for the next few quarters. Construction was noticeably stronger than predicted, and employment levels are higher than the original forecast. There is concern, however, about longer-term growth, both locally and nationally.

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, 2018

	Primary Government	
	Governmental Activities	Business-Type Activities
		Total
ASSETS		
Cash and cash equivalents	\$4,017,722	\$2,883,080
Investments	\$20,001,747	\$15,683,631
Receivables (net)	\$9,225,801	\$2,484,833
Taxes receivable	\$230,718	
Reserved assets:		
Deposit held in trust	\$281,054	\$281,054
Investment		\$1,316,369
Capital assets:		
Non-depreciable	\$165,839,550	\$3,460,633
Depreciable net	\$522,570,772	\$57,791,634
Net pension asset	\$10,718,242	
Total assets	\$732,885,605	\$83,620,181
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	\$2,724,862	\$264,555
Deferred outflows - other postemployment benefits (OPEB)	\$88,709	
Total deferred outflows of resources	\$2,813,571	\$264,555
LIABILITIES		
Accounts payable	\$5,339,512	\$826,717
Unearned revenue	\$281,054	
Long-term liabilities (see Note 13)		
Due within one year	\$9,478,581	\$1,003,983
Due in more than one year	\$86,929,142	\$16,655,447
Other postemployment benefits (OPEB)		
Due within one year	\$188,147	\$188,147
Due in more than one year	\$6,320,570	\$6,320,570
Net pension liability	\$7,962,133	\$8,438,874
Total liabilities	\$116,499,139	\$18,962,888
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	\$6,895,469	\$549,322
Deferred inflows - advanced grant	\$220,819	
Total deferred inflows of resources	\$7,116,288	\$549,322
NET POSITION		
Net investment in capital assets	\$598,724,468	\$43,768,023
Restricted for:		
Net pension asset	\$10,718,242	\$10,718,242
Transportation	\$5,609,743	\$5,609,743
Parks & Recreation	\$2,659,218	\$2,659,218
Capital projects	\$6,607,931	\$6,607,931
Street maintenance	\$1,477,900	\$1,477,900
Drug forfeitures	\$118,940	\$118,940
Fire impact fees	\$222,875	\$222,875
Debt service	\$16,321	\$16,321
Cemetery (permanently restricted)	\$877,549	\$877,549
Other purpose		
Unrestricted (deficit)	(\$14,949,438)	\$19,288,134
Total net position	\$612,083,749	\$64,372,526
		\$676,456,275

Basic Financial Statements

City of Bothell

Statement of Activities For the Year Ended December 31, 2018

Functions/program	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-Type Activities
Primary government:					
Government activities:					
General government	\$ 15,736,695	\$ 8,099,979	\$ 259,388		\$ (7,377,328)
Security of persons and property	27,382,168	5,720,408	206,274		(21,455,485)
Physical environment	2,750,098	1,345,692	1,050	(30,000)	(1,433,356)
Transportation	46,463,697	1,299,326		7,291,623	(37,872,748)
Economic environment	8,577,058	9,395,950			818,891
Culture and recreation	2,616,511	310,346			(2,306,165)
Interest	2,948,818				(2,948,818)
Total governmental activities	106,475,044	26,171,701	466,712	7,261,623	(72,575,008)
Business-type activities:					
Water	4,862,936	5,723,140		41,037	901,241
Sewer	7,088,546	8,284,176		141,875	1,337,505
Storm & surface water	5,696,172	7,732,189	114,516	555,679	2,706,212
Total business-type activities	17,647,653	21,739,505	114,516	738,591	4,944,958
Total primary government	124,122,697	47,911,206	581,228	8,000,214	(67,630,049)
General Revenues:					
Property tax					17,500,847
Excise tax					21,868,524
Business tax					7,560,793
Interest and investment earnings					821,362
Miscellaneous					793,665
Total general revenues					48,545,191
Change in net position					(19,084,858)
Net position - beginning					699,564,150
Restatement per GASB 75 implementation (See Note 9)					(4,023,017)
Net position - ending					\$ 676,456,275
					\$ 612,083,749
					\$ 64,372,526

Basic Financial Statements

City of Bothell

Balance Sheet Governmental Funds December 31, 2018

	Special Revenue Fund		Capital Projects Fund		Other Governmental Funds	Total Governmental Funds
	General	Arterial Street	Capital Improvements			
ASSETS						
Current cash & cash equivalents	\$ 1,204,593	\$ 634,647	\$ 796,836	\$ 934,404	\$ 3,570,480	
Investments	6,301,747	5,000,000	3,600,000	3,600,000	18,501,747	
Receivables (net of allowances):						
Taxes	230,718				230,718	
Accounts receivable	2,096,951		42,144	13,529	2,152,624	
Due from other governmental units	3,661,917		3,212,801	147,294	7,022,012	
Total assets	\$ 13,495,925	\$ 5,634,647	\$ 7,651,780	\$ 4,695,228	\$ 31,477,580	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 679,202	\$ 488	\$ 823,031	\$ 79,431	\$ 1,582,152	
Deposits payable	4,147				4,147	
Due to other governmental units	114,266				114,266	
Payroll payable	1,883,427			63,885	1,947,311	
Total liabilities	2,681,041	488	823,031	143,316	3,647,876	
Deferred Inflows of Resources						
Unavailable revenue-property tax, service fees & impact fees	794,776	24,416	220,819		819,192	
Unavailable revenue-advanced grant					220,819	
Total deferred inflows of resources	794,776	24,416	220,819	0	1,040,011	
Fund balances:						
Restricted	888,584	5,609,743	6,607,931	4,484,220	17,590,477	
Committed	16,750			67,692	84,442	
Assigned	1,711,130				1,711,130	
Unassigned	7,403,645				7,403,645	
Total fund balances	10,020,108	5,609,743	6,607,931	4,551,912	26,789,694	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 13,495,925	\$ 5,634,647	\$ 7,651,780	\$ 4,695,228	\$ 31,477,580	

Basic Financial Statements

City of Bothell

Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position December 31, 2018

Total fund balances for the governmental funds	\$	26,789,694
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		165,839,550
Depreciable assets (net)		<u>522,570,772</u>
Deferred inflows of resources in the governmental funds are unavailable revenue in the governmental activities in the statement of net position.		
Unavailable revenue-property tax & impact fees		819,192
Pension fund used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
Pension assets		10,718,242
Deferred outflows - pension		2,724,862
Deferred outflows - OPEB		88,709
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:		306,770
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		(3,071,869)
Other post-employment benefits payable		(6,508,717)
Pollution remediation liability		(3,650,000)
Pension liability		(7,962,133)
Bonds and loan payable		<u>(110,878,573)</u>
Pension fund used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
Deferred inflows - pension		(6,895,469)
Total net position of governmental activities	\$	612,083,749

Basic Financial Statements

City of Bothell

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2018

	Special Revenue Fund		Capital Projects Fund		Other Governmental Funds	Total Governmental Funds
	General	Arterial Street	Capital Improvements			
REVENUES						
Taxes	\$ 34,813,215		\$ 9,775,094	\$ 2,448,682	\$	\$ 47,036,991
Licenses and permits	4,425,592		479,248	155,604		5,060,444
Intergovernmental revenues	1,704,755		5,974,457	1,027,345		8,706,558
Charges for services	8,932,265	4,128,638		2,170,591		15,231,494
Fines and forfeitures	268,824			55,107		323,931
Interest earnings	698,063		14,060			712,123
Contributions	73,068		30,772			103,840
Other revenue	701,372			3,721		705,094
Total revenue	51,617,155	4,128,638	16,273,632	5,861,051		77,880,476
EXPENDITURES						
Current						
General government	12,204,936					12,204,936
Security of persons and property	28,103,205			29,479		28,132,684
Transportation	4,839,597			2,949,427		7,789,025
Physical environment	22,471					22,471
Economic environment	4,632,545		1,564,586			6,197,131
Culture and recreation	2,053,105		28,090			2,081,195
Debt service						
Debt service - principal			952,011	1,105,000		2,057,011
Debt service - interest	(215,610)		2,003,861	1,131,374		3,135,235
Capital outlay	51,640,250		13,947,596			13,731,986
Total expenditures			18,496,143	5,215,280		75,351,672
Excess (deficiency) of revenue over expenditures	(23,094)	4,128,638	(2,222,511)	645,771		2,528,804
OTHER FINANCING SOURCES (USES)						
Proceeds from sales of capital assets						
Loan			16,092			16,092
Transfer in	521,261		7,484,546	736,374		8,742,180
Transfer out	490,316	(4,635,086)	(1,660,851)	(2,946,244)		(8,751,865)
Total other financing sources	1,011,576	(4,635,086)	5,839,787	(2,209,870)		6,408
Net change in fund balances	988,482	(506,448)	3,617,276	(1,564,099)		2,535,212
FUND BALANCES - JANUARY 1, 2018	9,031,626	6,116,191	2,990,654	6,116,011		24,254,482
FUND BALANCES - DECEMBER 31, 2018	\$ 10,020,108	\$ 5,609,743	\$ 6,607,931	\$ 4,551,912	\$	\$ 26,789,694

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, 2018

Net change in fund balances - total governmental funds \$2,535,212

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	
Donated capital assets	(\$14,793)
Expenditures for capital assets	\$1,256,394
Capital asset adjustments	\$13,731,986
Depreciation	(\$1,368,521)
	(\$44,161,026)

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

Debt principal payments	\$2,802,123
Debt issued	(\$16,092)

Premium amortization on the bonds decreases long-term liabilities, resulting in an 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	(\$161,427)
Change in other post-employment benefits payable	\$275,215
Change in pollution remediation liability	(\$2,613,000)

Pension liabilities

\$2,737,051

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.

\$700,162

Change in net position of governmental activities

(\$24,110,298)

Basic Financial Statements

City of Bothell

Statement of Net Position Proprietary Funds December 31, 2018

	Business-Type Activities				Governmental Activities
	Enterprise Funds			Internal Service Funds	
	Water	Sewer	Storm & Surface Water	Total	
ASSETS					
Current assets					
Cash and cash equivalents	\$ 883,034	\$ 855,388	\$ 1,144,659	\$ 2,883,080	\$ 447,242
Investments	4,390,215	5,707,503	5,585,914	15,683,631	1,500,000
Accounts receivable	675,795	1,546,586		2,222,381	46,068
Due from other governments	659	28	261,766	262,453	5,097
Reserved assets:					
Deposit held in trust					
Investment-revenue bond reserve	109,785	292,497	914,086	1,316,369	281,054
Total current assets	6,059,487	8,402,002	7,906,425	22,367,914	2,279,461
Non-current assets					
Capital assets:					
Land	122,175	163,126		285,302	
Right of way			1,935,868	1,935,868	
Intangible assets	141,538	122,978	146,663	411,179	
Buildings	2,729,301	4,108,586	2,304,125	9,142,012	35,285
Improvements other than buildings	25,608,590	15,763,363	34,519,890	75,891,843	1,771,578
Equipment	10,464	1,812,988	269,285	2,092,738	1,926,147
Vehicles	26,445	26,445	237,547	290,437	9,370,000
Construction in progress	348,379	104,312	786,773	1,239,464	
Less accumulated depreciation	(10,786,844)	(8,874,531)	(10,375,199)	(30,036,574)	(6,983,023)
Total non-current assets	18,200,049	13,227,267	29,824,951	61,252,267	6,119,988
Total assets	24,259,536	21,629,269	37,731,376	83,620,181	8,399,449
Deferred Outflows of Resources					
Deferred outflows - pension	66,179	62,063	136,313	264,555	32,044
Total deferred outflows of resources	66,179	62,063	136,313	264,555	32,044
LIABILITIES					
Current liabilities					
Accounts payable	247,683	33,508	256,164	537,355	1,486,641
Payroll payable	56,519	50,867	116,552	223,938	25,054
Compensated absences	43,563	45,562	86,062	175,186	23,517
Due to other governments	65,424			65,424	18,748
Interest payable					161,193
Current portion of loans payable			45,516	45,516	
Current portion of revenue bonds payable, net	163,345	76,047	543,890	783,281	
Total current liabilities	576,534	205,983	1,048,184	1,830,701	1,715,153
Non-current liabilities					
Loans payable					
Revenue Bonds Payable, net	3,386,837	1,519,187	592,046	5,920,466	281,054
Unearned revenue			11,157,377	16,063,401	57,328
Pension Liabilities	120,139	111,843	244,759	476,741	338,382
Total non-current liabilities	3,506,976	1,631,030	11,994,182	17,132,188	2,053,535
Total liabilities	4,083,510	1,837,013	13,042,366	18,962,888	
Deferred Inflows of Resources					
Deferred inflows - pension	138,438	129,575	281,309	549,322	65,758
Total deferred inflows of resources	138,438	129,575	281,309	549,322	65,758
NET POSITION					
Net investment in capital assets	14,649,867	11,632,033	17,486,122	43,768,023	6,119,988
Restricted for debt service	109,785	292,497	914,086	1,316,369	
Unrestricted	5,344,115	7,800,213	6,143,805	19,288,134	192,212
Total net position	\$ 20,103,768	\$ 19,724,744	\$ 24,544,014	\$ 64,372,526	\$ 6,312,199

