

City of Bellingham, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2014



"Essence of Bellingham" by Michael Dyrland

City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014

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Financial Reports Website: <http://www.cob.org/government/departments/finance/reports.aspx>



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FINANCE DEPARTMENT
City Hall, 210 Lottie Street
Bellingham, Washington 98225
Brian Henshaw, Finance Director

June 26, 2015

Honorable Mayor Linville, Council Members, and the Citizens of the City of Bellingham:

I am pleased to submit the City of Bellingham's (City) 2014 Comprehensive Annual Financial Report (CAFR).

State law requires that cities with populations of 25,000 or more publish financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and are audited in accordance with Governmental Auditing Standards (GAS) by the Washington State Auditor's Office under the Revised Code of Washington (RCW) 43.09.020. Pursuant to that requirement, we hereby issue the City's CAFR for the fiscal year ended December 31, 2014.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City's management. To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various City and agency funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR includes all City and agency funds. In addition, the CAFR reports on the City's discrete component units, the Bellingham-Whatcom Public Facilities District (PFD) and the Bellingham Public Development Authority (BPDA), separately from City activities in the government-wide statement of net position, statement of activities, and the notes to the financial statements.

As an aid to the reader, the major sections of this report have been separated by divider pages. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

GOVERNMENT PROFILE

Incorporated in 1904, Bellingham is the 12th largest of the 281 cities in the State of Washington with a population of 82,810. Located in the Northwest corner of Washington State in Whatcom County, it is approximately sixty miles south of Vancouver, British Columbia, and ninety miles north of Seattle on the Interstate 5 corridor. The city encompasses approximately twenty-eight square miles and serves as the county seat.

Bellingham is a first-class, charter city with a mayor-council form of government operating under the laws of the State of Washington. Bellingham has an elected mayor, seven-member city council, and one municipal court judge.

The City provides a full range of local government services, including general government, public safety, culture and recreation, street, water, wastewater and storm utilities, and other enterprise services.

Discrete Component Units

Bellingham has two discrete component units that are separate legal entities from the City with their own Board of Directors.

The Bellingham-Whatcom Public Facilities District was established in 2002. Their mission is to create a regional center that would enhance economic development in the business core. It is funded by a state rebate of .033% of locally collected sales tax.

The Bellingham Public Development Agency was established in 2008 to undertake, assist with, otherwise facilitate, and advocate for the redevelopment of the Bellingham waterfront, the downtown core, and the old town historic district and to undertake other such projects throughout the city as required. As the BPDA has proven to be unsustainable, the organization has dissolved operations as of December 31, 2014.



ECONOMIC CONDITION AND OUTLOOK

Over the past three decades, the economy of Bellingham and Whatcom County has transitioned from a resource-based to a retail and service-based economy. Older industries such as agriculture, timber, and fishing have declined in importance. In 2008, retail, services, and manufacturing activities suffered the same economic downturn experienced both nationally and internationally. Beginning in 2010, and continuing through 2014 retail sales have trended higher in large part due to the strong Canadian dollar and our proximity to the border.

Since the bottom of the recession in 2009, there has been slow improvement in the City's key revenue sources. Compared to 2013, the City's overall revenues are up \$7.1 million. Efforts of the Mayor, Finance Director, and Department Heads to prioritize programs and expenditures to achieve a sustainable balanced budget are on-going. Despite the City's general fund having run a deficit since 2008, the 2014 fiscal year end reserve exceeded \$15.5 million.

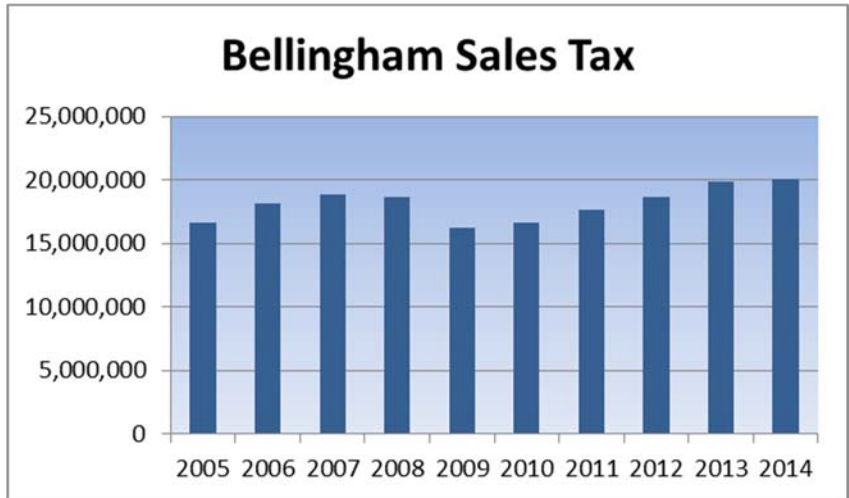
As reported by the Bureau of Labor Statistics, for the Bellingham Metropolitan Statistical Area, total non-farm employment has declined from a 2007 high of 87,300 jobs to a low of 80,200 jobs in 2009. At the end of 2014, non-farm employment has surpassed the 2007 high ending at 88,600 jobs.

The 2014 value of commercial and residential building projects increased from \$140.7 million in 2013, to \$188 million in 2014. New multi family unit commercial permit activity nearly tripled with a valuation of \$36.5 million and 322 new units versus 2013's valuation of \$12.5 million and 136 new units. City issued building permits peaked in 2007 above \$200 million before declining to \$100 million in 2011. In 2012, the value of building permits issued increased to \$143 million which was the first positive growth in four years. There were 865 total permits issued in 2014, up from 778 in 2013.

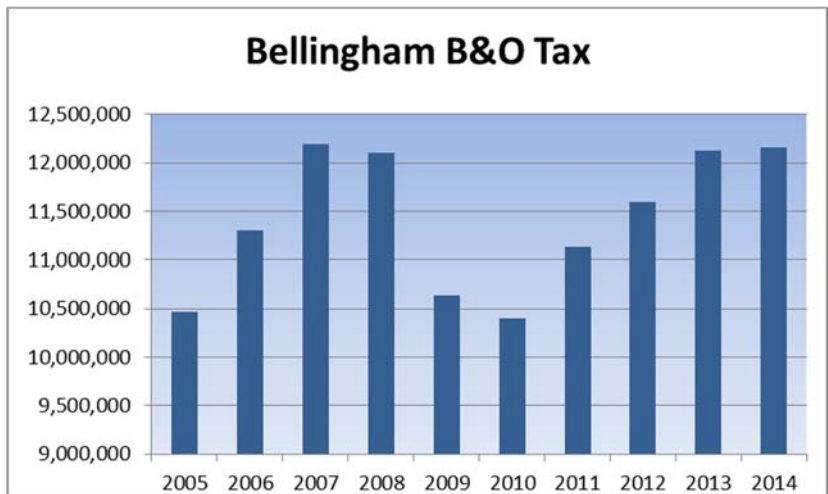
The City of Bellingham receives approximately \$2.50 per \$1,000 of assessed property value from property owners within the City limits. In 2014, this generated \$21.4 million government-wide and an additional \$1.9 million for the fire pension and OPEB funds. Property taxes increased \$433 thousand over the prior year. Government-wide property tax revenue was allocated amongst the funds as follows: general fund \$18 million, low income housing \$3 million, greenways maintenance endowment \$415 thousand, and waterfront capital construction \$37 thousand. Property tax provides roughly 25% of total general fund revenue.

Bellingham's general fund relies heavily on sales tax revenue, which is subject to larger economic swings than most other sources of government revenues. Retail sales have continued to benefit from our proximity to Canada and the strong Canadian dollar. In 2014, the City collected over \$30 million of sales tax revenues, an increase of \$2 million dollars, a 7% rate of growth over 2013, and the highest sales tax revenue to date. Sales tax revenue generates approximately 34.5% of general revenue government-wide.

The chart to the right shows the sales tax growth over the last ten years. The CAFR retail sales and use tax balance includes the sales tax shown above, and public safety sales tax, brokered natural gas use tax, criminal justice tax, TBD retail sales and use tax, hotel/motel transient rent tax, and local revitalization sales tax; these additional six categories have larger swings and variances year over year and are excluded from the chart to the right.



Business and occupation tax peaked in 2007 at \$12.2 million. Over the following three-years, B&O taxes declined to \$10.4 million in 2010, reducing general fund revenue by \$1.8 million. Over the last three years our economy has shown signs of recovery as is evident in the returning increase in B&O taxes. In 2014, B&O tax revenue hit \$12.2 million nearly returning to the peak achieved in 2007.



Tourism, education, and healthcare have a significant impact on the local economy. Our geographical location, including Bellingham Bay, the San Juan Islands, and Mt. Baker, offers significant recreational opportunities. Visitors spent \$573.9 million in Whatcom County in 2013, according to a study conducted by Dean Runyan Associates. This ranks fifth in visitor spending among the state's 39 counties.

Western Washington University (the city's second largest employer), Whatcom Community College, and Bellingham Technical College host more than 31,497 students. St. Joseph Hospital, a 253-bed medical center and Level III Trauma Center serving Northwest Washington, is the city's largest employer.

MAJOR INITIATIVES

Waterfront Redevelopment / New Whatcom Special Development Area

In 2004, the Port of Bellingham acquired the Georgia-Pacific 140 acre waterfront site and agreed to conduct environmental cleanup of the property. The property includes sites for which the City has been named as a potentially responsible party by the Washington State Department of Ecology. The City and the Port continue to work on this project. A remedial investigation and feasibility study is still underway for the former Georgia-Pacific site but is expected to be issued in the near future.

During 2013, the City completed the master plan and environmental impact statement for the New Whatcom Special Development Area with the passage of Ordinance 2013-12-090. The City will provide infrastructure to the property including utilities, streets, and parks and trails as determined in a development agreement negotiated with the Port of Bellingham. Project development goals include rebuilding the tax base, providing commercial development opportunities, accommodating some of the city's expected residential growth, and providing public access to the waterfront.

Downtown Redevelopment

Redevelopment of the downtown core is dynamic and a result of multiple efforts. Private developers, with City assistance, are creating new and refurbishing existing structures. Strategic improvements that have already been put into place include a permanent shelter for the local Farmer's Market and urban art sculpture. The PFD is spearheading a Cultural Arts District. In 2007, the PFD issued a bond to pay for a major capital renovation of the historic Mount Baker Theatre and for the construction of a new Whatcom Museum. The Mount Baker Theatre renovation was completed in 2008 and the Whatcom Museum opened November 2009. In 2008, the City created the BPDA to support existing city businesses and support new business development throughout the city with a special emphasis on downtown, old town, and the waterfront.

Bond Issues

On December 17, 2014, the City issued \$3.2 million in tax exempt LTGO refunding bonds and \$2.3 million in taxable LTGO refunding bonds. The City issued the bonds to advance refund the \$1.6 million outstanding 2005 LTGO Solid Waste Series A (tax exempt) bonds and \$3.9 million outstanding 2005 LTGO Solid Waste Series B (taxable) bonds. The advanced refunding resulted in an economic gain of \$615 thousand.

The City's bond rating as assigned by Moody's is Aa2 for the City's voted general obligation and revenue bonds. Moody's assigned an Aa3 rating to the City's non-voted tax backed general obligation bonds. Standard and Poor's Rating Services (S&P) raised its long-term rating to 'AA+' from 'AA' on the City's limited-tax general obligation (GO) bonds.

FINANCIAL MANAGEMENT AND CONTROLS

Internal Controls

City management is responsible for establishing, implementing, and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The City maintains budgetary controls in accordance with State legal requirements. The objective of these budgetary controls is to ensure compliance with legal provisions established by the budget appropriations of City Council. The annual operating budget, or financial plan, is proposed by the Mayor and adopted by the City Council after a public process. Management control for the operating budget is maintained at the fund level.

Cash Management

The City invests temporarily idle cash in investments authorized by State law including U.S. Agency issues and the Washington State Local Government Investment Pool. The average yield on investments during 2014 was 0.82%, for which the City earned \$1.3 million. This was a decrease from interest earned in 2013 at a yield of 0.96% and \$1.5 million. The City structures its investments to provide necessary liquidity and to minimize risk, while achieving reasonable yields on its portfolio.

Risk Management

The City maintains various insurance policies and self-insurance funds to protect itself from risk.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bellingham for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2013. This was the thirteenth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Independent Audit

State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official. The 2014 audit of the City has been completed and was performed in conformance with GAS. The financial statements of all City and agency funds have been included in this audit. Please refer to the Auditor's Opinion letter at the beginning of the Financial Section of this report.

Acknowledgements

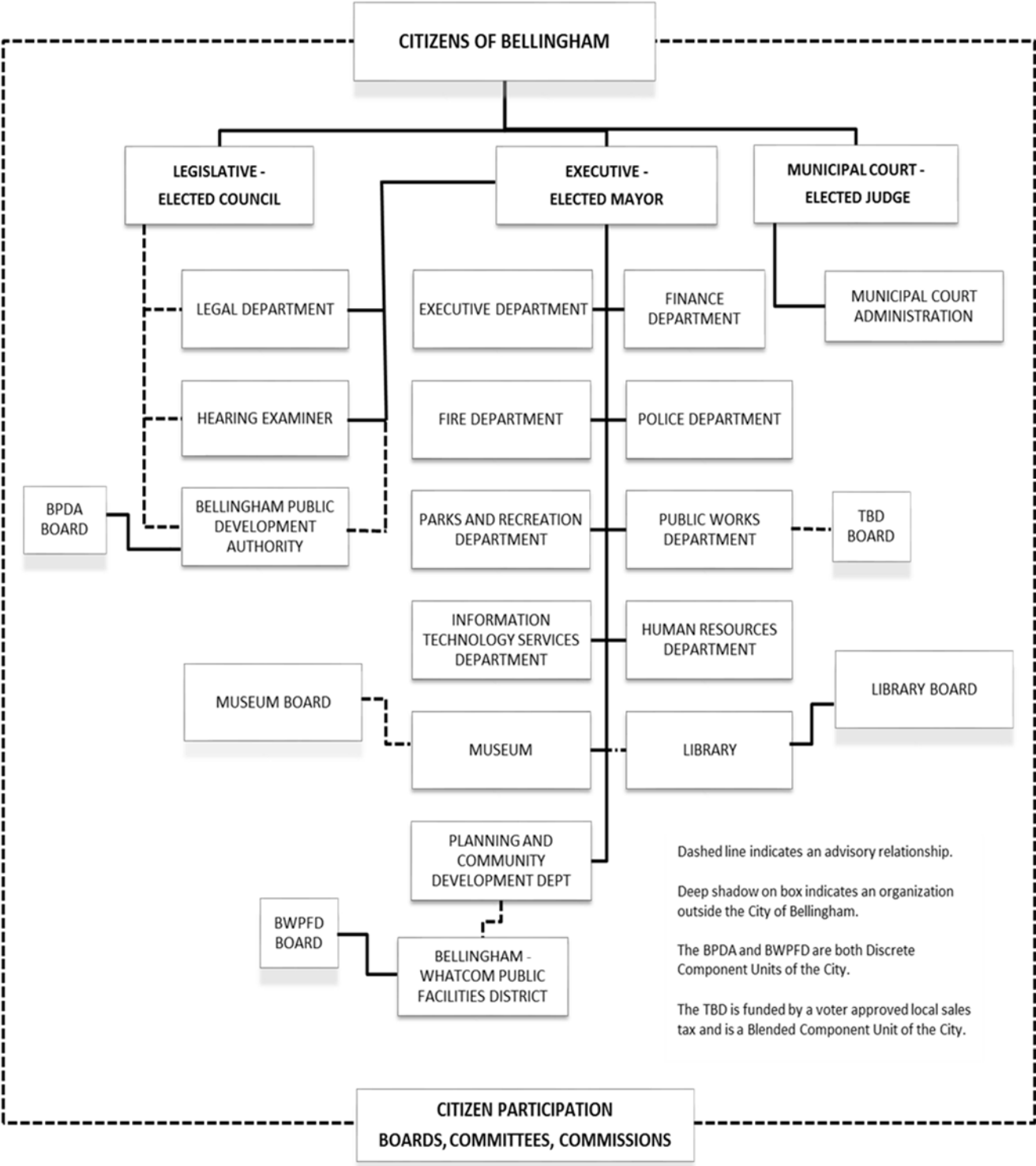
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of Finance Department staff and other employees throughout the City who assisted in and contributed to its preparation. Further appreciation is extended to the Mayor and City Council for their encouragement, interest, and support in conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Brian Henshaw
Finance Director

CITY ORGANIZATION CHART



Elected Officials			Term	Expiration
Mayor		Kelli Linville	4 years	December 31, 2015
Municipal Court Judge		Deborah Lev	4 years	December 31, 2017
1 st Ward	Council Member	Jack Weiss	4 years	December 31, 2015
2 nd Ward	Council Member	Gene Knutson	4 years	December 31, 2017
3 rd Ward	Council Member	Daniel Hammill	4 years	December 31, 2015
4 th Ward	Council Member	Pinky Vargas	4 years	December 31, 2017
5 th Ward	Council Member	Terry Bornemann	4 years	December 31, 2015
6 th Ward	Council Member	Michael Lilliquist	4 years	December 31, 2017
At Large	Council Member	Roxanne Murphy	2 years	December 31, 2015

Appointed Officials

Finance Director	Brian Henshaw
City Attorney	Peter Ruffato
Hearing Examiner	Sharon Rice
Museum Director	Patricia Leach
Library Director	Pam Kiesner
Human Resources Manager	Kaycee Luxtrum
Judicial Services Director	Darlene Peterson
Director of Information Systems	Marty Mulholland
Director of Parks & Recreation	James King
Director of Planning & Community Development	Richard Sepler
Director of Public Works	Ted Carlson
Fire Chief	Bill Newbold
Police Chief	Clifford Cook



Government Finance Officers Association

**Certificate of
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**City of Bellingham
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 26, 2015

Mayor and City Council
City of Bellingham
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellingham, Whatcom County, Washington, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellingham, Whatcom County, Washington, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 3, during the year ended December 31, 2014, the City of Bellingham has implemented the Governmental Accounting Standards Board Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-1 through 3-11, budgetary comparison information on pages 5-1 through 5-2, pension trust fund information on page 5-3 and information on postemployment benefits other than pensions on page 5-4 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 information listed as combining financial statements and supplementary information on pages 6-1 through 6-72 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 26, 2015, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City’s Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Sincerely,



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA



MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellingham presents this discussion and analysis as part of the financial statements for the fiscal year ending December 31, 2014. The information presented should be read in conjunction with the financial statements and the notes to the financial statements.

Financial highlights

- The City's overall financial position improved in 2014 as compared to 2013 as evidenced by increases in the change in net position. Government-wide net position increased by \$32.7 million a 4.9% increase. Governmental activities provided \$21.2 million of this increase and business-type \$11.5 million.
- At December 31, 2014, the City's government-wide net position, the amount by which total assets exceed total liabilities, totaled \$697.5 million. Of this amount, \$558.3 million, or 80.0%, is the net investment in capital assets. Of the remaining net assets, \$63.9 million is unrestricted and may be used to meet the City's ongoing obligations.
- Total governmental activity revenues increased by \$3.1 million, or 2.6%, from 2013. Business - type activity revenues increased by \$4 million or 6.2%.
- The governmental activity ending net position increased \$21.2 million from 2013, ending 2014 at \$440.7 million. Of this amount, the use of \$27.4 million is unrestricted and available for spending at the City's discretion.

Overview of the financial statements

This discussion and analysis serves as an introduction to the financial statements and is intended to assist users in interpretation of the basic financial statements. These basic statements consist of three parts:

- government-wide financial statements
- fund financial statements
- notes to the financial statements

Government-wide financial statements present the financial condition in a manner similar to private sector statements. They distinguish between functions that are primarily supported by tax revenue and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The two government-wide statements provide both short-term and long-term information about the overall financial status of the City. All funds are represented except fiduciary fund types.

- The **statement of net position** presents information on assets and liabilities similar to a private sector balance sheet. The difference between assets plus deferred outflows and liabilities plus deferred inflows becomes the "net" position.
- The **statement of activities** reports the change in net position for the report year. The accounting basis used is full accrual. Revenues are reported when earned, expenses are reported when incurred.

The government-wide financial statements also present information for the City's two discrete component units, the Bellingham-Whatcom Public Facility District (PFD) and the Bellingham Public Development Authority (BPDA). The operations of the PFD and the BPDA are legally separate from the City and governed by interlocal agreements between the City and these organizations. Discussion in the MD&A does not include the revenues, expenses, assets, deferred outflow, liabilities or deferred inflows of these discrete component units.

Fund financial statements provide detailed information about the City's most significant funds and are used to track specific sources of funding and spending. Major funds are separately reported while all other funds in the respective fund type are combined into a single, aggregated presentation. Individual fund data for non-major funds are provided in the form of combining statements in a later section of this report. There are three types of funds, described as follows:

Governmental funds represent most of the City's basic services such as police, fire, parks, streets, and many other general administrative type services. Governmental funds account for the operations of a single major fund, the general fund, and 19 other nonmajor governmental funds including 10 special revenue funds, six debt funds, one capital projects fund, and two permanent funds. Governmental fund statements include balance sheets and statements of revenues, expenditures and changes in fund balance. Unlike the government-wide statements, these statements provide only a detailed short-term view of the financial resources available for spending. The accounting basis used is modified accrual and there are no capital assets or long-term debt included in these reports. Budgetary comparisons are included with the financial statements in the combining and individual fund statements section of the report and the required supplementary information section for the legally adopted general fund budget. These statements demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds represent activities the City operates similar to private businesses wherein customers (either outside customers or internal funds or departments of the City) are charged fees for service. The City has both enterprise and internal service types of proprietary funds. The statements provide both long-term and short-term financial information. The accounting basis used is full accrual. The statements include all assets and liabilities and all revenues and expenses. Also included is cash flow information. Proprietary fund statements provide the same type of information as the government-wide financial statement, since both apply the full accrual method of accounting.