Basic Financial Statements

City of Bothell

Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2018

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Water	Sewer	Storm & Surface Water		
OPERATING REVENUES					
Charges for services	\$5,682,211	\$8,284,176	\$7,677,861	\$21,644,247	\$3,148,959
Other	\$40,929		\$54,328	\$95,257	\$60,719
Total operating revenue	\$5,723,140	\$8,284,176	\$7,732,189	\$21,739,505	\$3,209,678
OPERATING EXPENSES					
Administrative and general	\$662,668	\$643,256	\$2,373,769	\$3,679,693	\$2,201,870
Purchased water	\$1,469,318			\$1,469,318	
Metro service	\$841,390	\$4,371,900		\$4,371,900	
Maintenance and operations	\$221,293	\$648,912	\$1,242,190	\$2,732,493	\$439,143
Customer accounts	\$789,032	\$218,114		\$439,407	
Taxes	\$770,933	\$554,911	\$445,989	\$1,789,932	
Depreciation	\$4754,634	\$603,227	\$1,279,678	\$2,653,839	\$1,050,617
Total operating expenses	\$968,506	\$7,040,320	\$5,341,626	\$17,136,580	\$3,691,630
OPERATING INCOME (LOSS)		\$1,243,856	\$2,390,563	\$4,602,924	(\$481,952)
NON-OPERATING REVENUES (EXPENSES)					
Investment income	\$27,201	\$17,849	\$35,432	\$80,482	\$1,871,003
Intergovernmental revenue			\$114,516	\$114,516	\$4,233
Gain (loss) on disposition of capital assets					\$88,821
Revenue bonds interest	(\$108,301)	(\$48,226)	(\$354,546)	(\$511,073)	(\$1,842,246)
Total non-operating revenue (expense)	(\$81,100)	(\$30,376)	(\$204,598)	(\$316,075)	\$121,812
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS					
Transfers in	\$887,405	\$1,213,480	\$2,185,965	\$4,286,850	(\$360,140)
Transfers out					\$984,303
Capital contributions	\$41,037	\$141,875	\$555,679	\$738,591	(\$974,619)
CHANGE IN NET POSITION	\$928,442	\$1,355,354	\$2,741,644	\$5,025,441	(\$350,455)
NET POSITION - BEGINNING	\$19,175,325	\$18,369,389	\$21,802,370	\$59,347,085	\$6,662,655
NET POSITION - ENDING	\$20,103,768	\$19,724,744	\$24,544,014	\$64,372,526	\$6,312,199

Basic Financial Statements

City of Bothell

Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2018

	Business-Type Activities Enterprise Funds			Governmental Activities	
	Water	Sewer	Storm & Surface Water	Total	Internal Service Funds
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 5,794,032	\$ 8,266,555	\$ 7,923,707	\$ 21,984,294	\$ 3,214,540
Cash paid to employees	(1,050,363)	(988,212)	(2,168,754)	(4,207,329)	(637,682)
Cash paid to suppliers for goods and services	(2,135,148)	(4,970,683)	(1,371,615)	(8,477,445)	(716,520)
Cash paid for taxes	(789,032)	(554,911)	(445,989)	(1,789,932)	
Net cash provided by operating activities	1,819,490	1,752,750	3,937,349	7,509,589	1,860,338
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
Transfers out					(974,619)
Transfers in					984,303
Operating grants			114,516	114,516	
Net cash provided from non-capital activities	-	-	114,516	114,516	9,684
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,019,861)	(181,137)	(837,439)	(2,038,438)	(2,690,876)
Net capital lease					1,822,168
Construction cost payable					(24,350)
Interest paid on capital debt	(132,807)	(59,206)	(435,588)	(627,602)	(1,267,511)
Capital grants			46,893	46,893	
Deposit held in trust					724,100
Proceeds from the sale of capital assets					93,281
Proceeds from revenue bonds					(125,000)
Paid on revenue bond	(145,000)	(65,000)	(475,000)	(685,000)	
Paid on capital debt	(112,598)	(45,516)	(45,516)	(158,114)	
Debt interest payable					(5,209)
Net cash (used) by capital and related activities	(1,410,266)	(305,344)	(1,746,651)	(3,462,261)	(2,598,397)
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase investments	(262,580)	(1,144,972)	(1,769,802)	(3,177,355)	500,000
Interest and dividends	27,201	17,849	35,432	80,482	846
Net cash provided by investing activities	(235,379)	(1,127,123)	(1,734,371)	(3,096,873)	500,846
Net increase (decrease) in cash and cash equivalents	173,844	320,283	570,844	1,064,972	(227,528)
Balances - January 1	709,189	535,105	573,815	1,818,109	674,770
Balances - December 31	\$ 883,034	\$ 855,388	\$ 1,144,659	\$ 2,883,080	\$ 447,242
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 968,506	\$ 1,243,856	\$ 2,390,563	\$ 4,602,924	\$ (481,952)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation expense	770,933	603,227	1,279,678	2,653,839	1,050,617
Change in assets and liabilities:					
Decrease (increase) in accounts receivable	63,284	(21,011)	52,981	95,253	5,253
Decrease (increase) in due from other governments	7,608	3,390	138,537	149,536	(391)
Decrease (increase) in non-capital accounts payable	30,218	17,011	229,945	277,173	1,303,078
Increase (decrease) in payroll payable	(6,451)	(5,501)	(10,394)	(22,345)	(1,819)
Increase (decrease) in due from other governments	65,424	650	(2,597)	65,424	18,748
Increase (decrease) in compensated absences payable	(2,194)	(88,872)	(141,364)	(4,142)	(3,154)
Increase (decrease) in GASB 68 pension adjustments	(77,838)			(308,074)	(30,042)
Net cash provided by operating activities	\$ 1,819,490	\$ 1,752,750	\$ 3,937,349	\$ 7,509,589	\$ 1,860,338
Noncash investing, capital and financing activities increase (decrease) in fair value of investments					
Capital contributions from developers	41,037	141,875	508,787	691,698	-

Basic Financial Statements

City of Bothell

Statement of Net Position Fiduciary Funds For the Year Ended December 31, 2018

	Pension Trust Firemen's Pension Reserve	Agency Trust
ASSETS		
Cash and cash equivalents	\$357,721	\$130,012
Investment		
Total assets	357,721	130,012
LIABILITIES		
Accounts payable	13,308	130,012
Total liabilities	13,308	130,012
NET POSITION		
Net position restricted for pensions	\$344,413	\$0.00

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2018

	Pension Trust
	Firemen's Pension Reserve
ADDITIONS	
Contributions	
Employer	\$ 64,902
Total additions	64,902
DEDUCTIONS	
Benefits	54,257
Total deductions	54,257
Change in net position	10,645
Net position - beginning	333,768
Net position - ending	\$ 344,413

January 1, 2018 through December 31, 2018

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 GASB statements applicable for implementation in 2018. The City implemented GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The primary objective of this Statement is to improve usefulness of information for decisions made by various users of general purpose external financial reports of governments whose employees are provided with postemployment benefits other than pensions. It replaces the requirements of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (see Note 9).

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.

GOVERNMENT FUNDS



- **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 principal 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 principal 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.

PROPRIETARY FUNDS



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

FIDUCIARY FUNDS



MAJOR FUNDS**Governmental Activities
General Fund**

The City of Bothell's General Fund accounts for all receipts 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 developers used solely for the purpose of making capital improvements 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.

In 2018, the 2008 Refunding GO Bond Fund was closed as a result of the final principal being redeemed in 2017.

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 major assets, to be used for future replacement of the assets.

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 reported in accordance with GASB 68 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 to account for the yearly receipts of the fire insurance premium tax. Reserve resources are utilized to supplement annuity benefit payments for LEOFF I retirees (Refer to Note 7).

Agency Fund

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

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events 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 consists 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 consists 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 consists 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 restitution, bail, and the state portion of certain fines and penalties. This receivable 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 a long term liability 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

The City provides post-retirement health care benefits for members of the Law Enforcement Officers and Fire Fighters (LEOFF) retirement system hired prior to October 1, 1977 under a defined benefit healthcare plan administered by the City. As a single employer defined benefit plan, the City is required to recognize a liability equal to the net OPEB liability measured as of a date no earlier than the employer's prior fiscal year and no later than the end of the current fiscal year (the measurement date). (Refer to Note 9).

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

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

Net Position Flow Assumption

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

Flow Assumptions

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources. However, prior to the commencement of any project, the flow assumption is reviewed to ensure that the proper resources are being used.