Enterprise funds account for the operations of four major funds: water, wastewater, surface and stormwater utilities, and solid waste, as well as five other funds that are aggregated into the non-major enterprise fund.

Internal service funds are used to report activities that provide supplies and services for many City programs. The internal service funds account for the following eight funds: fleet administration, purchasing materials management, facilities administration, technology and telecom, claims and litigation, unemployment compensation, worker's compensation self-insurance, and health benefits. Given that these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds are used to account for resources where the City acts as trustee or agent and is responsible for ensuring that the assets reported in these funds are used for their intended purpose. Fiduciary funds account for two pension trust type funds and one agency fund. The accounting used for these funds is similar in nature to proprietary fund reporting since it includes both short-term and long-term information and employs the full accrual method. Reports include a statement of net position and a statement of changes in plan net position. These funds are excluded from the government-wide financial statements because these assets cannot be used to finance City operations.

Notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents comparative budget statements for major governmental funds.

Government-wide financial analysis

Net position

The City's net position totals \$697.5 million at December 31, 2014, an increase of 4.9% over December 31, 2013.

Net position (in thousands)						
	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Current	\$ 103,567	\$ 63,253	\$ 47,388	\$ 47,142	\$ 150,955	\$ 110,395
Noncurrent	38,771	65,456	20,619	23,745	59,390	89,201
Capital assets (net of depr)	<u>352,143</u>	<u>343,214</u>	<u>286,612</u>	<u>276,977</u>	<u>638,755</u>	<u>620,191</u>
Total assets	<u>494,481</u>	<u>471,923</u>	<u>354,619</u>	<u>347,864</u>	<u>849,100</u>	<u>819,787</u>
Deferred Outflow of Resource:	-	-	266	-	266	-
Liabilities						
Current	9,544	7,350	7,953	7,346	17,497	14,696
Current portion long-term	6,725	7,070	5,404	3,675	12,129	10,745
Long-term noncurrent	<u>37,432</u>	<u>37,861</u>	<u>84,727</u>	<u>91,557</u>	<u>122,159</u>	<u>129,418</u>
Total liabilities	<u>53,701</u>	<u>52,281</u>	<u>98,084</u>	<u>102,578</u>	<u>151,785</u>	<u>154,859</u>
Deferred Inflow of Resources	<u>72</u>	<u>90</u>	-	-	72	90
Net position						
Net investment in capital assets	342,990	333,862	215,294	210,438	558,284	544,300
Restricted	70,367	62,125	4,979	14,646	75,346	76,771
Unrestricted	<u>27,351</u>	<u>23,565</u>	<u>36,528</u>	<u>20,202</u>	<u>63,879</u>	<u>43,767</u>
Total net position	<u>\$ 440,708</u>	<u>\$ 419,552</u>	<u>\$ 256,801</u>	<u>\$ 245,286</u>	<u>\$ 697,509</u>	<u>\$ 664,838</u>

Net investment in capital assets, consisting of land, buildings, streets, and other significant investments, represent 80.0% of net position. The net investment in capital assets increased by \$14.0 million during 2014.

Restricted net position accounts for those resources that are subject to a variety of external constraints including bond covenants, construction requirements, levy agreements, endowment terms, settlement agreements and the Revised Code of Washington. In 2014, the restricted resources is 10.8% of net position, totaling \$75.3 million.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without restricting constraints, comprises 9.2% of net position, an increase of \$20.1 million from 2013.

Changes in net position

In 2014, government-wide net position increased by \$32.7 million, of which \$21.2 million is attributable to governmental activities. Governmental activities total revenues increased by \$3.1 million from 2013. Governmental activities charges for services increased \$1.4 million, capital grants and contributions decreased \$1.7 million, and general revenues increased \$4.1 over 2013 tax revenue.

Business-type activities charges for services primarily from utility sources increased by 8.8% to total \$63 million. The net position for business-type activity for 2014 increased by \$11.5 million over 2013.

Changes in net position (in thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 26,165	\$ 24,763	\$ 63,005	\$ 57,898	\$ 89,170	\$ 82,661
Operating grants and contributions	5,420	6,119	420	1,692	5,840	7,811
Capital grants and contributions	7,696	9,393	2,413	1,438	10,109	10,831
General revenues:					-	-
Property tax	21,421	20,987	-	-	21,421	20,987
Retail sales and use taxes	29,355	28,022	637	-	29,992	28,022
Business tax	27,649	27,109	1,330	1,275	28,979	28,384
Other taxes	3,508	3,276	-	2,933	3,508	6,209
Investment Income	1,557	177	775	(211)	2,332	(35)
Miscellaneous revenue	143	-	458	-	601	-
Total revenues	122,914	119,845	69,038	65,025	191,952	184,871
Program expenses:						
General government	\$ 13,331	11,931	-	-	13,331	11,931
Public safety	41,780	40,762	-	-	41,780	40,762
Physical environment	-	5,653	-	-	-	5,653
Transportation	15,314	14,957	-	-	15,314	14,957
Natural and economic environment	12,399	6,936	-	-	12,399	6,936
Social Services	-	298	-	-	-	298
Culture and recreation	13,553	13,264	-	-	13,553	13,264
Interest and redemption of LT debt	1,930	2,278	-	-	1,930	2,278
Water	-	-	19,497	18,831	19,497	18,831
Wastewater	-	-	18,841	18,727	18,841	18,727
Surface & stormwater	-	-	6,471	5,888	6,471	5,888
Solid waste	-	-	1,059	3,821	1,059	3,821
Medicine	-	-	7,033	9,019	7,033	9,019
Other business type activities	-	-	5,054	3,979	5,054	3,979
Total expenses	98,307	96,079	57,955	60,265	156,262	156,344
Excess or deficiency before any transfers						
or gain (loss) on sale of capital assets	24,607	23,766	11,083	4,761	35,690	28,527
Gain (loss) on sale of capital assets	(18)	-	(3)	55	(21)	55
Transfers	(1,305)	(2,764)	1,305	2,764	-	-
Special item - land contribution	-	-	(869)	1,177	(869)	1,177
Change in net position	23,284	21,002	11,516	8,756	34,800	29,758
Net position - beginning	419,552	398,771	245,285	237,312	664,837	636,083
Change in accounting principle	(2,128)	(221)	-	(782)	(2,128)	(1,003)
Net position - ending	\$ 440,708	\$ 419,552	\$ 256,801	\$ 245,286	\$ 697,509	\$ 664,838

Revenues and expenses – government-wide

In 2014, overall government-wide revenues increased \$7 million, from \$184.8 million to \$192 million. There were several elements that led to this \$7 million increase in revenues but the bulk of the increase was related to retail sales and use tax, interest income, and utility rate increases. Retail sales and use tax increased \$2 million due to the recovering economy and our proximity to the Canadian border. Interest income increased from a negative \$35 thousand in 2013, to a positive \$2.3 million in 2014, as a result of more favorable market conditions. Charges for services for water, wastewater, surface and stormwater, and solid waste increased nearly \$2.6 million in 2014 compared to the prior year due in part, to January 1, 2014, utility rate increases.

In 2014, overall government-wide expenses decreased by \$81 thousand. Although there was a net decrease in expenses, governmental activities experienced an increase in expense of \$2.2 million and business-type activity experienced a decrease of \$2.3 million. Of the \$2.2 million increase in governmental activity expense, \$998 thousand can be attributed to public safety, \$575 thousand to transportation, and \$411 thousand to culture and recreation activities. The \$2.3 million dollar decrease in business-type activity expense was primarily due to the large increase in estimated claims liability expense in the solid waste fund in 2013 for the Cornwall landfill site. In 2013 the remedial investigation feasibility study (RIFS) was published which included an additional \$2.9 million of estimated liabilities and expenses in addition to the balance already booked. In 2014 the City did not book any additional pollution remediation liabilities or expenses as there were no new RIFS reports or other triggering events to increase the liabilities related to the properties where the City is a named potentially liable party (PLP).

Program revenues and expenses – governmental activities

Governmental activities revenue increased by \$3.1 million in 2014, from \$119.8 million to \$122.9 million. Of this increase \$4.1 million was an increase in general revenues, \$1.4 million for charges for services, \$(1.7) million for capital grants and contributions and \$(699) thousand for operating grants and contributions. General revenue increased from \$79.6 million to \$83.6 million, as previously stated, due to an increase in retail sales and use tax and investment income. Charges for services program revenue for governmental activities increased overall by \$1.4 million in 2014 from 2013. The largest increase in charges for services revenues is from public safety at \$1.5 million followed by general government at \$930 thousand, while transportation and culture and recreation experienced decreases of \$1.2 million and \$87 thousand respectively. Both operating grants and contributions and capital grants and contributions decreased as projects came to completion.

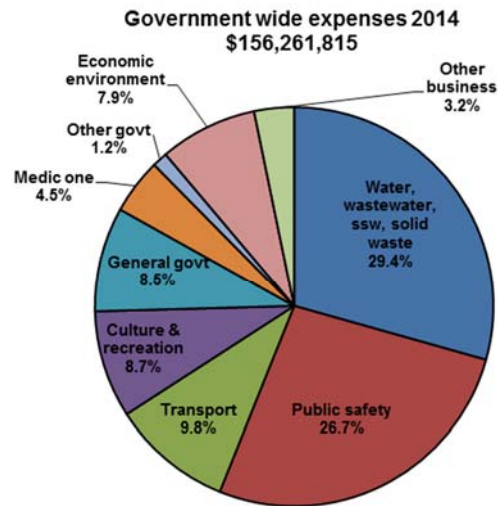
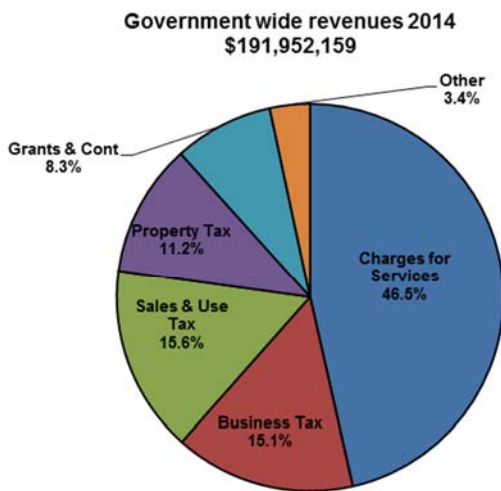
In 2014, expenses for governmental activities experienced an overall nominal increase of 2.3%. Total governmental activities spending was \$98.3 million, a \$2.2 million increase over 2013 spending of \$96.1 million. General government, public safety, transportation, culture and recreation, and natural and economic environment all experienced slight spending increases while payments for interest and principal on long-term debt decreased by \$348 thousand.

Program revenues and expenses – business-type activities

Business-type activities revenue increased by \$4 million in 2014, from \$65 million to \$69 million. This increase is mainly attributable to a \$5.1 million increase in charges for services and a \$975 thousand increase in capital grants and contributions. These increases are slightly offset by decreases in operating grants and contributions and general revenues, at \$1.3 million and \$796 thousand respectively. Water revenues increased by \$617 thousand and wastewater increased by \$1.4 million due to a January 1, 2014 rate increase and the transitioning of some households over to metered water instead of unmetered flat rates. Surface and stormwater revenues increased by \$1.7 million primarily due to capital grants and contributions in the amount of \$1.5 million for several surface and stormwater

mitigation projects. Finally, medic one experienced a \$697 thousand increase due to a reorganization of medic one.

Overall expenses in business-type activities decreased by \$2.3 million primarily due to a decrease in expenses in the solid waste fund and the medic one fund compared to the prior year. In 2013 a remedial investigation feasibility study (RIFS) was published for the Cornwall landfill site which added an additional \$2.9 million of estimated liabilities in addition to the balance already booked in the solid waste fund. In order to increase the estimated liability \$2.9 million of additional expenses were recorded in 2013 in this fund. In 2014 the City did not book any additional pollution remediation liabilities or expenses as there were no new RIFS reports or other triggering events to increase the liabilities related to the properties where the City is a named potentially liable party (PLP). So, comparing the prior year's expense in the solid waste fund to the current year expenses there was a substantial decrease given that last year the RIFS was published leading to an increase in the estimated remediation costs. The other substantial change/decrease compared to the prior year is medic one's expenses. Medic one's expenses decreased by nearly \$2 million. As of the January 1, 2014, the City and Whatcom County ended their 2006 Interlocal agreement for Emergency Medical Services and embarked on a new arrangement in which the County is now the administrator of the county-wide EMS system. The renegotiated terms and new contract contributed to the change in expenses in 2014. The remaining business-type activities experienced increases in spending with parking up \$844 thousand due to a change in accounting classification, water up \$666 thousand, surface and stormwater up \$583 thousand, development services up \$118 thousand, golf course up \$117 thousand, and wastewater up \$114 thousand. Cemetery experienced a slight decrease in spending of \$4 thousand.



Fund level financial analysis

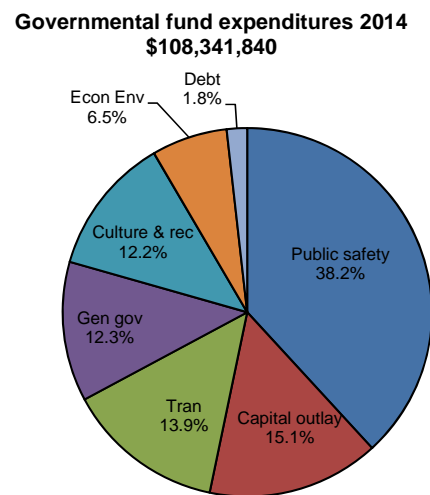
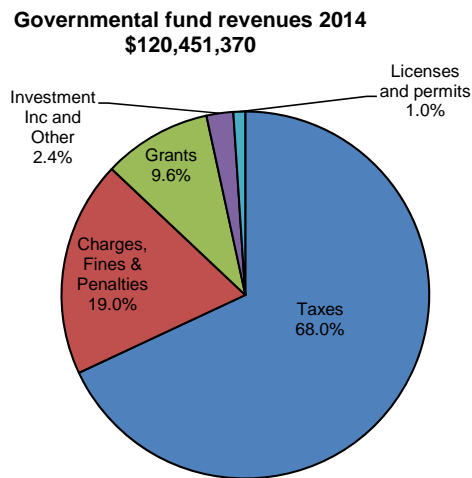
Governmental funds

Revenues

In 2011, the City began reporting the former special revenue street fund in the general fund. In 2012, after further evaluation of all special revenue funds, the City reported eleven additional activities in the general fund that were previously reported in special revenue funds given the guidance in GASB 54 (see pages 6-18 to 6-31 in the combining and individual fund statements section). The presentation and grouping of the 2012 major funds is comparable to the 2013 major funds. In 2014, the previously reported special revenue fund, federal building, no longer qualifies as such and is presented within the general fund.

Fund balance in governmental funds increased \$10.2 million. Of this \$10.2 million, \$12.1 million is related to excess revenues over expenditures reduced by \$1.9 million in net transfers out and general long-term debt proceeds, resulting in a final ending fund balance of \$97.4 million. Overall governmental revenues increased to \$120.5 million from \$116.6 million in 2013. The most notable reason for the increase was an increase of tax revenues from \$79.5 million to \$81.9 million in the governmental funds.

Tax revenue is the City’s most significant source of governmental revenue, representing 68% of total governmental revenue and 70.8% of general fund revenue. Tax revenue supports services such as streets, fire, police and parks which are basic to the City’s mission; although they do not generate substantial revenue. The major tax categories are retail sales and use, business and occupation, and property and utility tax. Tax collections overall in these major categories increased 3.2% from 2013 to 2014. Sales tax had the largest increase between the three major tax categories from \$13.3 to \$14.2 million.



Expenditures

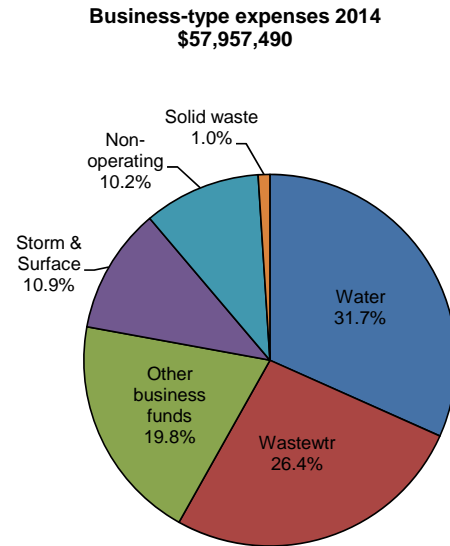
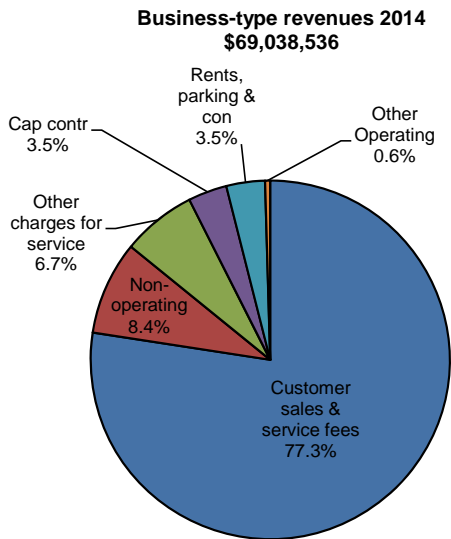
Public safety consisting of fire, police and municipal court accounts for 38.2% of governmental expenditures. General government type expenditures are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprise 12.3% of governmental expenditures. Culture and recreation services include most parks and recreation programs, the museum and the library. They represent another 12.2% of governmental expenditures. Additionally, capital outlay represents 15.1%, natural and economic environment 6.5%, transportation 13.9%, and debt expenses represent 1.8% of total governmental expenditures.

Business-type funds

Net position, including a special item (division of Whatcom Medic One assets and liabilities) of \$870 thousand, increased by \$11.2 million, for a total of \$256.5 million in business-type funds. Operating revenues increased by 9.4% and operating expenses decreased by 0.3%.

The financial position of the City’s business-type funds is largely influenced by the water and wastewater funds. Together they comprise 69.7% of operating revenues, 64.7% of expenses, and 82.9% of net position of each respective total for the enterprise funds.

Medic one and the cemetery are business-type activities that require support from the general fund. In 2014, the cemetery received \$221,480 and medic one received \$1.1 million cash operating subsidies. Additionally, medic one receives a subsidy from Whatcom County and a portion of the voted EMS local sales tax (see note V-D).



Financial analysis of City funds

At the end of 2014, the City has 20 governmental funds. The general fund is the primary governmental fund and is the City's only major governmental fund.

The general fund ending fund balance increased \$4.6 million due to an increase in tax revenues and an increase in charges for services.

The fund balance for non-major governmental funds increased by \$5.6 million, due in part to the additional revenue from property tax assessed in 2013 with the new affordable housing levy.

The City has nine business-type funds. The four major business-type funds are water, wastewater, surface and stormwater and solid waste. The water, wastewater and surface and stormwater funds increased their respective net positions in 2014 by \$5.4 million in water, \$2.7 million in wastewater, \$2.5 million in surface and stormwater as revenues in all increased due in part to rate increases. Due to balance sheet recognition of a liability for future estimated pollution remediation costs for closed landfills, the solid waste fund reflects a negative net position of \$5.8 million, which is an improvement over 2013. The City has five non-major enterprise funds: cemetery, golf, parking services, medic one and development services. Net position for the five funds increased by \$646 thousand in 2014 compared to 2013.

The City has eight internal service funds: fleet, purchasing, facilities administration, technology and telecom replacement, claims & litigation, unemployment compensation, workers compensation, and health benefits. The overall change in net position for the internal service funds combined was an increase of \$2.3 million compared to the prior year. The fleet fund increased net position \$525 thousand in 2014 compared to 2013. In 2014, the technology and telecom replacement fund had an increase in net position of \$574 thousand. Claims & litigation fund experienced an increase in net position of \$1.5 million in 2014 due to a reduction in the estimated number of claims and judgment expenses incurred. The purchasing materials fund decreased its net position slightly by \$221 thousand in 2014. The health benefits fund also decreased its net position, this time by \$136 thousand because of lower medical insurance premium composite rates charged to each employee. Composite rates are adjusted as needed to reflect more accurate representations of cost. Unemployment compensation fund had a slight decrease in net position of less than \$3 thousand and worker's compensation fund had an increase of \$95 thousand.