Fund Balance

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

- **Nonspendable** – Fund resources that are not in a spendable form (such as inventory), or that are required to be maintained intact (such as the corpus of an endowment fund).
 - **Restricted** – Fund resources that are subject to restrictions legally enforceable by outside parties (such as grantors, bondholders, or higher levels of government) through constitutional provisions, or by enabling legislation.
 - **Committed** – Fund resources that are legally limited by the government's highest level of decision-making authority (City Council). These resources cannot be used for any other purpose unless the government takes the same highest-level action (Resolution by City Council) to modify or eliminate those limitations.
 - **Assigned** – Fund resources that are limited by a government for its intended use. Intent can be expressed by the governing body (Council), or by those to which the governing body delegates the authority (City Manager, Department Directors). 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

The City of Bothell budgets its funds in accordance with the Revised Code of Washington (RCW) 35A.34. 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

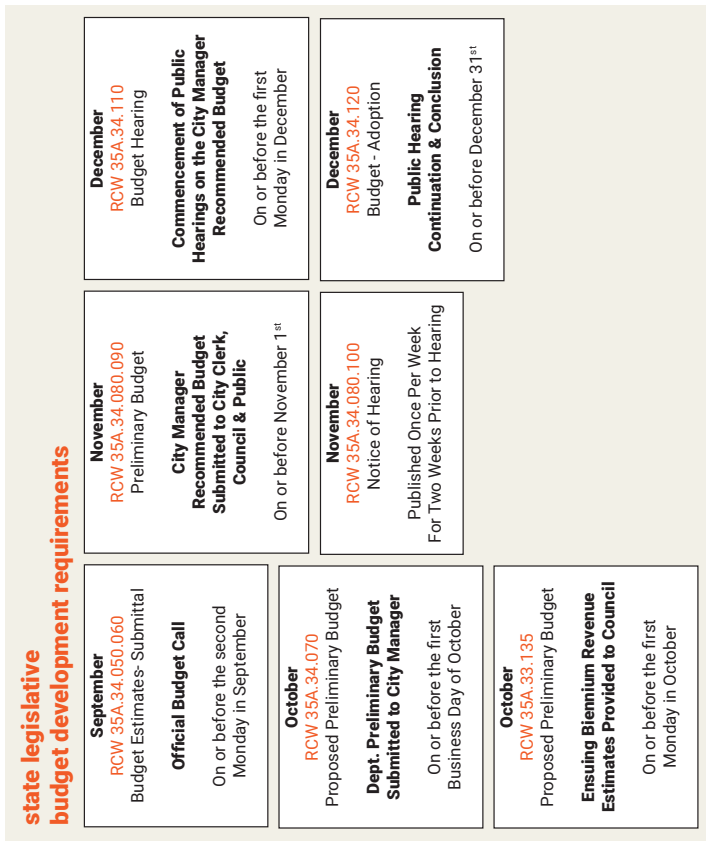
The budget, as adopted, constitutes the legal authority for expenditures. The City's budget is adopted at the fund level, so that expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are allowed, but the City Council (following a hearing) must 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 for the fiscal biennium 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) On or before December 31, 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	\$108,575,409	\$101,713,009
Street Fund	7,262,417	6,592,303	7,262,417	6,592,303
Arterial Street Fund	10,208,113	4,028,656	7,708,113	6,668,656
Park Cumulative Reserve Fund	86,000		2,586,000	3,069,000
Drug Seizure Fund	27,000	17,000	97,000	37,000
2008 GO Bond Redemption Fund	812,000	722,800	812,000	819,800
LIFT General Obligation Bond	3,991,300	3,991,300	3,991,300	3,991,300
2013 GO Bond	1,395,678	1,395,678	1,395,678	1,395,678
Capital Improvements Fund	51,445,324	52,912,586	57,154,324	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	122,553	125,000
Total	\$225,849,513	\$228,855,247	\$242,361,013	\$246,779,347

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, Chapters 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 agencies, or any corporation wholly owned by the government of the United States;
- obligations of the State of Washington, or 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. When investing in corporate notes, the City must adhere to the investment policies and procedures adopted by the Washington State Investment Board.

The LGIP manages a portfolio of securities that meet the maturity, quality, diversification, 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 a 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:** 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. This should only be used when relevant Level 1 and 2 inputs are unavailable.

As of December 31, 2018, the City's investments, excluding the Local Government Investment Pool (LGIP), are classified as Level 2.

As of December 31, 2018, the City's cash and investments are as follows:

	Governmental Funds	Internal Service Funds	Enterprise Funds	Fiduciary Funds	Total
Cash on hand	\$1,750	\$ -	\$ -	\$ -	\$1,750
Deposits with financial institutions	3,568,730	447,242	2,883,080	487,733	7,386,785
Deposits in trust		281,054			281,054
Local Government Investment Pool	1,562,488				1,562,488
All other investments	16,939,259	1,500,000	17,000,000		35,439,259
Total cash and investments	\$22,072,227	\$2,228,296	\$19,883,080	\$487,733	\$44,671,336

Cash and investments listed by fund type:

Governmental Funds	Special Revenue Fund		Capital Project Fund		Other Governmental Funds	
	General Fund	Arterial Street	Capital Improvements			Total
Cash on hand	\$1,750	\$ -	\$ -		\$ -	\$1,750
Deposits with financial institutions	1,202,843	634,647	796,836		934,404	3,568,730
Investments	6,301,747	5,000,000	3,600,000		3,600,000	18,501,747
Total cash and investments	\$7,506,339	\$5,634,647	\$4,396,836		\$4,534,404	\$22,072,227

Proprietary Funds	Enterprise Funds			Internal Service Funds
	Water	Sewer	Storm & Surface Water	Total
Deposits with financial institutions	\$883,034	\$855,388	\$1,144,659	\$2,883,080
Deposits held in trust				\$447,242
Investments	4,390,215	5,707,503	5,585,914	281,054
Investments-reserved	109,785	292,497	914,086	1,500,000
Total cash and investments	\$5,383,034	\$6,855,388	\$7,644,659	\$19,883,080
				\$2,228,296

Internal Service Funds	Self Insurance		Asset Replacement		COB Properties	
	Equipment Rental					Total
Deposits with financial institutions	\$120,405	\$86,598	\$240,238		\$ -	\$447,242
Investments			1,500,000			1,500,000
Deposits held in trust					281,054	281,054
Total cash and investments	\$120,405	\$86,598	\$1,740,238		\$281,054	\$2,228,296

Fiduciary Funds	Agency		Total	
	Pension Trust			
Deposits with financial institutions	\$357,721	\$130,012		\$487,733
Total cash and investments	\$357,721	\$130,012		\$487,733

Primary Government	Governmental Activities		Business-Type Activities		Primary Government
	Governmental Funds		Enterprise Funds		
	Internal Service Funds	Total		Total	
Cash on hand	\$1,750	\$ -	\$1,750	\$ -	\$1,750
Deposits with financial institutions	3,568,730	447,242	4,015,972	2,883,080	6,899,052
Deposits held in trust		281,054	281,054		281,054
Investments	18,501,747	1,500,000	20,001,747	15,683,631	35,685,378
Investments-reserved				1,316,369	1,316,369
Total Cash, Deposit and Investments	\$22,072,227	\$2,228,296	\$24,300,522	\$19,883,080	\$44,183,603

Investment Fair Market Value Measurement
As of December 31, 2018

	Fair Value Measurements Using				Not Measured at Fair Value			
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs				
						Level 1	Level 2	Level 3
U.S. Agencies	\$11,806,986	\$ -	\$11,806,986	\$ -	\$ -			
Supranational Agency	9,380,062		9,380,062					
Municipal Bonds	9,147,875		9,147,875					
Corporate Bonds	5,104,335		5,104,335					
Local Government Investment Pool	1,562,488				1,562,488			
Total investments	\$37,001,747	\$ -	\$35,439,259	\$ -	\$1,562,488			

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, 2018

	Book Value	Fair Market Value	Fair Value Investment Maturity (Year)					Weighted Avg. Maturity in Years	Portfolio Allocation
			Year 1	Year 2	Year 3	Year 4	Year 5		
Supranational Agency	11,711,516	11,806,986	1,991,500	1,991,924	4,802,214		3,021,348	3.00	31.91%
Municipal Bonds	9,515,722	9,380,062	3,433,617	2,982,606	977,560	1,986,280		2.16	25.35%
Corporate Bonds	9,199,401	9,147,875	2,723,437	3,955,034	987,579	1,481,826		2.13	24.72%
U.S. Agencies	5,067,456	5,104,335	1,882,034	1,332,120	1,890,181			2.00	13.79%
Local Government Investment Pool	1,562,488	1,562,488							4.22%
Total Investments	37,056,583	37,001,747	11,593,075	10,261,684	8,657,535	3,468,106	3,021,348	2.31	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, 2018, the City's investment portfolio is as follows:

Investment List by Issuer:

Investment Type	Fair Market Value	% of Investment Portfolio	Credit Rating
Corporate Bonds:			
Costco Corp.	\$1,979,250	5.35%	A1/A+/A+
Apple Corp.	1,975,784	5.34%	Aa1/Aa+/Aa+
Microsoft Corp.	1,481,826	4.00%	Aaa/AAA
PNC Bank NA	996,417	2.69%	A2/A
JPM	990,798	2.68%	Aa3/A+
Wells Fargo Bank	987,579	2.67%	Aa2/AA-
MUFG Union Bank NA	373,801	1.01%	A2/A+
US Bank NA Cincinnati	362,421	0.98%	A1/AA-
Total Corporate Bonds	9,147,876	24.72%	
Municipal Bonds:			
Washington State GO	2,622,125	7.09%	Aa1/AA+/AA+
Connecticut State TXBL SER A	1,986,280	5.37%	A1/A
Georgia State GO	1,300,000	3.51%	Aaa/AAA/AAA
Seattle WA TXBL GO Bonds	1,000,000	2.70%	Aaa/AAA
Seattle WA TXBL GO Bonds	987,960	2.67%	Aaa/AAA
Monroe WA TXBL	633,946	1.71%	AA-
Baltimore MD TXBL Bonds	376,380	1.02%	Aa2/AA
Port of Seattle	299,199	0.81%	A1/A+/AA-
Texas State TXBL Bonds	174,172	0.47%	Aaa/AAA/AAA
Total Municipal Bonds	9,380,062	25.35%	
US Agency Securities			
Fannie Mae	3,214,154	8.69%	Aaa/AA+/AAA
FFCB	1,000,582	2.70%	Aaa/AA+
FNMA GEN STRI	889,599	2.40%	Aaa/AA+/AAA
Total US Agency Securities	5,104,335	13.79%	
Supranational Agency:			
International Bank for Reconstruction and Development (IBRD)	5,028,989	13.59%	Aaa/AAA/AAA
Inter-American Development Bank	1,980,959	5.35%	Aaa/AAA/AAA
European Bank Reconstruction and Development	2,784,066	7.52%	Aaa/AAA/AAA
International Finance Corp.	2,012,971	5.44%	Aaa/AAA/AAA
Total Supranational Agency Securities	11,806,986	31.91%	
Local Government Investment Pool	1,562,488	4.22%	N/A
GRAND TOTAL	\$37,001,747	100.00%	

note 4 property taxes

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

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

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

- 1) Washington State law (RCW 84.55.010) limits the growth of regular property taxes to 1% per year, after adjustments for new construction. If the assessed valuation increases by more than 1% due to revaluation, the levy rate will be decreased.
- 2) The Washington State Constitution limits total regular property taxes to 1% of assessed valuation, or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.
- 3) The City may voluntarily levy taxes below the legal limit.

Special levies approved by the voters are not subject to the above limitations.

In 2018, the City's levy rate was \$1.64 per \$1,000, which included a \$0.46 per \$1,000 Safe Streets and Sidewalks levy. Bothell's total assessed valuation was \$9,900,884,044.

2018 ASSESSED VALUATION	
Snohomish County	\$4,149,299,998
King County	5,751,584,046
Total	\$9,900,884,044

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

Government-wide deferred outflows and inflows of resources at December 31, 2018 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	\$2,724,862	\$264,555
Other Postemployment Benefits (OPEB)	88,709	
Total	\$2,813,571	\$264,555
Deferred Inflows of Resources - Government-wide Statement of Net Position		
Pension	\$6,895,469	\$549,322
Advanced Grant	220,819	
Total	\$7,116,288	\$549,322

Governmental funds deferred inflows of resources as of December 31, 2018 are as follows:

Deferred Inflows and Outflows of Resources	
Description	Governmental Funds
Deferred Inflows of Resources - Governmental Funds Balance Sheet	
Court services	\$429,241
Deferred EMS services	182,242
Deferred property tax	183,293
Deferred revenue-impact fees	24,416
Advanced grant	220,819
Total	\$1,040,011

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 acquisition, lease, annexation, and contribution.