General fund budgetary highlights

The budget is legally adopted at the fund level, including the general fund budget. GASB 34 requires the legally adopted budget of the general fund to be presented as required supplementary information (RSI). Accordingly, the general fund in its originally adopted form along with a reconciliation of the general fund presented in the GAAP basis basic financial statements is presented as RSI. The general fund presented in the basic financial statements in accordance with GAAP includes eleven other funds with legally adopted budgets that do not meet the requirements of a special revenue fund per GASB 54 and have accordingly been combined with the general fund. To see comparisons of the original general fund and the general fund combined per GASB 54, see the reconciliation schedule in the Required Supplemental Information (RSI) section of the financial statements. The adopted general fund budget for expenditures (pre-GASB 54 rollup) was \$67.2 million, the final budget after all amendments was \$69.2 million and the actual expenditures are \$65.9 million. Amendments to the budget are made for the following purposes:

- Supplemental appropriations approved after the beginning of the year to reflect actual beginning account balances and to correct the estimated amounts in the budget adopted in December 2013.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Actual revenues exceeded the budget by \$102 thousand. Property, retail sales, and other tax revenues came in over budget at \$158 thousand, \$180 thousand, and \$93 thousand, respectively. Licenses and permits and charges for services actual revenues were also above budget at \$31 thousand and \$567 thousand. Charges for services are higher than budget due in large part to a change in accounting with transfers that are now accounted for as charges for services; \$421 thousand in parking services last year was a transfer and now is a charge for service. The most notable area where 2014 actual revenues were less than budget is business taxes. Business taxes fell short of the budgeted revenues by \$969 thousand. Business taxes included both business and occupation taxes (B&O) taxes as well as utility taxes. Both B&O taxes and utility taxes fell short of the expected revenue with the majority of the shortfall in utility taxes. Utility taxes on telephone, electricity, and gas were all below budget. External tax rates for gas fell in 2013 reducing the overall gross base revenue that taxes are collected on. Additionally, the City had a mild winter which also reduces electrical and gas use. Finally, telephone tax revenues continues to fall as consumers shift to cell phones instead of home lines. Additionally, fines and penalties are lower than budget by \$252 thousand.

Actual expenditures are \$3.3 million below budget, or 95% of the final budgeted amounts. This is largely due to capital projects that are budgeted on a project basis and not on a yearly basis.

The legally adopted general fund actual ending fund balance of \$17.5 million is above the projected balance of \$14.1 million, a \$3.4 million difference.

Capital asset and debt administration

Capital assets

At December 31, 2014, the City has invested \$638.8 million in a wide range of capital assets throughout governmental and business-type activities, an increase of \$18.6 million from the previous year. This increase is due in part, to the following activity:

- Wastewater treatment plant expansion project totaled \$6.5 million.
- Squalicum Park Phase III capital expenses were \$3.9 million in 2014.
- Sewer and water main replacements costing \$3.2 million were added to the system in 2014.
- Stormwater projects costing \$2.8 million were completed in 2014.

- Purchases of watershed property in the amount of \$1 million were added to the capital assets list.
- New turf at Civic Field Stadium in the amount of \$790 thousand was added as a capital addition in 2014.

Capital assets (net of depreciation, in thousands)

	Governmental activities		Business-type activities		Total		Increase (Decrease)
	2014	2013	2014	2013	2014	2,013	2014-2013
Land	\$ 76,797	\$132,382	\$ 44,883	\$ 43,651	\$121,680	\$176,033	\$ (54,353)
Buildings	29,372	30,101	42,963	44,589	72,335	74,690	(2,355)
Improvements/infrastructure	152,735	151,708	125,908	125,917	278,642	277,625	1,017
Machinery and equipment	11,255	11,285	2,859	3,114	14,114	14,399	(285)
Construction in progress	25,613	17,738	69,922	59,705	95,535	77,443	18,092
Intangible right of ways	56,043	-	77	-	56,120	-	56,120
Intangible software	329	-	-	-	329	-	329
Total	<u>\$352,143</u>	<u>\$343,214</u>	<u>\$286,612</u>	<u>\$276,976</u>	<u>\$638,755</u>	<u>\$620,190</u>	<u>\$ 18,565</u>

More detailed information about capital assets is presented in note IV-D.

In addition to the capital assets shown above the City also has made commitments to fund several parks, streets, water, sewer, and storm projects. Of the current capital commitments \$95.4 million has been spent to date with \$6.6 million remaining.

Long-term debt

At December 31, 2014, the City's total outstanding debt was \$99.6 million, a decrease of \$3.3 million from 2013. On December 17, 2014, the City issued bonds to advance refund \$1.5 million of outstanding 2005 LTGO Solid Waste Series A (tax exempt) bonds and \$3.9 million outstanding 2005 LTGO Solid Waste Series B (taxable) bonds. The advanced refunding will reduce total debt service payments over the next 20 years by \$675 thousand.

Outstanding debt (in thousands)

	Governmental activities		Business-type activities		Total		Increase (Decrease)
	2014	2013	2014	2013	2014	2013	2014-2013
General obligation bonds	\$ 18,940	\$ 20,490	\$ 5,855	\$ 6,210	\$ 24,795	\$ 26,700	\$ (1,905)
Revenue bonds	-	-	68,780	70,775	68,780	70,775	(1,995)
Notes payable	110	120	2,700	2,700	2,810	2,820	(10)
Government loans	2,383	1,723	862	960	3,245	2,683	562
Total	<u>\$ 21,433</u>	<u>\$ 22,333</u>	<u>\$ 78,197</u>	<u>\$ 80,645</u>	<u>\$ 99,630</u>	<u>\$ 102,978</u>	<u>\$ (3,348)</u>

The City's bond rating as assigned by Moody's is Aa2 for the City's voted general obligation and revenue bonds. Moody's assigned an Aa3 rating to the City's non-voted tax backed general obligation bonds. Standard and Poor's Rating Services (S&P) raised its long-term rating to 'AA+' from 'AA' on the City's limited-tax general obligation (GO) bonds in 2013 and the City has maintained this rating through its recent bond issue.

State law limits the amount of general obligation debt the City can issue to a percentage of the total assessed value of the taxable property. The limits are 1.5% non-voted, 2.5% voted and non-voted, and 7.5% voted if excess over 2.5% is for utilities, parks or open space development.

More detailed information about long-term debt is presented in note IV-H.

Economic factors and the 2015 budget

Since mid-2010 there has been a modest recovery from the recession. In 2014, the recovery has resulted in the addition of approximately 2,300 new jobs in Bellingham, WA. The improvement in the number of employed has resulted in a reduction of the unemployment rate which, stood at 6.6% at December 31, 2014 down from the 2013 rate of 7.3%

- Washington statewide 2014 unemployment rate is 6.2%, down from the 2013 rate of 7.0%
- National unemployment rate for 2014 is 6.2%, down from the 2013 rate of 7.4%

The Seattle Metropolitan Statistical Area (MSA) is the closest proximity to Bellingham for inflation rate indication. In 2014, the Seattle MSA inflation rate is 1.8%, which is above the Class B/C national inflation rate of 1.6%.

Over the last ten-years net bonded GO debt per capita has decreased from \$499 to \$279.

The City's assessed value per capita has increased slightly from \$101,429 in 2013 to \$103,297 in 2014. With 82,810 citizens, the ratio of the number of City employees is 10.4 per one thousand of the City's population.

The general fund adopted budget for 2015 has \$84.5 million of resources available for appropriation. General fund adopted budget expenditures for 2015 are \$70.6 million. The City's financial condition continues to improve in response to the changing economic, social and environmental requirements impacting the community.

As of January 1, 2014, the City entered into a new inter-local agreement with Whatcom County in regards to the Medic One fund. The negotiated contract #2013-0604, which began in 2014, has led to increased revenues for the City from the County. As consideration for the provision of the ALS services provided by the City the County agreed to pay the City a fee for ALS services and additional transition costs based upon an agreed upon schedule.

Contacting the City's financial management

This financial report is designed to provide those with an interest in the City's financial condition with a general overview of the City's finances and to demonstrate accountability for the money it receives. The activities of the City's two discrete component units are also reflected in the basic financial statements. Questions concerning any of the information contained herein or requests for additional information should also be addressed to the Finance Director, City of Bellingham, 210 Lottie Street, Bellingham, WA 98225.





CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2014

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	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Public</u>	<u>Public</u>
	<u>Activities</u>	<u>Activities</u>		<u>Facilities</u>	<u>Development</u>
				<u>District</u>	<u>Authority</u>
ASSETS					
Cash and cash equivalents	\$ 22,969,272	\$ 9,583,064	\$ 32,552,336	\$ 152,237	\$ -
Investments	77,484,609	35,289,267	112,773,876	560,685	-
Receivables, net	3,113,478	2,515,972	5,629,450	1,321	-
Restricted assets:					
Cash and cash equivalents	37,771	13,248,155	13,285,926	907,894	-
Investments	103,413	3,976,728	4,080,141	-	-
Due from other governments	2,623,819	854,627	3,478,446	-	-
Due from component units	8,749,768	-	8,749,768	-	-
Amortizable bond costs	1,024,164	317,117	1,341,281	43,810	-
Other prepaid items	59,150	2,188,857	2,248,007	-	-
Special assessments	123,594	33,271	156,865	-	-
Inventories	809,508	-	809,508	-	-
Notes and contracts receivable	15,173,042	-	15,173,042	-	-
Net pension asset	10,066,873	-	10,066,873	-	-
Capital assets, not being depreciated:					
Land	76,797,166	44,882,901	121,680,067	1,329,860	-
Improvements	17,614,900	-	17,614,900	-	-
Construction in progress	25,612,714	69,922,120	95,534,834	-	-
Intangibles - right of ways	56,042,743	77,342	56,120,085	-	-
Capital assets, net of depreciation:					
Buildings	29,371,757	42,963,108	72,334,865	14,690,701	-
Improvements	135,119,798	125,907,515	261,027,313	7,295,665	-
Machinery and equipment	11,255,193	2,859,250	14,114,443	-	-
Intangibles - software	328,548	-	328,548	-	-
Total assets	<u>494,481,280</u>	<u>354,619,294</u>	<u>849,100,574</u>	<u>24,982,173</u>	<u>-</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred loss on refunding	-	266,181	266,181	-	-
Total deferred outflow of resources	<u>-</u>	<u>266,181</u>	<u>266,181</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	4,772,989	3,266,028	8,039,017	54	-
Accrued wages and benefits	3,108,234	548,098	3,656,332	-	-
Due to primary government	-	-	-	8,749,768	-
Internal balances	(247,440)	247,440	-	-	-
Due to other governments	7,198	566,031	573,229	-	-
Notes and contracts payable	-	2,700,000	2,700,000	-	-
Other current liabilities	1,902,544	625,489	2,528,033	58,195	-
Noncurrent liabilities:					
Due within one year	6,725,407	5,404,292	12,129,699	-	-
Due in more than one year	37,431,591	84,726,502	122,158,093	9,968,361	-
Total liabilities	<u>53,700,523</u>	<u>98,083,880</u>	<u>151,784,403</u>	<u>18,776,378</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2014

Page 2 of 2

	<u>Primary Government</u>			<u>Component Units</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Public</u>	<u>Public</u>
	<u>Activities</u>	<u>Activities</u>		<u>Facilities</u>	<u>Development</u>
				<u>District</u>	<u>Authority</u>
DEFERRED INFLOW OF RESOURCES					
Grants received in advance	72,200	-	72,200	-	-
Total deferred inflow of resources	<u>72,200</u>	<u>-</u>	<u>72,200</u>	<u>-</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	342,989,693	215,294,427	558,284,120	4,598,097	-
Restricted for:					
Expendable					
Capital projects	1,744,442	4,754,225	6,498,667	-	-
Cemetery endowment and preneed services	-	224,483	224,483	-	-
Debt service	9,282,914	-	9,282,914	907,894	-
Environmental remediation	516,492	-	516,492	-	-
Federal building	1,904,303	-	1,904,303	-	-
HUD programs	13,725,399	-	13,725,399	-	-
Library gift	81,630	-	81,630	-	-
Low income housing	5,409,669	-	5,409,669	-	-
Other state and federal programs	25,288	-	25,288	-	-
Parks	11,263,163	-	11,263,163	-	-
Paths and trails	31,394	-	31,394	-	-
Permanent funds	474,635	-	474,635	-	-
Public, education and gov't access	979,081	-	979,081	-	-
Public safety	4,132,021	-	4,132,021	-	-
Public safety donations - fallen firefighters	37,991	-	37,991	-	-
Real estate excise tax for improvements	7,368,084	-	7,368,084	-	-
Tourism	592,017	-	592,017	-	-
Traffic impact fees for streets	1,143,543	-	1,143,543	-	-
Transportation benefit district	2,587,591	-	2,587,591	-	-
Nonexpendable					
Permanent funds principal	9,068,495	-	9,068,495	-	-
Unrestricted	<u>27,350,712</u>	<u>36,528,460</u>	<u>63,879,172</u>	<u>699,804</u>	<u>-</u>
Total net position	<u>\$ 440,708,557</u>	<u>\$ 256,801,595</u>	<u>\$ 697,510,152</u>	<u>\$ 6,205,795</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Government-Wide
Statement of Activities
For the Year Ended December 31, 2014

Function/Program Activities	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
						Governmental Activities	Business-type Activities	Total	Public Facilities District	Public Development Authority
<i>Governmental activities:</i>										
General government	\$ 13,330,765	\$ (1,364,976)	\$ 10,926,041	\$ 1,236,738	\$ -	\$ 196,990	\$ -	\$ 196,990		
Public safety	41,780,157	189,704	6,555,208	2,772,063	607,484	(32,035,106)	-	(32,035,106)		
Physical environment	-	-	2,932,433	268,380	-	3,200,813	-	3,200,813		
Transportation	15,313,990	977,042	1,554,120	50,043	4,814,829	(9,872,040)	-	(9,872,040)		
Natural and economic environment	12,398,818	158,420	148,321	855,370	1,041,577	(10,511,970)	-	(10,511,970)		
Culture and recreation	13,553,671	39,810	4,049,345	237,461	1,231,897	(8,074,778)	-	(8,074,778)		
Interest and redemption of long-term debt	1,929,924	-	-	-	-	(1,929,924)	-	(1,929,924)		
Total governmental activities	98,307,325	-	26,165,468	5,420,055	7,695,787	(59,026,015)	-	(59,026,015)		
<i>Business-type activities:</i>										
Water	19,497,081	-	23,305,823	245,601	551,011	-	4,605,354	4,605,354		
Wastewater	18,840,811	-	20,766,951	2,623	282,438	-	2,211,201	2,211,201		
Surface and stormwater	6,470,574	-	7,202,502	122,611	1,579,540	-	2,434,079	2,434,079		
Solid waste	1,059,053	-	236,188	23,791	-	-	(799,074)	(799,074)		
Cemetery	553,247	-	281,712	-	-	-	(271,535)	(271,535)		
Golf course	382,598	-	213,790	-	-	-	(168,808)	(168,808)		
Parking	2,129,923	-	2,189,751	24,000	-	-	83,828	83,828		
Medic one	7,033,307	-	5,911,804	1,473	-	-	(1,120,030)	(1,120,030)		
Development services	1,987,896	-	2,896,780	-	-	-	908,884	908,884		
Total business-type activities	57,954,490	-	63,005,301	420,099	2,412,989	-	7,883,899	7,883,899		
Total primary government	\$ 156,261,815	\$ -	\$ 89,170,769	\$ 5,840,154	\$ 10,108,776	\$ (59,026,015)	\$ 7,883,899	\$ (51,142,116)		
<i>Component units:</i>										
Public Facilities District	\$ 1,513,598	\$ -	\$ 12,597	\$ -	\$ -				\$ (1,501,001)	
Public Development Authority	497,771	-	-	420,462	-					\$ (77,309)
Total component units	\$ 2,011,369	\$ -	\$ 12,597	\$ 420,462	\$ -					
<i>General revenues (GR):</i>										
<i>Taxes:</i>										
Property taxes						21,420,754	-	21,420,754	-	-
Retail sales and use taxes						29,355,254	636,485	29,991,739	1,219,238	-
Business taxes						27,648,814	1,330,240	28,979,054	-	-
Other taxes						3,507,729	-	3,507,729	-	-
Investment Income						1,556,628	775,424	2,332,052	-	-
Miscellaneous revenue						143,134	457,998	601,132	22,208	1,829
Gain/(loss) on sale of capital assets						(17,701)	(3,000)	(20,701)	-	-
Transfers						(1,304,553)	1,304,553	-	-	-
<i>Special items:</i>										
Division of WMO assets/liabilities with Whatcom County						-	(869,536)	(869,536)	-	-
Total GR, gain/(loss) on sale of capital, transfers, and special items						82,310,059	3,632,164	85,942,223	1,241,446	1,829
Change in net position						23,284,044	11,516,063	34,800,107	(259,555)	(75,480)
Net position - beginning						419,552,514	245,285,532	664,838,046	6,465,350	75,480
Change in accounting principle - GASB 70 PFD debt guarantee						(2,128,001)	-	(2,128,001)	-	-
Net position - ending						\$ 440,708,557	\$ 256,801,595	\$ 697,510,152	\$ 6,205,795	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2014

Page 1 of 2

	<u>General</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 11,921,299	\$ 6,268,024	\$ 18,189,323
Investments	43,283,527	16,596,667	59,880,194
Receivables, net	2,844,816	78,530	2,923,346
Due from other funds	179,178	-	179,178
Due from other governments	2,126,961	486,510	2,613,471
Due from component units	-	8,749,768	8,749,768
Interfund loans receivable	-	3,218,767	3,218,767
Prepaid items	3,894	27,707	31,601
Special assessments	-	123,594	123,594
Notes and contracts receivable	326,843	14,846,199	15,173,042
Restricted:			
Cash and cash equivalents	-	28,079	28,079
Investments	-	103,413	103,413
Total assets	<u>60,686,518</u>	<u>50,527,258</u>	<u>111,213,776</u>
LIABILITIES			
Accounts payable	2,958,811	999,724	3,958,535
Accrued wages and benefits	2,671,634	207,269	2,878,903
Due to other funds	22,444	157,140	179,584
Interfund loans payable	4,303,726	-	4,303,726
Due to other governments	7,198	-	7,198
Other liabilities	763,411	-	763,411
Unearned revenue	1,487,621	176,939	1,664,560
Total liabilities	<u>12,214,845</u>	<u>1,541,072</u>	<u>13,755,917</u>
DEFERRED INFLOW OF RESOURCES			
Grants received in advance	72,200	-	72,200
Total deferred inflow of resources	<u>72,200</u>	<u>-</u>	<u>72,200</u>

The notes to the financial statements are an integral part of this statement.

Continued

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2014

Page 2 of 2

	<u>General</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES			
<i>Nonspendable:</i>			
Permanent funds	-	9,068,495	9,068,495
Prepaid items	3,500	27,707	31,207
<i>Restricted:</i>			
Capital projects funds	-	1,784,329	1,784,329
Debt service	-	9,159,320	9,159,320
Environmental remediation	-	516,492	516,492
Federal building	1,904,303	-	1,904,303
HUD programs	-	13,725,399	13,725,399
Library gift	-	81,630	81,630
Low income housing	-	5,364,129	5,364,129
Federal programs	25,288	-	25,288
Parks	10,762,645	500,518	11,263,163
Paths and trails	31,394	-	31,394
Permanent funds	-	467,457	467,457
Public, education and gov't access tv	-	979,081	979,081
Public safety	-	4,132,021	4,132,021
Public safety donations - Fallen firefighters	37,991	-	37,991
Real estate excise tax for improvements	7,368,084	-	7,368,084
Tourism	-	592,017	592,017
Traffic impact fees for streets	1,143,543	-	1,143,543
Transportation benefit district	-	2,587,591	2,587,591
<i>Committed:</i>			
Legal environmental remediation	1,201,123	-	1,201,123
Streets	9,663,704	-	9,663,704
<i>Assigned:</i>			
Public safety donations	11,159	-	11,159
<i>Unassigned:</i>	16,246,739	-	16,246,739
Total fund balances	<u>48,399,473</u>	<u>48,986,186</u>	<u>97,385,659</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 60,686,518</u>	<u>\$ 50,527,258</u>	<u>\$ 111,213,776</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Position
December 31, 2014

Total fund balance of governmental funds 97,385,659

Amounts reported for governmental activities in the government-wide statement of net position are different from those amounts reported in the governmental statements because government-wide reporting uses the full accrual method of accounting whereas, governmental funds use the modified accrual approach.

Internal service funds are used by management to charge the cost of certain activities such as fleet, purchasing, facilities, telecommunication, and health and welfare benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 26,482,398

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 340,749,022

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:

Accrued investment interest	141,320	
Net pension asset	10,066,873	
Amortizable bond costs	1,024,164	
Unearned revenue	1,664,560	
		12,896,917

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Accrued interest payable on long-term debt	(40,514)	
Net OPEB obligation	(907,947)	
Bond premium/(discount) amortization	(872,874)	
Compensated absences	(4,606,626)	
GASB 49 pollution remediation costs	(12,916,225)	
GASB 70 PFD debt guarantee	(2,128,001)	
GO bonds, loans, and notes payable	(15,333,252)	
		(36,805,439)

Net position of governmental activities	440,708,557
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The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

	<u>General</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 71,213,840	\$ 10,719,922	\$ 81,933,762
Licenses and permits	793,335	464,673	1,258,008
Intergovernmental revenue	7,869,463	3,639,282	11,508,745
Charges for services	18,193,484	3,645,354	21,838,838
Fines and penalties	1,072,066	-	1,072,066
Miscellaneous revenues	<u>1,408,783</u>	<u>1,431,168</u>	<u>2,839,951</u>
Total revenues	<u>100,550,971</u>	<u>19,900,399</u>	<u>120,451,370</u>
EXPENDITURES			
Current:			
General government	13,278,942	-	13,278,942
Public safety	36,139,796	5,223,621	41,363,417
Transportation	13,660,794	1,392,183	15,052,977
Natural and economic environment	3,974,586	3,222,956	7,197,542
Cultural and recreation	13,108,249	62,577	13,170,826
Debt service:			
Redemption of general long-term debt	-	1,386,839	1,386,839
Interest and other debt service cost	70,687	474,485	545,172
Capital outlay	<u>12,807,887</u>	<u>3,538,238</u>	<u>16,346,125</u>
Total expenditures	<u>93,040,941</u>	<u>15,300,899</u>	<u>108,341,840</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,510,030</u>	<u>4,599,500</u>	<u>12,109,530</u>
OTHER FINANCING SOURCES (USES)			
General long-term debt proceeds	1,010,336	-	1,010,336
Transfers in	290,000	1,372,223	1,662,223
Transfers out	<u>(4,165,860)</u>	<u>(376,787)</u>	<u>(4,542,647)</u>
Total other financing sources and (uses)	<u>(2,865,524)</u>	<u>995,436</u>	<u>(1,870,088)</u>
Net change in fund balances	4,644,506	5,594,936	10,239,442
Fund balances - beginning	<u>43,754,967</u>	<u>43,391,250</u>	<u>87,146,217</u>
Fund balances - ending	<u>\$ 48,399,473</u>	<u>\$ 48,986,186</u>	<u>\$ 97,385,659</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
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, 2014

Net change in fund balances of total governmental funds 10,239,442

Amounts reported for governmental activities in the government-wide statement of net position are different from those amounts reported in the governmental statements because government-wide reporting uses the full accrual method of accounting whereas, governmental funds use the modified accrual approach.