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	5-20 years
→ Vehicles	5-20 years
→ Infrastructure	20-50 years

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

Government Activities	Amount
General government	\$1,981,576
Security of persons & property	846,723
Transportation	37,946,316
Physical environment	2,727,627
Culture & recreation	658,785
Total Governmental Activities Depreciation Expense	\$44,161,026
Business-Type Activities	Amount
Water	\$770,933
Sewer	603,227
Storm & Surface Water	1,279,678
Total Business-Type Activities Depreciation Expense	\$2,653,839

In 2018, the City completed major projects and capital acquisitions which increased capital assets over \$12 million. The capitalization is as follows:

Major Project:	
Main St Enhancement: Phase 1 (Bothell Way to 102nd Ave NE)	
Governmental Fund	\$7,183,697
Water Fund	234,532
Storm & Surface Water Fund	33,489
Total Main St Enhancement: Phase 1 Costs	\$7,451,718
City Center Lot Repurchase	
Governmental Fund	\$2,311,355
Total Land Purchase Costs	\$2,311,355
Beardslee Overlay Project	
Governmental Fund	\$970,620
Water Fund	259,027
Storm & Surface Water Fund	31,221
Total Beardslee Overlay Project Costs	\$1,260,868
Other Capitalizations - Governmental Activities	
Two Fire Trucks	\$1,415,926
Total Fire Trucks Costs	\$1,415,926
Total Governmental and Enterprise Acquisition Costs	\$12,439,866

Construction Commitments as of December 31, 2018

Government Activities	Construction in Progress	Remaining Commitment
1st Lt Nicholas Madrazo Memorial Park	\$193,936	\$8,320
7th Ave SE/88th Ave NE Non-Motorized Imp	48,005	
19th Ave NE & 232nd St SE Ped & Bike Imp	342,728	140,400
228th St SE Pavement Preservation	1,380,595	
Adaptive Signal Control Phase 1	4,507	
Annual Arterial Overlay Program	156,174	491,952
Bicycle Program	27,674	
Blyth Park Improvements	66,535	
Bridge Rehab & Seismic Retrofit		24,430
Citywide Child Ped School & Park Zone Safety	4,502	
Downtown Soil/Ground Cleanup	8,081,341	2,683,462
East Norway Hill Improvements	44,274	394
Horse Creek Plaza	194,816	85,349
Joint Fire Services	1,779	
Main Street Enhancement		135,332
Main Street Extension	270,035	
NE 185th Improvements	233,606	
NE 188th St Non-Motorized Imp	253,544	
North Creek Field 3	74,950	
North Creek Trail Section 4	552,365	156,926
Park at Bothell Landing	143,117	
Park at Bothell Landing Bridge Replacement	373,246	8,071
Park Master Planning	32,687	26,789
Pop Keeney Road	225,449	
Purchase of Northshore SD Property		3,496
Safety Upgrade & Replacement Program	5,150	
Sammamish River Bridge Retrofit	71,472	
Sidewalk/Walkway Program	55,542	54,222
SR 522 Stage 2B Improvements	102,672	
SR 522 Stage 3 Improvements Phase 1	3,601,806	148,440
SR 522 Surplus Property (not a project)		2,177
SR 527 and 228th Intersection		57,822
SR 527 Multiway Boulevard Phase 2		357,745
Stream Rockery Repair	6,810	
Total Governmental Activities	\$16,549,318	\$4,385,327

Business-Type Activities	Construction in Progress	Remaining Commitment
Bloomberg Reservoir Painting	\$13,131	
Morningside Booster Station Retrofit	111,459	58,060
Penn Park Reservoir		18,546
Water Main Replacement Program	223,789	142,115
Lift Station #3		62,807
Promontory Hillside Sewer Replacement		10,299
Sewer Main Replacement Program	104,312	
236th St & 35th Ave Culvert Replacement	38,844	
Annual Stormwater Capital Projects	96,474	
Blyth Creek Erosion Control	32,157	
Downtown Revitalization Utility - Storm	236,214	5,449
Horse Creek Improvements		212,806
Monte Villa Drainage Improvements	78,689	32
Parr Creek Flood Mitigation	299,024	10,004
Perry Creek & 228th St SE Culverts	5,370	
Sammamish River Side Channel		44,074
Total Business-Type Activities	\$1,239,464	564,192

Summary of Changes to Capital Assets

Description	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$64,675,385	\$2,781,207		\$67,456,592
Infrastructure right-of-way	81,302,402	531,237		81,833,639
Construction in progress	16,943,871	3,768,311	4,162,864	16,549,318
Total capital not being depreciated	\$162,921,658	\$7,080,756	\$4,162,864	\$165,839,550
Other capital assets:				
Buildings	\$18,167,243	\$20,756		\$18,187,999
Capital lease - City Hall	51,475,433			51,475,433
Improvements	83,956,940	4,442,272	147,549	88,251,663
Infrastructure	1,602,288,743	6,483,221		1,608,771,963
Intangible Asset	4,700,000			4,700,000
Work of art	140,936			140,936
Vehicles	9,024,504	1,906,935	509,309	10,422,129
Equipment	3,874,110	539,660	6,995	4,406,775
Total other capital assets at historical cost	\$1,773,627,909	\$13,392,843	\$663,854	\$1,786,356,898
Less accumulated depreciation for:				
Buildings	\$5,358,579	\$364,432		\$5,723,011
Capital lease - City Hall	2,573,772	1,029,509		3,603,280
Improvements	32,279,896	4,509,533	147,549	36,641,880
Infrastructure	1,171,285,970	36,794,369		1,208,080,339
Intangible Asset	783,333	313,333		1,096,667
Work of art	7,723	5,847		13,570
Vehicles	5,559,039	862,748	504,854	5,916,934
Machinery & equipment	2,436,181	281,255	6,995	2,710,441
Total accumulated depreciation	\$1,220,284,494	\$44,161,026	\$659,398	\$1,263,786,122
Governmental activities capital assets, net	\$716,265,072	(\$23,687,427)	\$4,167,320	\$688,410,326

Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$1,131,302	\$2,737,176	\$2,629,014	\$1,239,464
Infrastructure right-of-way	1,935,081	787		1,935,868
Land and improvements	285,302			285,302
Total capital not being depreciated	\$3,351,684	\$2,737,963	\$2,629,014	\$3,460,633
Other capital assets:				
Buildings	\$8,906,326	(\$797,127)		\$8,109,199
Intangible plant	411,179			411,179
Improvements	73,506,342	3,418,314		76,924,656
Vehicles	305,311		14,874	290,437
Machinery & equipment	2,092,738			2,092,738
Total other capital assets at historical cost	\$85,221,896	\$2,621,187	\$14,874	\$87,828,209
Less accumulated depreciation for:				
Buildings	\$1,669,433	\$135,440	\$443,452	\$1,361,421
Intangible plant	411,179			411,179
Improvements	24,379,725	2,323,586	(443,452)	27,146,764
Vehicles	210,521	15,654	14,874	211,301
Machinery & equipment	726,752	179,158		905,910
Total accumulated depreciation	\$27,397,610	\$2,653,839	\$14,874	\$30,036,574
Business-type activities capital assets, net	\$61,175,970	\$2,705,311	\$2,629,014	\$61,252,267

note 7 pension plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions, for the year 2018:

Aggregate Pension Amounts – All Plans	
Pension liabilities	(\$8,397,045)
Pension assets	10,718,241
Deferred outflows of resources	2,989,417
Deferred inflows of resources	(7,444,791)
Pension expense/expenditures	489,174

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) for each year 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 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January - August 2018:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%
September - December 2018:		
PERS Plan 1	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.83%	6.00%

*For employees participating in JBM (Judicial Benefit Multiplier), the contribution rate was 12.26%.

PERS PLANS 2/3 provide retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) for each year 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 2018 were as follows:

PERS Plan 2/3		Actual Contribution Rates	Employer 2/3	Employee 2*
January - August 2018:				
	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%
September - December 2018:				
	PERS Plan 2/3		7.52%	7.41%
	PERS Plan 1 UAAL		5.13%	
	Administrative Fee		0.18%	
	Employee PERS Plan 3			Varies
	Total		12.83%	7.41%

*For employees participating in JBM, the contribution rate was 18.45% to 18.53%.

The City actual contributions were \$892,390 to PERS Plan 1 and \$1,292,595 to PERS Plan 2/3 for the year ended December 31, 2018.

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 2018 were as follows:

PSERS Plan 2		
Actual Contribution Rates	Employer 2/3	Employee 2*
January - August 2018:		
PSERS Plan 2	6.74%	6.74%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	11.95%	6.74%
September - December 2018:		
PSERS Plan 2	7.07%	7.07%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Total	12.38%	7.07%

The City actual contributions were \$13,646 to PSERS Plan 2 and \$10,094 to PERS Plan 1 for the year ended December 31, 2018.

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 1 had no required employer or employee contributions for fiscal year 2018. 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 levels adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January - June 2018:		
State and Local Governments	5.25%	8.75%
Administrative Fee	0.18%	
Total	5.43%	8.75%

The City actual contributions to the plan were \$851,004 for the year ended December 31, 2018.

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, 2018, the state contributed \$68,152,127 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$556,539.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018, with a valuation date of June 30, 2017. 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 2017 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017 to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

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 changes in methods and assumptions since the last valuation.

- Lowered the valuation interest rate from 7.70% to 7.50% for all systems except LEOFF 2. For LEOFF 2 the valuation interest rate was lowered from 7.50% to 7.40%.
- Lowered the assumed general salary growth from 3.75% to 3.50% for all systems.
- Lowered the assumed inflation from 3.00% to 2.75% for all systems.
- Modified how the valuation software calculates benefits paid to remarried duty-related death survivors of LEOFF 2 members.
- Updated the trend that the valuation software uses to project medical inflation for LEOFF 2 survivors of a duty-related death, and for certain LEOFF 2 medical-related duty disability benefits.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF 2, which has assumed 7.4 percent). Consistent with the long-term expected rate of return, a 7.4 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 7.4 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 7.4 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, 2018, 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate.

Pension Plan	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$6,995,393	\$5,692,228	\$4,563,424
PERS 2/3	12,368,829	2,704,146	(5,219,815)
PSERS 2	69,670	671	(53,472)
LEOFF 1	(521,048)	(654,979)	(770,285)
LEOFF 2	(1,338,226)	(10,063,263)	(17,179,545)

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 and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the City reported a total pension liability of \$8,397,045 for its proportionate share of the net pension liabilities, and a total pension asset of \$10,718,241 for its proportionate share of the net pension assets as follows:

Pension Plan	Liability (or Asset)
PERS 1	\$5,692,228
PERS 2/3	2,704,146
PSERS 2	671
LEOFF 1	(654,979)
LEOFF 2	(10,063,263)

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	LEOFF 2 Asset
Employer's proportionate share	(\$654,979)	(\$10,063,263)
State's proportionate share of the net pension asset associated with the employer	(4,430,259)	(6,515,773)
Total	(\$5,085,238)	(\$16,579,036)

At June 30, 2018, the City's proportionate share of the collective net pension liabilities was as follows:

Pension Plan	Proportionate Share 6/30/2018	Proportionate Share 6/30/2017	Change in Proportion
PERS 1	0.127456%	0.117383%	0.010073%
PERS 2/3	0.158377%	0.145687%	0.012690%
PSERS 2	0.054126%	0.054951%	-0.000825%
LEOFF 1	0.036077%	0.036842%	-0.000765%
LEOFF 2	0.495674%	0.433695%	0.061979%

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 2018. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2018, 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 2018, 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, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2018, the City recognized pension expense as follows:

Pension Plan	Pension Expense
PERS 1	\$992,612
PERS 2/3	3,601
PSERS 2	11,519
LEOFF 1	(94,771)
LEOFF 2	(423,787)
Total	\$489,174

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 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		(\$226,206)
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions	453,588	
Contributions subsequent to the measurement date		
Total	\$453,588	(\$226,206)

PERS 2/3		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$331,457	(\$473,446)
Net difference between projected and actual investment earnings on pension plan investments			(1,659,389)
Changes of assumptions		31,634	(769,578)
Changes in proportion and differences between contributions and proportionate share of contributions		465,918	(193,959)
Contributions subsequent to the measurement date		656,683	
Total		\$1,485,692	(\$3,096,371)

PSERS 2		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$4,974	(\$688)
Net difference between projected and actual investment earnings on pension plan investments			(9,042)
Changes of assumptions		72	(4,150)
Changes in proportion share		1,068	(228)
Contributions subsequent to the measurement date		6,563	
Total		\$12,676	(\$14,109)

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			(\$53,175)
Changes of assumptions			
Changes in proportion and differences between contributions and proportionate share of contributions			
Contributions subsequent to the measurement date			
Total		\$0	(\$53,175)

LEOFF 2		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$539,069	(\$233,670)
Net difference between projected and actual investment earnings on pension plan investments			(1,761,206)
Changes of assumptions		5,696	(1,444,260)
Changes in proportion and differences between contributions and proportionate share of contributions		76,194	(615,796)
Contributions subsequent to the measurement date		416,499	
Total		\$1,037,459	(\$4,054,933)

Total of All Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$875,501	(\$707,804)
Net difference between projected and actual investment earnings on pension plan investments		(3,709,018)
Changes of assumptions	37,403	(2,217,988)
Changes in proportion and differences between contributions and proportionate share of contributions	543,180	(809,983)
Contributions subsequent to the measurement date	1,533,333	
Total	\$2,989,417	(\$7,444,791)

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, 2018. 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
2019	\$9,897	(\$214,283)	(\$12)	\$51	(\$265,428)	(\$469,775)
2020	(49,450)	(512,781)	(979)	(11,996)	(532,085)	(\$1,107,291)
2021	(148,385)	(975,347)	(2,901)	(32,672)	(1,094,386)	(\$2,253,691)
2022	(38,267)	(335,769)	(1,415)	(8,558)	(451,383)	(\$835,392)
2023		(98,864)	(369)		(201,694)	(\$300,927)
Thereafter		(130,319)	(2,318)		(888,997)	(\$1,021,634)
Total	(\$226,206)	(\$2,267,363)	(\$7,995)	(\$53,175)	(\$3,433,973)	(\$5,988,710)

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 monies 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 2018, the fire insurance premium receipts amounted to \$64,902, which was sufficient to cover the 2018 expenses of \$54,257. 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 2015 Social Security Life Table. As of December 31, 2018, the City had a net pension liability of \$41,829 as shown below which is included in the net pension liability \$7,962,133 for governmental activities:

Firefighter Pension Trust (LEOFF)
As of 12/31/2018

Name	Age at 1/1/2019	Life Expectancy 2015 Social Security Life Table	City's Portion Annual Payments	Annual Increase Rate	Total Payments At Expectancy	Total Payments Present Value	Current Assets	Net Pension Asset (Liabilities)
Retiree A	73	12.33	\$18,476	3%	(\$270,825)	(\$188,107)		
Retiree B	95	2.8	18,826	3%	(54,147)	(49,846)		
Retiree C	75	11.08	15,929	3%	(205,751)	(148,288)		
Total			\$53,231		(\$530,723)	(\$386,242)	\$344,413	(\$41,829)

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	1/1/2018	Increases	Decreases	12/31/2018
Governmental funds	2,913,597	2,912,290	2,754,017	3,071,869
Total Compensated Absences	\$2,913,597	\$2,912,290	\$2,754,017	\$3,071,869
Business-Type Activities	1/1/2018	Increases	Decreases	12/31/2018
Enterprise funds	179,327	193,298	197,439	175,186
Total Compensated Absences	\$179,327	\$193,298	\$197,439	\$175,186

DEFERRED COMPENSATION

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

The International City/County Management Association (ICMA) plan is available to all eligible employees. The Nationwide Retirement Solutions plan is available to all eligible members of the 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. Starting in 2018, the City matches the contribution to Non-Represented employees based on a schedule of completed years of service. In 2018, the City's contributions totaled \$317,079, and employee contributions totaled \$1,820,923.

note 9 **post-employment benefits other than pensions (OPEB)**

During the fiscal year ending December 31, 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment 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 single-employer defined benefit healthcare plan administered by the City, as required by the Revised Code of Washington (RCW Chapter 41.26).

Most medical coverage for eligible retirees is provided by one of the City's medical insurance programs (AWC Benefits Trust and Northwest Firefighters Benefits Trust). Life insurance is provided by Unum Life Insurance. Under the authorization of the LEOFF Disability Board, reimbursements are made for other retiree medical expenses not covered by standard medical plan benefit provisions.

Membership

As of December 31, 2018, there were 15 LEOFF I retirees receiving these benefits. This is considered a closed group with no new eligible members.

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	15

Funding Policy

Funding for LEOFF I 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. It is not administered through a qualifying trust, and therefore, no assets are accumulated. An internal service fund (Self-Insurance) accounts for the contributions and payments related to OPEB.

In 2018, the amount of benefit payment related to the participating retirees totaled \$159,684.

In implementing GASB Statement No. 75, the following changes since the prior valuation were implemented:

The City employed the Alternative Measurement Method (AMM) developed by the Office of the State Actuary (OSA) to measure the total OPEB liability. The AMM tool was designed for local government entities in Washington State, and covered members must be active in or retired from LEOFF 1. Employers must have less than 100 total LEOFF 1 members. The federal Patient Protection and Affordable Care Act levies a 40% excise tax on employers for the value of health plan costs that exceed certain thresholds. The excise tax impacts the medical inflation trend for these "Cadillac" plans. The AWC actuarial study projects reaching the excise tax threshold in 2028. Under AMM, only the OPEB liability is calculated. There are no deferred outflows and inflows other than the deferred outflow for payments subsequent to the measurement date. The following table represents the OPEB amounts subject to the requirements of GASB Statement 75 for the year 2018:

OPEB Amounts – Single Plan	
Total OPEB liabilities	(\$6,508,717)
Deferred outflows of resources	88,709
OPEB expense/expenditures	(100,398)

The total OPEB liabilities are allocated between current and non-current liabilities in the Statement of Net Position of the basic financial statements. The amount of \$188,147 expected to be due within one year is shown as current liabilities.

Actuarial Methods and Assumptions

Specific assumptions using the AMM Tool:

- Assumed any remaining active members will retire immediately following the measurement date. This assumption considered that over 99 percent of LEOFF 1 members are already retired and the remaining members are eligible to retire. This approach assumes that all liabilities are fully earned and the Service Cost equals zero. In other words, the Entry Age Normal Total OPEB Liability is by definition equal to the Present Value of Future Benefits, and therefore, there is no need to make an assumption with respect to Projected Salary Changes.
- Each cohort is assumed to be 100 percent male. As of the measurement date, over 98 percent of the eligible LEOFF 1 population is male. This assumption will be monitored in future versions of the AMM Tool.
- Selected four age-based cohorts for the AMM Tool based upon the overall distribution of the LEOFF 1 eligible population.
- Medical and long-term care costs were projected from June 30, 2016 to the measurement date of June 30, 2018 using the healthcare trend rates detailed in the 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report.

Methodology	6/30/2018	6/30/2018
Actuarial Valuation Date		
Actuarial Measurement Date		6/30/2018
Actuarial Cost Method		Entry Age
Amortization Method		Recognized Immediately
Asset Valuation Method		N/A
Assumptions		
Discount Rate		3.58%
Beginning of Measurement Year		3.87%
End of Measurement Year		
Inflation (Based on the CPI: Urban Wage Earners & Clerical Workers, Seattle-Tacoma-Bremerton, WA - All Items.)		3.00%
General Salary Increases (Due to Inflation)		3.75%
Healthcare Trend Rates		
Medical Cost		Initial rate is approximately 12%/7% for Excise Tax/No Excise Tax trends down to about 5% in 2080.
Long-Term Care		4.50%
Medicare Part B Premiums		Approximately 5%, varies by year.
Mortality Rates (assume 100% male population)		
Badr Mortality Table		PP-2000 Mortality Table
Age Setback		+1 year Healthy/2 years Disabled
Mortality Improvements		Blended 50%/50% Healthy/Disabled
Projection Period		100% Scale BB
Medicare Participation Rate		Generational
		100%

Changes of assumptions

For OPEB plans without trust, GASB 75 requires the discount rate to be based on a yield for a 20-year tax-exempt, high-quality municipal bond rate with an average rating of AA/Aa or higher. This resulted in a 3.58 percent discount rate as of June 30, 2017, and 3.87 percent measured at June 30, 2018.

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare trend

The following table represents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current discount rate.

Sensitivity Analysis			
Total OPEB Liability	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
Discount Rate	\$7,252,971	\$6,508,717	\$5,877,373

The following table represents the total OPEB liability of the City for healthcare is based upon assumptions in the 2016 LEOFF 1 Medical Benefits Actuarial Valuation Report.

Sensitivity Analysis			
Total OPEB Liability	1% Decrease	Current Rate	1% Increase
Healthcare Trend	\$5,902,727	\$6,508,717	\$7,206,829

Change in the Total OPEB Liability

Plan Name	A Single-Employer Defined Benefit - No Qualifying Trust
Total OPEB Liability at 7/1/2017	\$6,768,799
Service cost	
Interest	237,014
Changes of benefit terms	
Differences between expected and actual experience	(197,865)
Changes of assumptions	
Estimated benefit payments	(299,231)
Other changes	
Total OPEB Liability at 6/30/2018	\$6,508,717

Restatement Beginning OPEB Liability per GASB 75

OPEB liability - 2018 beginning (GASB 45)	\$2,672,206
Deferred outflow - reverse 2017 subsequent to the measurement date 7/1/17-12/31/17	73,576
OPEB liability - 2018 beginning (GASB 75)	(6,768,799)
Net difference to unrestricted net position	(\$4,023,017)

Net adjustment to OPEB Expense at 12/31/2018

Reverse beginning OPEB liability (GASB 75)	(6,768,799)
Deferred outflows - reverse 2017 subsequent to the measurement date 7/1/17-12/31/17	73,576
Total OPEB liability at 6/30/2018	6,508,717
Deferred outflows - 2018 subsequent to the measurement date 7/1/18-12/31/18	(88,709)
Net adjustment to OPEB expense at 12/31/2018	(275,215)

OPEB Expense for Fiscal Year Ending

Net adjustment to OPEB expense at 12/31/2018	(\$275,215)
Deferred outflows - reverse 2017 subsequent to the measurement date 7/1/17-12/31/17	(73,576)
Deferred outflows - 2018 subsequent to the measurement date 7/1/18-12/31/18	88,709
Benefit payments for year 2018	159,684
OPEB expense	(\$100,398)

At December 31, 2018, the City reported deferred outflows of resources related to OPEB from the following source:

Deferred Outflows of Resources	
Payments subsequent to the measurement date	88,709
Total	88,709

The deferred outflows of resources amount of \$88,709 will be recognized as a expense in the period ending December 31, 2019.

note 10 contingencies

Arbitrage

In the government-wide statements, arbitrage earnings liability is accrued as it is earned, and is expensed at year-end. In 2018, 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 or their representatives. Such audits could inherently result in requests for reimbursement to grantor agencies for expenditures being 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 is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. WCIA has a total of 160 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, employment practices, and employee benefits liability. Limits are \$4 million per occurrence in the self-insured layer, and \$16 million in limits above the self-insured layer is provided by reinsurance. Total limits are \$20 million per occurrence subject to aggregates and sublimits. 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, for all perils other than flood and earthquake, 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.

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 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, reinsurance and other 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.

WCIA is governed by Board of Directors, 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 day to day operations of WCIA.