Internal service funds are used by management to charge the cost of certain activities, such as fleet, purchasing, facilities, telecommunication, and health and welfare benefits to individual funds. The net revenue/(expense) of the internal service funds is reported with governmental activities. 2,326,024

Capital outlays are reported in governmental funds as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over estimated useful lives as depreciation expense. These are the current period amounts:

Purchases	16,346,125	
Contributions donated	1,054,852	
Abandonments	(4,581)	
Depreciation	(8,282,299)	
Retirements	(543,637)	
Depreciation on retirements	163,406	
		8,733,866

Revenues in the statement of activities that do not provide current financial resources and are not reported in the funds are:

Change in accrued investment interest	(6,242)	
Change in net pension asset	827,599	
Change in unearned revenue	(134,522)	
		686,835

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Accrued interest payable on long-term debt	2,087	
Net OPEB obligation	(95,480)	
Bond premium/(discount) amortization	(12,306)	
Compensated absences	206,009	
GASB 49 pollution remediation costs	678,235	
GO bonds, loans, and notes payable	519,332	
		1,297,877

Change in net position of governmental activities 23,284,044

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2014

ASSETS	Business-type Activities - Enterprise Funds					Governmental	
	Water	Wastewater	Surface and Stormwater	Solid Waste	Other Non-Major Enterprise Funds	Totals	Activities - Internal Service Funds
<i>Current assets:</i>							
Cash and cash equivalents	\$ 2,371,422	\$ 2,586,251	\$ 1,113,637	\$ 1,583,852	\$ 1,927,902	\$ 9,583,064	\$ 4,779,949
Investments	8,733,881	9,525,087	4,101,491	5,833,278	7,095,530	35,289,267	17,604,415
Receivables, net	842,508	893,616	289,634	13,742	476,472	2,515,972	48,812
Due from other funds	4,478	-	19,968	-	-	24,446	-
Interfund loans receivable	-	-	-	-	-	-	247,846
Due from other governments	318,195	9,400	496,644	6,360	24,028	854,627	10,348
Inventory	-	-	-	-	-	-	809,508
Prepaid items	10,328	60,381	-	2,117,340	808	2,188,857	27,549
Restricted cash and cash equivalents	1,567,264	3,014,185	-	-	-	4,581,449	-
Restricted investments	435,998	1,206,532	-	-	-	1,642,530	-
Total current assets	14,284,074	17,295,452	6,021,374	9,554,572	9,524,740	56,680,212	23,528,427
<i>Noncurrent assets:</i>							
Restricted cash and cash equivalents	2,899,743	5,643,649	-	51,008	72,306	8,666,706	9,692
Restricted investments	986,074	1,081,828	-	-	266,296	2,334,198	-
Amortizable bond costs	296,217	-	-	20,900	-	317,117	-
Special assessments	-	33,271	-	-	-	33,271	-
<i>Capital assets, not being depreciated/amortized:</i>							
Land	35,209,578	3,925,297	4,226,391	-	1,521,635	44,882,901	40,102
Construction in progress	2,701,432	63,344,139	3,796,702	-	79,847	69,922,120	100,819
Intangibles - right of ways	-	-	77,342	-	-	77,342	-
<i>Capital assets, net of depreciation/amortization:</i>							
Buildings	6,949,488	33,583,544	-	-	2,430,076	42,963,108	1,355,278
Improvements	56,018,996	46,336,132	22,598,646	342,861	610,880	125,907,515	-
Machinery and equipment	671,428	1,591,680	253,140	93,343	249,659	2,859,250	9,888,123
Intangibles - software	-	-	-	-	-	-	9,475
Total noncurrent assets	105,732,956	155,539,540	30,952,221	508,112	5,230,699	297,963,528	11,403,489
Total assets	120,017,030	172,834,992	36,973,595	10,062,684	14,755,439	354,643,740	34,931,916
DEFERRED OUTFLOW OF RESOURCES							
Deferred loss on refunding	-	-	-	266,181	-	266,181	-
Total deferred outflow of resources	-	-	-	266,181	-	266,181	-
LIABILITIES							
<i>Current liabilities:</i>							
Accounts payable	591,316	1,798,300	538,763	19,889	317,760	3,266,028	814,454
Accrued wages and benefits	146,910	172,493	73,404	3,852	151,439	548,098	229,331
Due to other funds	2,719	411	-	-	20,910	24,040	-
Due to other governments	78,045	28,560	7,560	-	451,866	566,031	-
Interfund loans payable	247,846	-	-	-	-	247,846	-
Notes and contracts payable	2,700,000	-	-	-	-	2,700,000	-
Other current liabilities	473,367	2,000	-	-	150,122	625,489	13,660
<i>Current portion:</i>							
Bonds payable, net	1,770,000	300,000	-	460,000	-	2,530,000	-
Compensated absences	197,871	217,114	59,433	1,907	216,582	692,907	248,392
Intergovernmental loans payable	102,283	-	-	-	-	102,283	-
Claims and judgements payable	-	-	-	-	-	-	630,000
Pollution remediation obligation	-	-	-	2,079,102	-	2,079,102	-
Total current liabilities	6,310,357	2,518,878	679,160	2,564,750	1,308,679	13,381,824	1,935,837
<i>Noncurrent liabilities:</i>							
Bonds payable, net	10,070,762	60,241,709	-	5,695,606	-	76,008,077	6,100,000
Compensated absences	27,669	17,574	1,974	-	10,883	58,100	74,177
Intergovernmental loans payable	715,983	-	43,584	-	-	759,567	-
Claims and judgements payable	-	-	-	-	-	-	339,504
Pollution remediation obligation	-	-	-	7,900,758	-	7,900,758	-
Total noncurrent liabilities	10,814,414	60,259,283	45,558	13,596,364	10,883	84,726,502	6,513,681
Total liabilities	17,124,771	62,778,161	724,718	16,161,114	1,319,562	98,108,326	8,449,518
NET POSITION							
Net investment in capital assets	88,506,087	90,631,248	30,908,637	436,204	4,812,251	215,294,427	11,393,797
Restricted for cemetery endowment / preneed	-	-	-	-	224,483	224,483	-
Restricted for water capital improvements	1,822,119	-	-	-	-	1,822,119	-
Restricted for wastewater capital improvements	-	2,932,106	-	-	-	2,932,106	-
Unrestricted	12,564,053	16,493,477	5,340,240	(6,268,453)	8,399,143	36,528,460	15,088,601
Total net position	\$ 102,892,259	\$ 110,056,831	\$ 36,248,877	\$ (5,832,249)	\$ 13,435,877	\$ 256,801,595	\$ 26,482,398

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds					Governmental	
	Water	Wastewater	Surface and Stormwater	Solid Waste	Other Non-Major Enterprise Funds	Totals	Activities - Internal Service Funds
Operating revenues:							
Sales of merchandise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,249,078
Less: Cost of goods sold	-	-	-	-	-	-	(1,397,347)
Customer sales and service fees	20,861,933	17,362,119	6,090,290	178,579	8,967,770	53,460,691	-
Charges for services	1,557,600	2,396,954	556,108	-	109,374	4,620,036	7,055,238
Rents, parking and concessions	-	-	-	-	2,403,543	2,403,543	-
Insurance premium contribution	-	-	-	-	-	-	14,230,856
Other operating revenues	184,627	-	131,288	-	33	315,948	1,790,051
Total operating revenues	<u>22,604,160</u>	<u>19,759,073</u>	<u>6,777,686</u>	<u>178,579</u>	<u>11,480,720</u>	<u>60,800,218</u>	<u>23,927,876</u>
Operating expenses:							
General operations	8,530,495	7,679,543	2,508,323	444,092	9,067,595	28,230,048	8,927,868
General administration	2,725,109	2,168,573	2,177,191	125,922	2,140,255	9,337,050	108,495
Depreciation	2,326,485	2,855,064	804,999	21,374	242,636	6,250,558	1,471,031
Taxes	4,783,234	2,621,530	847,019	-	-	8,251,783	-
Risk transfer payments	-	-	-	-	-	-	11,882,101
Payments to claimants and beneficiaries	-	-	-	-	-	-	902,963
Total operating expenses	<u>18,365,323</u>	<u>15,324,710</u>	<u>6,337,532</u>	<u>591,388</u>	<u>11,450,486</u>	<u>52,069,439</u>	<u>23,292,458</u>
Operating income (loss)	<u>4,238,837</u>	<u>4,434,363</u>	<u>440,154</u>	<u>(412,809)</u>	<u>30,234</u>	<u>8,730,779</u>	<u>635,418</u>
Nonoperating revenues (expenses):							
External operating grants and subsidies	245,601	2,623	122,611	23,791	25,473	420,099	230,564
Operating assessments and tax levies	-	-	-	1,330,240	636,485	1,966,725	-
Investment interest	108,983	120,236	39,944	56,444	67,985	393,592	173,159
Net incr (decr) in fair value of investments	83,396	230,247	19,140	34,082	14,967	381,832	76,172
Interest expense and related charges	(529,846)	(2,580,012)	-	(394,874)	-	(3,504,732)	(361,003)
Gain (loss) on sale of capital assets	-	-	-	-	(3,000)	(3,000)	(17,701)
Other nonoperating revenues	961,220	1,150,538	460,302	57,665	33,356	2,663,081	188,410
Other nonoperating expenses	(601,912)	(936,089)	(133,042)	(72,791)	(636,485)	(2,380,319)	(174,866)
Total nonoperating revenues (expenses)	<u>267,442</u>	<u>(2,012,457)</u>	<u>508,955</u>	<u>1,034,557</u>	<u>138,781</u>	<u>(62,722)</u>	<u>114,735</u>
Income (loss) before contributions and transfers	4,506,279	2,421,906	949,109	621,748	169,015	8,668,057	750,153
Capital grants and contributions	551,011	282,438	1,579,540	-	-	2,412,989	-
Transfers in	575,000	-	-	-	1,346,480	1,921,480	1,578,695
Transfers out	(216,927)	-	-	(400,000)	-	(616,927)	(2,824)
Special item:							
Division of WMO assets/liabilities with Whatcom County	-	-	-	-	(869,536)	(869,536)	-
Change in net position	5,415,363	2,704,344	2,528,649	221,748	645,959	11,516,063	2,326,024
Total net position - beginning	<u>97,476,896</u>	<u>107,352,487</u>	<u>33,720,228</u>	<u>(6,053,997)</u>	<u>12,789,918</u>	<u>245,285,532</u>	<u>24,156,374</u>
Total net position - ending	<u>\$ 102,892,259</u>	<u>\$ 110,056,831</u>	<u>\$ 36,248,877</u>	<u>\$ (5,832,249)</u>	<u>\$ 13,435,877</u>	<u>\$ 256,801,595</u>	<u>\$ 26,482,398</u>