In the past 13 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 a Debt Service Fund as debt service principal and interest payments become due.
 - 2) Move restricted debt proceeds to a 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 as 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 Fund	LIFT GO Bond Fund	2013 GO Bond Fund	Capital Improvements Fund	Self Insurance Fund	Asset Replacement Fund	Total Transferred Out
General Fund		(\$500,000)						\$159,684	(\$150,000)	(\$490,316)
Street Fund										
Arterial Street Fund							4,635,086			4,635,086
Park Cumulative							2,849,460			2,849,460
GO Bond Fund	96,784									96,784
Capital Improvement	424,477				564,808	671,566				1,660,851
Equipment Rental Fund									974,619	974,619
Total Transferred In	\$521,261	(\$500,000)	\$0	\$0	\$564,808	\$671,566	\$7,484,546	\$159,684	\$824,619	\$9,726,484

In 2018, 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 bonds 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.

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 to identify longer-term financing to accommodate the timetable necessary to sell surplus City properties. Staff determined that 20-year, bank qualified (BQ), General Obligation (GO) Bonds would provide the most advantageous financing option, given the unprecedentedly low interest rates and the City's capital strategy. In June 2013, the City issued Limited Tax GO Bonds without a vote GO Bond 2013A (taxable) for \$1,520,000, and GO Bond 2013B for \$8,145,000 to retire the 2012 BAN. Bond 2013A was paid off in 2017. Bond 2013B's outstanding balance at the end of 2018 is \$7,755,000.

2014 Limited Tax GO Bonds (LIFT)

In 2006, the City was awarded LIFT (Local Infrastructure Financing Tool) funding for downtown revitalization. The program funding consists of rebates of future 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 the 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 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, which is allocated to the Bothell Crossroads SR-522 realignment construction project. This loan is considered a general government obligation and is being paid from the Capital Improvement Fund, with an annual principal payment of \$447,123.

Public Works Assistance (PWA) Loan

Bothell has a PWA loan (98-791-007) for \$1,890,000 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. Under an agreement made in 1998, the City makes an annual payment to Snohomish County, who then makes payment to the State of Washington. In 2018, the 20 year loan was fully repaid.

Public Works Trust Fund (PWTF) Construction Loan

In 2012, the City was awarded an \$800,000 construction loan (PC13-961-060) with a 20-year maturity for the 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, and annual principal payment is \$45,516.

Public Works Assistance (PWA) Loan

In 2017, the City received a new loan of \$125,000 from Snohomish County to fund installation of crosswalks with Rectangular Rapid Flashing Beacons at various locations. The project will increase safety at school crosswalks. The City spent \$55,542 on this project at end of 2018. The City will utilize the rest of this loan in 2019, and will repay the loan over a 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 2018 was \$15,850,000.

Debt Service requirements to maturity

GO Bond 2013 B		GO 2014 LIFT Bond		PWTF Loan		Sno. Co. PWA		CH Lease Revenue Bonds		Totals	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal		
Governmental Activities											
2019	400,000	295,463	740,000	1,258,250	447,123	14,532	6,171	658	1,315,000	1,934,102	6,411,299
2020	415,000	283,463	765,000	1,231,850	447,123	13,414	6,171	741	1,365,000	1,888,115	6,415,876
2021	425,000	271,013	795,000	1,200,650	447,123	12,296	6,171	648	1,510,000	1,813,844	6,481,745
2022	440,000	258,263	835,000	1,163,875	447,123	11,178	6,171	555	1,590,000	1,737,594	6,489,759
2023	450,000	245,063	875,000	1,121,125	447,123	10,060	6,171	463	1,665,000	1,658,468	6,478,473
2024-2028	2,550,000	939,315	5,095,000	4,885,125	2,235,615	33,534	24,685	926	9,675,000	6,955,840	32,395,040
2029-2033	3,075,000	492,186	6,540,000	3,438,000	1,341,369	6,707			11,815,000	4,812,211	31,520,473
2034-2038			3,110,000	1,967,500					14,240,000	2,240,962	21,558,462
2039-2040			7,240,000	181,000					3,200,000		10,621,000
Subtotal	\$7,755,000	\$2,784,765	\$25,995,000	\$16,447,375	\$5,812,600	\$101,721	\$55,542	\$3,992	\$46,375,000	\$23,041,136	\$128,372,128
2014 Revenue Bond PWTF Loan											
Year	Principal	Interest	Principal	Interest	Totals						
Business-Type Activities											
2019	720,000	590,519	45,516	1,593	1,357,628						
2020	750,000	561,719	45,516	1,479	1,358,714						
2021	780,000	531,719	45,516	1,365	1,358,600						
2022	815,000	492,719	45,516	1,252	1,354,487						
2023	855,000	451,969	45,516	1,138	1,353,623						
2024-2028	4,910,000	1,641,507	227,581	3,415	6,782,503						
2029-2033	5,755,000	796,356	182,401	1,707	6,735,464						
2034	1,265,000	44,275			1,309,275						
Subtotal	\$15,850,000	\$5,110,783	\$637,562	\$11,949	\$21,610,293						
Total	\$149,982,421										

Debt Limit Capacities

State law dictates that City debt cannot be incurred in excess of the following taxable percentages: 1.5% without a vote of the people; 2.5% with a vote of the people, provided the indebtedness 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 \$9,900,884,044.

Debt Capacity as of January 1, 2019				
Regular levy assessed value less annexations				
Item	Without a Vote	With a Vote of the People	Total Capacity	
	1.5%	2.5%	2.5%	7.5%
Legal limit	\$148,513,261	\$99,008,840	\$247,522,101	\$742,566,303
Outstanding net debt	89,685,854			89,685,854
Margin available	\$58,827,407	\$247,522,101	\$247,522,101	\$652,880,449

Changes in Long-Term Liabilities

Description	Beginning Balance 1/01/2018	Additions	Reductions	Ending Balance 12/31/2018	Due Within One Year
Governmental Activities					
GO 2013 B Bond	\$8145,000		\$390,000	\$7,755,000	\$400,000
GO 2013 A&B Bond Premium	364,189		22,762	341,427	22,762
GO 2014 LIFT Bond	26,710,000		715,000	25,995,000	740,000
GO 2014 LIFT Bond Premium	1,795,160		85,484	1,709,676	85,484
PWTF Loan PC12-951-022	6,259,723		447,123	5,812,600	447,123
Sno. County Safe School Crossing Loan	39,450	16,092		55,542	6,171
COB Lease Revenue Bonds	47,625,000		1,250,000	46,375,000	1,315,000
COB Lease Revenue Bonds Premium	1,719,780		78,172	1,641,609	78,172
OPFB/LEOFF	2,672,206	6,508,717	2,672,206	6,508,717	188,147
Compensated Absences	2,912,290	2,754,017	3,071,869	2,594,438	3,071,869
Pension	9,674,769	7,962,133	9,674,769	7,962,133	
Pollution Remediation	1,037,000	2,613,000		3,650,000	3,312,000
Subtotal	\$108,955,874	\$20,012,232	\$18,089,533	\$110,878,573	\$9,666,728
Business-Type Activities					
PWA Loan 98-791-007	\$112,598		\$112,599		45,516
PWTF Loan PC 13-961-060	683,078		45,516	637,562	
Combined Utility Revenue Bonds 2014	16,535,000		685,000	15,850,000	720,000
Combined Utility Revenue Bonds 2014 Premium	1,059,964		63,281	996,683	63,281
Pension	967,840	476,741	967,840	476,741	
Compensated Absences	179,327	193,298	197,439	175,186	175,186
Subtotal	\$19,537,808	\$670,039	\$2,071,676	\$18,136,171	\$1,003,983
Total	\$128,493,682	\$20,682,271	\$20,161,209	\$129,014,744	\$10,670,711

Capital Related Long-Term Liability

Description	Date of Issue	Date of Final Maturity	Interest Rates	Amount of Original Issue	Balance 1/1/2018	Issued	Redeemed	Balance 12/31/2018	Due Within One Year
Governmental Activities									
GO 2013 B Bond	6/25/2013	12/1/2033	3.0-4.5%	\$8,145,000	\$8,145,000		\$390,000	\$7,755,000	\$400,000
GO 2013 A&B Bond Premium	6/25/2013	12/1/2033	3.0-4.5%	455,236	364,189		22,762	341,427	22,762
GO 2014 LIFT Bond	1/3/2014	3/1/2039	2.0-5.0%	28,210,000	26,710,000		715,000	25,995,000	740,000
GO 2014 LIFT Bond Premium	1/3/2014	3/1/2039	2.0-5.0%	2,137,096	1,795,160		85,484	1,709,676	85,484
PWTF Loan PC12-951-22	6/1/2012	6/1/2031	0.25%	8,000,000	6,259,723		447,123	5,812,600	447,123
COB City Hall Lease Revenue Bonds	7/1/2014	12/31/2039	3.6-5.0%	49,625,000	47,625,000		1,250,000	46,375,000	1,315,000
COB City Hall Lease Revenue Bonds Premium	7/1/2014	12/31/2039	3.6-5.0%	1,954,296	1,719,780		78,172	1,641,609	78,172
Sno. County Safe School Crossing Loan	2/27/2017	2/26/2027	1.50%	125,000	39,450	16,092		55,542	6,171
Subtotal				\$98,651,628	\$92,658,302	\$16,092	\$2,988,541	\$89,685,854	\$3,094,712
Business-Type Activities									
PWA Loan 98-791-007	10/15/1998	10/13/2018	1.00%	\$1,890,000	\$112,598		\$112,599		720,000
Combined Utility Revenue Bonds 2014	10/8/2014	10/8/2034	2.63-5.0%	18,355,000	16,535,000		685,000	15,850,000	
Combined Utility Revenue Bonds 2014 Premium	10/8/2014	10/8/2034	2.63-5.0%	1,265,629	1,059,964		63,281	996,683	63,281
PWTF Loan PC13-961-060	6/1/2013	6/1/2032	0.25%	800,000	683,078		45,516	637,562	45,516
Subtotal				\$22,310,629	\$18,390,640		\$906,396	\$17,484,245	\$828,797
Total				\$120,962,257	\$111,048,942	\$16,092	\$3,894,937	\$107,170,098	\$3,923,509

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, 2018, park impact fee fund balance totaled \$2,659,218.

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, 2018, traffic impact fund balance totaled \$5,609,743.

Fire Impact Fees

In 2017, fire impact fees were enacted to ensure new development bears a share of the cost of capital facilities to accommodate new growth. Funds are used solely for capital improvements within the fire impact fee service areas. Funds are expended on a "first in/first out" accounting basis. At end of 2018, the City has accumulated fire impact fees totaling \$222,875 to support future capital project needs.

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, 2018, 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 the 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.
- 8) Schucks/O'Reilly (aka Wexler) – Contaminated with petroleum in soil and groundwater, and chlorinated solvents in groundwater (comingled BSC plume).

*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 project, 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 2018	Future Petroleum	Future Solvents	Total
*Bothell Landing	\$1,252,460	\$37,324	\$140,000		\$1,429,784
*Bothell Riverside	1,248,852	86,278		590,000	1,925,130
*Bothell Paint & Decorating	891,951	51,587	240,000		1,183,538
*Former Hertz	836,521	49,356	280,000		1,165,877
McDonald's (Clean)	11,116				11,116
Northshore School District	2,587,693	121,131	1,310,000		4,018,824
Bothell Ultra Custom Cleaners (Case)	1,390,725	81,211		920,000	2,391,936
**Bothell Service Center (Up-gradient Solvent Sources)	1,321,817	3,162,051		376,223	4,860,091
Other Sites	460,446	20,575			481,021
116th Partners Group (Clean)	33,713	1,945			35,658
Schucks/O'Reilly (Wexler)	89,653	170,874	1,680,000		1,940,527
Total	\$10,124,946	\$3,782,332	\$3,650,000	\$1,886,223	\$19,443,501

Site	Capitalization for 2018	Future Costs (Liabilities)
*Bothell Landing	\$37,324	\$140,000
*Bothell Riverside	86,278	
*Bothell Paint & Decorating	51,587	240,000
*Former Hertz	49,356	280,000
City Hall (Clean)	1,945	
Horse Creek (Clean)	9,216	
Multway Boulevard (Clean)	6,059	
Northshore School District	121,131	1,310,000
Schuck's/ O'Reilly (Clean)		1,680,000
Total	\$362,896	\$3,650,000

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 2018, 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 a capital lease asset at the present value of future minimum lease payments as of the inception date.

The asset (City Hall) acquired through capital lease is as follows:

	Asset	Governmental Activities
City Hall Building		\$51,475,433
Less: Accumulated depreciation		(3,603,280)
Total		\$47,872,153
The present value of the future minimum lease obligations:		
	Years Ending December 31	Capital Lease
2019		\$3,249,102
2020		3,253,115
2021		3,323,844
2022		3,327,594
2023		3,323,614
Thereafter		52,938,867
Total		\$69,416,136

note 17 blended component unit

Blended Component Unit

COB Properties is a non-profit corporation created in 2014 pursuant to Internal Revenue Service Ruling 63-20. COB issued \$49,625,000 in lease revenue bonds for the City Hall Project. Its sole purpose was 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 part of the capital lease agreement, the City pays monthly maintenance and asset management fees to COB.

In accordance with GAAP, the audited financial statements of this blended component unit 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, 2018, 257 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 agencies, public corporations, intergovernmental agencies, or political subdivisions within the State of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting applications 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 2018, 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 for 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 their 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). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. 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 Office of the State Auditor.

note 19 joint ventures & operations

A Regional Coalition for Housing (ARCH)

In November 1992, the City of Bothell joined King County and the cities of Kirkland, Bellevue, and Redmond to establish A Regional Coalition for Housing (ARCH). The agreement was recently amended in 2010. Since its inception, the cities of Clyde Hill, Hunts Point, Issaquah, Kenmore, Mercer Island, Newcastle, Sammamish, Woodinville, Yarrow Point, and Beaux Arts Village have 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; it also 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 (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 2018, the City's contributions totaled \$106,795.

Budget monitoring information can be obtained from ARCH, c/o Lindsay Masters, 16225 NE 87th Street, Suite A-3, Redmond, WA 98052.

eCityGov Alliance

On March 25, 2002, the 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 online 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 eCityGov Alliance 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 2018, the City of Bothell paid dues totaling \$58,201. 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 is not reflected in the financial statements.

Budget monitoring information may be obtained from City of Bellevue, Information Technology Department, c/o Tyler Running Deer, 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 E911 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 the backup facility 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 2018, the City of Bothell paid \$369,765 for NORCOM services.

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

Hazardous Materials Unit and Response Team (HazMat)

In January 1984, the City of Bothell joined the cities of Bellevue, Kirkland, and Redmond, along with King County Fire Protection Districts 16 and 36, to form a Hazardous Materials Unit and Response Team (HazMat). In December 1991, the agreement was modified to designate the City of Bellevue as the lead agency. Current members are the cities of Bellevue, Kirkland, Redmond, Bothell, Snoqualmie, and Duvall, along with Eastside Fire & Rescue, Woodinville Fire & Life Safety, and King County Fire District 27.

The HazMat unit provides equipment and personnel for the management of hazardous material incidents as a normal function of fire protection services. The HazMat team is governed by a Joint Board comprised of the fire chiefs of the member agencies plus one member from the HazMat team. The Joint Board is responsible for formulating policy, establishing annual budgets, and acquiring, holding, and disposing of real and personal property. With the exception of the member from the HazMat team, each representative on the Joint Board has a vote on all matters.

The City of Bellevue has the administrative authority for operations conducted pursuant to the agreement, and provides administrative and secretarial support to the Joint Board. Members withdrawing from the agreement relinquish all rights to any reserve funds, equipment, or material purchased. Upon dissolution, the agreement provides for distribution of assets among the members based on the percentage of the total annual charges paid by each member over the life of the agreement. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements. Operating revenues are provided by an annual charge assessed each member's property values and number of emergency incidents. The City of Bothell's assessment was \$8,172 in 2018.

Budget monitoring information can be obtained from Eastside Hazardous Materials Joint Board, c/o Babette Bechtold, Bellevue Fire Department, 450 110th Ave NE, Bellevue, WA 98004.

Sound Cities Association (SCA)

In 1970, Sound Cities Association (SCA) was formed to help cities act locally and partner regionally to create vital, livable communities through advocacy, education, leadership, mutual support, and networking. The City of Bothell is among 38 cities represented by SCA having a population less than 150,000. The SCA Board of Directors oversees the general activities of the Association, and governs the organization by establishing broad policies and objectives for SCA. Operating revenues are provided by membership dues based on population. Upon dissolution of SCA, any funds or assets shall be distributed to member cities and towns pursuant to

the same formula used to determine membership dues. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements. The City of Bothell's dues were \$17,086 in 2018.

For additional information contact Deanna Dawson, Executive Director, deanna@soundcities.org.

North Sound Metro SWAT

In 2013, The City of Bothell joined the North Sound Metro Special Weapons and Tactics (SWAT) Crisis Negotiating Team, which is a regional team made up of the following cities: Edmonds, Kirkland, Lake Forest Park, Lynnwood, Mill Creek, Monroe, Mountlake Terrace, Redmond, and Mukilteo. The Executive Board is comprised of the Police Chiefs of all participating cities. The Board reviews and approves changes and updates to the SWAT Policy and Procedures Manual, and gives approval and direction on operational matters. Operating revenues are provided by contributions from the participating cities based on population. Upon termination of the SWAT team, any funds or jointly purchased assets will be distributed to the participating cities. The City's share of assets is deemed immaterial and thus is not reflected in the financial statements. The City of Bothell's dues were \$4,321 for 2018.

Budget monitoring information can be obtained from Assistant Chief Jim Lawless, City of Edmonds, 250 5th Ave North, Edmonds, WA 98020.

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 on the next page:

	Special Revenue		Major Capital		Nonmajor	Total
	General	Fund Arterial Street	Projects Fund Capital Improvements	Governmental Funds		
Fund Balances:						
Restricted for:						
Parks donations	\$10,530					\$10,530
Police donations	52,520					52,520
Fire donations	48,186					48,186
Tourism	533,725					533,725
Tourism capital	232,588					232,588
Transportation		5,609,743				5,609,743
Parks and recreation				2,659,218		2,659,218
Capital projects			6,607,931			6,607,931
Street maintenance				1,477,900		1,477,900
Drug forfeitures	11,035			107,905		118,940
Fire impact fees				222,875		222,875
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:	7,403,645					7,403,645
Total	\$10,020,108	\$5,609,743	\$6,607,931	\$4,551,912		\$26,789,694

note 21 tax abatement

Tax abatement is a reduction in tax revenues that results 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 local jurisdictions. In 2018, 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 \$165,819 and \$381,540 respectively. The Department of Revenue's reported figures are estimates based upon calendar year 2017 as a proxy for fiscal year 2018.

Additional information regarding the state tax abatement programs can be found on the Department of Revenue's website: <https://dor.wa.gov/doing-business/information-local-governments/governmental-accounting-standards-board-gasb-statement-no-77>

note 22 subsequent event

In November 2018, Bothell voters approved the following two public safety ballot measures:

Public Safety Levy Lid Lift

The Public Safety levy lid lift is a 12-year levy that authorizes the collection of increased regular property taxes to improve and enhance various public safety resources. The multi-year lid lift will provide approximately \$4.85 million in 2019 dedicated to these public safety purposes, and permits increases in each of the following five years (collection years 2020 through 2024) equal to inflation, as measured by the annual increase in the Seattle-Bellevue-Tacoma Consumer Price Index for Urban Wage Earners and Clerical Works (CPI-W) as compiled by the U.S. Bureau of Labor Statistics. The dollar amount of the maximum allowable levy for collection in 2024 will be used as the base for the purpose of computing the limitation on subsequent levies through collection year 2030 under the levy lid. The estimated 2019 levy is approximately 44 cents per \$1,000 of assessed value.

Public Safety Capital Bond Levy

The Public Safety capital bond levy authorizes the City to issue up to \$35.5 million of general obligation bonds to construct, reconstruct, renovate, and equip two fire stations to replace Fire Station 42 (Downtown) and Fire Station 45 (Canyon Park). Principal and interest on the bonds will be repaid through the collection of the excess property tax levy, which replaced the levy that residents previously paid for construction of the public safety police building that was paid off in 2017. Bond issuance for the first phase to reconstruct Fire Station 45 is projected to occur in 2019. The estimated levy amount is anticipated to be approximately 26 cents per \$1,000 assessed value.

In February 2019, The City Council approved a \$2 million interfund loan from the water and sewer funds to provide short-term financing until levy revenues are collected. Repayment of the interfund loan is anticipated to be made by end of 2019.

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, 2018

	Budgeted Amounts 2017-2018		2017 Actual Amounts Budgetary Basis		2018 Actual Amounts Budgetary Basis		Total 2017-2018 Actuals	Variance with Final Budget Positive (Negative)
	Original	Final						
REVENUES								
Taxes	\$ 68,136,844	\$ 69,736,844	\$ 32,761,472	\$ 34,813,215	\$ 67,574,688	\$ (2,162,156)		
Licenses and permits	7,027,649	7,027,649	3,344,724	4,425,592	7,770,316	742,667		
Intergovernmental revenues	2,636,721	2,636,721	1,670,665	1,704,755	3,375,420	738,699		
Charges for services	16,473,655	16,795,155	8,025,543	8,932,265	16,957,808	162,653		
Fines and forfeitures	812,100	812,100	301,926	268,824	570,750	(241,350)		
Interest earnings	504,400	504,400	464,931	698,063	1,162,994	658,594		
Contributions	111,500	111,500	45,175	73,068	118,243	6,743		
Other revenue	1,048,040	1,548,040	930,305	701,372	1,631,678	83,638		
Total revenues	96,750,909	99,172,409	47,544,742	51,617,155	99,161,897	(10,512)		
EXPENDITURES								
Current								
General government	23,877,145	23,767,072	11,528,616	12,204,936	23,733,552	33,520		
Security of persons and property	49,460,829	52,710,829	26,546,317	28,103,205	54,649,523	(1,938,694)		
Transportation	9,704,619	9,821,119	4,418,744	4,839,597	9,258,342	562,777		
Physical environment	51,600	51,600	18,330	22,471	40,801	10,799		
Economic environment	8,017,894	8,161,794	4,245,208	4,632,545	8,877,753	(715,959)		
Culture and recreation	3,899,706	4,144,906	1,886,405	2,053,105	3,939,510	205,396		
Debt service								
Debt service - interest	77,000	293,573	595,057	(215,610)	379,447	(85,874)		
Capital outlay	95,088,793	98,950,893	49,238,677	51,640,250	100,878,927	(1,928,034)		
Total expenditures								
Excess of revenues over (under) expenditures	1,662,116	221,516	(1,693,936)	(23,094)	(1,717,030)	(1,938,546)		
OTHER FINANCING SOURCES (USES)								
Transfers in	1,100,000	9,403,000	8,714,088	521,261	9,235,348	(167,652)		
Transfers out	(2,762,116)	(2,762,116)	(1,287,376)	490,316	(797,061)	1,965,055		
Total other financing sources	(1,662,116)	6,640,884	7,426,712	1,011,576	8,438,288	1,797,404		
Net change in fund balances	\$ -	\$ 6,862,400	\$ 5,732,776	\$ 988,482	\$ 6,721,258	\$ (141,142)		
FUND BALANCES - JANUARY 1, 2017	3,982,604	3,982,604	3,298,850		3,298,850	(683,754)		
FUND BALANCES - DECEMBER 31, 2018	\$ 3,982,604	\$ 10,845,004	\$ 9,031,626	\$ 988,482	\$ 10,020,108	\$ (824,896)		

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, 2018

	Budgeted Amounts 2017-2018		2017 Actual Amounts Budgetary Basis	2018 Actual Amounts Budgetary Basis	Total 2017-2018 Actuals	Final Budget Positive (Negative)
	Original	Final				
REVENUES						
Intergovernmental revenues						
Charges for services	\$10,208,113	\$7,708,113	\$2,687,540	\$4,128,638	\$6,816,178	(\$891,935)
Interest earnings						
Other revenue						
Total revenues	10,208,113	7,708,113	2,687,540	4,128,638	6,816,178	(891,935)
EXPENDITURES						
Current						
Construction projects						
Capital outlay						
Debt service - principal						
Debt service - interest						
Total expenditures						
Excess of revenues over (under) expenditures	10,208,113	7,708,113	2,687,540	4,128,638	6,816,178	(891,935)
OTHER FINANCING SOURCES (USES)						
Transfers in						-
Transfers out	(4,028,656)	(6,668,656)	(2,033,570)	(4,635,086)	(6,668,656)	-
Total other financing sources	(4,028,656)	(6,668,656)	(2,033,570)	(4,635,086)	(6,668,656)	-
Net change in fund balances	\$6,179,457	\$1,039,457	\$653,970	(\$506,448)	\$147,522	(\$891,935)
FUND BALANCES - JANUARY 1, 2017	6,836,297	6,836,297	5,462,221		5,462,221	(1,374,076)
FUND BALANCES - DECEMBER 31, 2018	\$13,015,754	\$7,875,754	\$6,116,191	(\$506,448)	\$5,609,743	(\$2,266,011)

Required Supplemental Information

City of Bothell

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.121450%	0.122680%	0.117383%	0.127456%
Employer's Proportionate Share of the Net Pension Liability	\$6,352,964	\$6,588,494	\$5,569,915	\$5,692,228
TOTAL	\$6,352,964	\$6,588,494	\$5,569,915	\$5,692,228
Covered Payroll	\$13,786,742	\$14,498,305	\$14,618,695	\$16,801,936
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	46.08%	45.44%	38.10%	33.88%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.10%	57.03%	61.24%	63.22%

*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, 2018
Last 10 Fiscal Years*

	2015	2016	2017	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.151904%	0.150951%	0.145687%	0.158377%
Employer's Proportionate Share of the Net Pension Liability	\$5,427,617	\$7,650,613	\$5,061,927	\$2,704,146
TOTAL	\$5,427,617	\$7,650,613	\$5,061,927	\$2,704,146
Covered Payroll	\$13,515,966	\$14,191,416	\$14,283,210	\$16,465,729
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	40.16%	53.91%	35.44%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.20%	85.82%	90.97%	95.77%

*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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.042517%	0.051392%	0.054591%	0.054126%
Employer's Proportionate Share of the Net Pension Liability	\$7,760	\$21,841	\$10,767	\$671
TOTAL	\$7,760	\$21,841	\$10,767	\$671
Covered Payroll	\$129,922	\$166,553	\$194,556	\$212,416
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	5.97%	13.11%	5.53%	0.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.08%	90.41%	96.26%	99.79%

*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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.037398%	0.037459%	0.036842%	0.036077%
Employer's Proportionate Share of the Net Pension Liability	(\$450,729)	(\$385,935)	(\$558,974)	(\$654,979)
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer	(\$3,067,869)	(\$2,610,454)	(\$3,780,888)	(\$4,430,259)
Total	(\$3,518,598)	(\$2,996,389)	(\$4,339,862)	(\$5,085,238)
Covered Payroll	-	-	-	-
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll				
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.36%	123.74%	135.96%	144.42%

*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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.446157%	0.442168%	0.433695%	0.495674%
Employer's Proportionate Share of the Net Pension Liability	(\$4,585,602)	(\$2,571,782)	(\$6,018,281)	(\$10,063,263)
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)	(\$6,515,773)
Total	(\$7,617,608)	(\$4,248,397)	(\$9,922,228)	(\$16,579,036)
Covered Payroll	\$13,047,275	\$13,395,080	\$13,567,101	\$16,202,202
Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	-58.38%	-31.72%	-73.13%	-102.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	111.67%	106.04%	113.36%	118.50%

*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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Statutorily or Contractually Required Contributions	\$630,678	\$701,167	\$769,301	\$892,390
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$630,678)	(\$701,167)	(\$769,301)	(\$892,390)
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$14,176,738	\$14,322,135	\$15,527,021	\$17,521,949
Contributions as a Percentage of Covered Payroll	4.45%	4.90%	4.95%	5.09%

*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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Statutorily or Contractually Required Contributions	\$784,160	\$883,523	\$1,035,078	\$1,292,595
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$784,160)	(\$883,523)	(\$1,035,078)	(\$1,292,595)
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$13,898,168	\$14,181,934	\$15,178,196	\$17,242,855
Contributions as a Percentage of Covered Payroll	5.64%	6.23%	6.82%	7.50%

*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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Statutorily or Contractually Required Contributions	\$8,910	\$12,814	\$13,654	\$13,646
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$8,910)	(\$12,814)	(\$13,654)	(\$13,646)
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$137,513	\$194,445	\$205,096	\$199,465
Contributions as a Percentage of Covered Payroll	6.48%	6.59%	6.66%	6.84%

*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 1

As of December 31, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Statutorily or Contractually Required Contributions	\$ - \$	- \$	- \$	- \$
Contributions in Relation to the Statutorily or Contractually Required Contributions	\$ - \$	- \$	- \$	- \$
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$ - \$	- \$	- \$	- \$
Contributions as a Percentage of Covered 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, 2018

Last 10 Fiscal Years*

	2015	2016	2017	2018
Statutorily or Contractually Required Contributions	\$689,895	\$674,658	\$769,582	\$851,004
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$689,895)	(\$674,658)	(\$769,582)	(\$851,004)
Contribution Deficiency (Excess)	-	-	-	-
Covered Payroll	\$13,175,218	\$13,364,894	\$14,792,634	\$16,079,675
Contributions as a Percentage of Covered Payroll	5.24%	5.05%	5.20%	5.29%

*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, 2018

Last 10 Fiscal Years*

	2016	2017	2018
Statutorily or Contractually Required Contributions	\$42,705	\$57,336	\$64,902
Contributions in Relation to the Statutorily or Contractually Required Contributions	(\$40,946)	(\$67,108)	(\$54,257)
Contribution Deficiency (Excess)	\$1,759	(\$9,772)	\$10,645
Covered Payroll	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	N/A	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 Changes in Net Pension Liability Firefighters' Pension Fund As of December 31, 2018

	2016	2017	2018
Total Pension Liability			
Employer's total pension liability	\$330,775	\$452,534	\$386,242
TOTAL	\$330,775	\$452,534	\$386,242
Plan Fiduciary Net Position			
Employer's contribution	\$56,151	\$57,257	\$64,902
Benefit payments	(\$40,946)	(\$67,108)	(\$54,257)
Net change in plan fiduciary net position	\$15,205	(\$9,851)	\$10,645
Plan fiduciary net position - beginning	\$328,414	\$343,619	\$333,768
Plan fiduciary net position - ending	\$343,619	\$333,768	\$344,413
Net pension liability (asset) ending	(\$12,844)	\$118,766	\$41,829
Plan fiduciary net position as a percentage of the total pension liability	103.88%	73.76%	89.17%
Employer's covered employee payroll	\$ -	\$ -	-
Net pension liability as a % of covered employee payroll	N/A	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 Changes in Total OPEB Liability and Related Ratios Single Employer OPEB Plan For the year ended June 30, 2018 Last 10 Fiscal Years*

	2018
Total OPEB liability - beginning	\$6,768,799
Service cost	0
Interest	237,014
Changes in benefit terms	0
Differences between expected and actual experience	(197,865)
Changes of assumptions	0
Benefit payments	(299,231)
Other changes	
	<u>\$6,508,717</u>
Total OPEB liability - ending	
Covered-employee payroll	\$ -
Total OPEB liability as a % of covered payroll	<u>N/A</u>

Notes to Schedule:

* Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Supplemental Information

City of Bothell

Schedule 16

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Grantor/Pass Through Grantor Program Title	CFDA Number	Other Identification Number	Current Year Expenditures		Pass Through to	Note
			Direct	Pass-Through Total		
Department of Homeland Security/Pierce County Emergency Management/Washington State Task Force						
National Urban Search & Rescue (US&R) Response System	97.025	NA	-	911	911	1.2,3
Structural Collapse & Heavy Rescue Training						
Department of Homeland Security/Washington State Military Department						
Emergency Management Performance Grants	97.042	E18-090	-	23,599	23,599	1.2,3
Department of Homeland Security/City of Seattle Fire Department						
Homeland Security Grant Program	97.067	EMW-2016-SS-00005-S01	-	2,689	2,689	1.2,3
State Homeland Security Program	97.067	EMW-2015-SS-00013-S01	-	2,041	2,041	1.2,3
Urban Area Security Initiative Grant		CFDA 97.067 Total	-	4,730	4,730	-
		Department of Homeland Security Total	\$0	\$29,240	\$29,240	\$0
Department of Transportation						
Highway Planning and Construction Cluster						
Department of Transportation/Washington State DOT	20.205	HLP-SR17(013)	-	6,291	6,291	1.2,3
7th Ave SE/88th Ave NE Non-Motorized Improvements	20.205	SRTS-2449(001)	-	68,508	68,508	1.2,3
19th Ave SE/232nd St SE Non-Motorized Improvements	20.205	STPUL-2570(011)	-	830,400	830,400	1.2,3
228th St SE Pavement Overlay	20.205	SRTS-0110(015)	-	88,000	88,000	1.2,3
NE 188th St Non-Motorized Improvements	20.205	CM-0110 (014)	-	264,586	264,586	1.2,3
North Creek Trail - Section 4	20.205	BHM-2201(009)	-	49,650	49,650	1.2,3
Sammamish River Bridge Seismic Retrofit	20.205	STPUL-0622 (057)	-	975,425	975,425	1.2,3
SR522 Multi-Modal Corridor - Stage 3	20.205		-			
		Highway Planning & Construction Cluster Total	\$0	\$2,282,861	\$2,282,861	\$0
Highway Safety Cluster						
Department of Transportation/Washington Traffic Safety Commission	20.600	NA	-	1,931	1,931	1.2,3
State & Community Highway Safety	20.600	NA	-	4,230	4,230	1.2,3
Distracted Driving Emphasis Patrols						
Target Zero Emphasis Program		CFDA 20.600 Total	\$0	\$6,161	\$6,161	\$0
National Priority Safety Programs						
Click It or Ticket Program	20.616	NA	-	1,658	1,658	1.2,3
		Highway Safety Cluster Total	\$0	\$7,819	\$7,819	\$0
		Department of Transportation Totals	\$0	\$2,290,680	\$2,290,680	\$0
Environmental Protection Agency/Washington State Department of Ecology						
Puget Sound Action Agenda- Tech Investigations/Implementation Assistance Program	66.123	C1800019	-	114,035	114,035	1.2,3
Local Source Control Partnership		Environmental Protection Agency Total	\$0	\$114,035	\$114,035	\$0
		Total Federal Awards Expended	\$0	\$2,433,955	\$2,433,955	\$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 A87, 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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Toll-free Citizen Hotline	(866) 902-3900
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