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

Page 1 of 2

	Business-type Activities - Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Water	Wastewater	Surface and Stormwater	Solid Waste	Other Non-Major Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 22,532,941	\$ 19,996,875	\$ 6,806,228	\$ 181,519	\$ 11,508,625	\$ 61,026,188	\$ 88,401
Receipts from interfund services provided	561,572	829,149	88,992	57,609	-	1,537,322	25,225,042
Payments for merchandise	-	-	-	-	-	-	(1,376,242)
Payments for wages and benefits	(3,663,463)	(3,850,357)	(1,599,824)	(184,867)	(7,088,642)	(16,387,153)	(3,950,960)
Payments for operating expenses	(12,110,220)	(11,283,268)	(3,676,198)	(514,234)	(3,766,599)	(31,350,519)	(18,845,534)
Other receipts	399,648	321,008	371,315	56	33,356	1,125,383	58,299
Other payments	(601,912)	(936,089)	(133,042)	(72,791)	-	(1,743,834)	(174,866)
Net cash provided (used) by operating activities	7,118,566	5,077,318	1,857,471	(532,708)	686,740	14,207,387	1,024,140
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in	575,000	-	-	-	1,346,480	1,921,480	1,222,513
Transfers out	(216,927)	-	-	(400,000)	-	(616,927)	(2,824)
Payments for interest	-	-	-	(313,244)	-	(313,244)	(342,197)
Principal payments on bonds	-	-	-	(385,000)	-	(385,000)	(380,000)
Receipts from other governmental units	255,090	2,676	260,859	25,930	25,473	570,028	230,564
Payments to other governmental units	-	-	-	-	(636,485)	(636,485)	-
Interfund receipts for bond repayment	-	-	-	-	-	-	130,111
Interfund loan repayments	-	-	-	-	-	-	738,800
Receipts for taxes	-	-	-	1,330,240	636,485	1,966,725	-
Net cash provided (used) by noncapital financing activities	613,163	2,676	260,859	257,926	1,371,953	2,506,577	1,596,967
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Local improvement district proceeds	-	27,117	-	-	-	27,117	-
Principal payments on bonds	(1,792,283)	(305,000)	-	-	-	(2,097,283)	-
Payments for interest and related charges	(557,522)	(2,664,278)	-	-	-	(3,221,800)	-
Receipts from other governmental units	441,997	-	874,897	-	-	1,316,894	-
Payments for construction of capital assets	-	-	-	-	(79,847)	(79,847)	-
Purchases of capital assets	(3,628,305)	(8,477,436)	(2,812,253)	-	-	(14,917,994)	(1,579,125)
Proceeds from the sale of capital assets	-	-	-	-	-	-	251,478
Interfund loan repayments	(738,800)	-	-	-	-	(738,800)	-
Net cash provided (used) by capital financing activities	(6,274,913)	(11,419,597)	(1,937,356)	-	(79,847)	(19,711,713)	(1,327,647)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturity of investments	9,196,255	13,354,805	75,572	595,370	1,892,263	25,114,265	5,522,914
Purchase of investments	(6,448,951)	(684,328)	-	-	(3,135,295)	(10,268,574)	(5,623,866)
Interest and dividends received	117,876	152,417	40,926	59,067	66,263	436,549	176,301
Net cash provided (used) in investment activities	2,865,180	12,822,894	116,498	654,437	(1,176,769)	15,282,240	75,349
Net increase (decrease) in cash and equivalents	4,321,996	6,483,291	297,472	379,655	802,077	12,284,491	1,368,809
Cash and cash equivalents - beginning of year	2,516,433	4,760,794	816,165	1,255,205	1,198,131	10,546,728	3,420,832
Cash and cash equivalents - end of year	6,838,429	11,244,085	1,113,637	1,634,860	2,000,208	22,831,219	4,789,641
Cash at end of year consists of							
Cash and cash equivalents	2,371,422	2,586,251	1,113,637	1,583,852	1,927,902	9,583,064	4,779,949
Restricted cash	4,467,007	8,657,834	-	51,008	72,306	13,248,155	9,692
Total cash at end of year	\$ 6,838,429	\$ 11,244,085	\$ 1,113,637	\$ 1,634,860	\$ 2,000,208	\$ 22,831,219	\$ 4,789,641

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

Page 2 of 2

	Business-type Activities - Enterprise Funds						Governmental
	Water	Wastewater	Surface and Stormwater	Solid Waste	Other Non-Major Enterprise Funds	Total	Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	4,238,837	4,434,363	440,154	(412,809)	30,234	8,730,779	635,418
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>							
Depreciation	2,326,485	2,855,064	804,999	21,374	242,636	6,250,558	1,471,031
Miscellaneous income	961,220	1,150,157	460,307	57,665	33,356	2,662,705	58,299
Miscellaneous expenses	(601,912)	(936,089)	(133,042)	(72,791)	-	(1,743,834)	(174,866)
Abandoned capital projects	-	-	-	-	49,578	49,578	-
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(67,771)	237,802	28,542	2,940	35,451	236,964	(11,780)
(Increase) decrease in due from other funds	(3,448)	-	-	-	-	(3,448)	-
(Increase) decrease in inventory of supplies	-	-	-	-	-	-	21,105
(Increase) decrease in prepayments	(10,328)	(60,381)	-	-	(808)	(71,517)	32,897
Increase (decrease) in accounts payable	132,445	(2,594,462)	247,308	(34,937)	122,917	(2,126,729)	141,644
Increase (decrease) in wages and benefits payable	10,862	643	12,503	(7,661)	139,268	155,615	34,953
Increase (decrease) in revenues collected in advance	3,521	-	-	-	(7,546)	(4,025)	-
Increase (decrease) in due to other funds	(36,635)	411	(2,189)	-	18,585	(19,828)	(559)
Increase (decrease) in other current liabilities	187,678	(10,308)	-	-	18,666	196,036	2,587
Increase (decrease) in other fees and taxes	(12,193)	708	474	-	(2,474)	(13,485)	689
Increase (decrease) in other long-term liabilities	(10,195)	(590)	(1,585)	(86,489)	6,877	(91,982)	(1,187,278)
Net cash provided (used) by operating activities	\$ 7,118,566	\$ 5,077,318	\$ 1,857,471	\$ (532,708)	\$ 686,740	\$ 14,207,387	\$ 1,024,140
Non-cash investing, capital, and financing activities:							
Net change in fair value of investments	83,396	230,247	19,140	34,082	14,967	381,832	76,172
Contributions from developers	313,011	282,438	439,913	-	-	1,035,362	-
Fleet donations	-	-	-	-	-	-	356,183

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2014

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,966,975	\$ 328,441
Invested in government securities	11,070,652	-
Receivables, net	60,933	6,260
Interfund loans receivable	1,084,959	-
Total assets	15,183,519	334,701
LIABILITIES		
Accounts payable	38,906	132,365
Accrued pension benefits	53,603	-
Other liabilities	33,366	202,336
Total liabilities	125,875	334,701
NET POSITION HELD IN TRUST	\$ 15,057,644	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF BELLINGHAM
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	Pension Trust Funds
ADDITIONS	
<i>Contributions:</i>	
Taxes	\$ 2,062,912
Auction proceeds - unclaimed property	14,355
Employer contributions	1,500,001
Total trust contributions	3,577,268
<i>Investment income:</i>	
Interest	115,576
Net incr (decr) in fair value of investments	45,636
Net investment income	161,212
Total additions	3,738,480
 DEDUCTIONS	
Benefits	2,735,319
Administration expense	65,727
Total deductions	2,801,046
 CHANGE IN NET POSITION	
Pension benefits change	586,904
Net position pension benefits, January 1, 2014	9,196,961
Net position - restricted for pension benefits, December 31, 2014	9,783,865
Long-term care benefits	350,530
Net position long-term care benefits, January 1, 2014	4,923,249
Net position - restricted for long-term care benefits, December 31, 2014	5,273,779
Total net position, December 31, 2014	\$ 15,057,644

The notes to the financial statements are an integral part of this statement.



Notes to the Basic Financial Statements
December 31, 2014
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NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bellingham have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies and their application in Bellingham are described below.

I-A Reporting entity

The City of Bellingham was incorporated on July 29, 1904. It operates under the laws of the State of Washington applicable to a first class, home rule, Charter City with a mayor-council form of government.

The City is a general-purpose government and provides public safety, fire prevention, street improvement, parks and recreation, judicial administration, planning, economic development, and general administrative services. The City owns and operates water and sewer utilities, a golf course (currently operated by lessee), a museum, three libraries, a parking enterprise, a cemetery and an aquatic facility. The City operates police and fire dispatch centers that are jointly funded by local entities. The City's financial statements include all of these operations that are controlled by or are dependent on the City.

For financial reporting purposes, in conformance with GASB 61, the City of Bellingham considered for inclusion all governmental activities, organizations and functions for which the City is financially accountable. Relevant criteria for including an organization as a component unit within the City's reporting entity are delineated in GASB Statement No. 61 and include considerations such as the following:

- Whether or not the City appoints a voting majority of the organization's governing body
- The City is able to impose its will on that organization
- There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City
- The organization is fiscally dependent on the City

The accompanying financial statements present the City and its component units, entities for which the City is considered financially accountable. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City and do not meet the criteria for blending as laid out in paragraph eight of GASB No. 61.

Blended component unit

The Bellingham Transportation Benefit District (TBD), established in 2010, is included in the accompanying financial statements as a blended component unit. The TBD is a separate Washington quasi-municipal corporation created under RCW 35.21.225 and Bellingham Municipal Ordinance No. 2010-07-040. Consistent with RCW 36.73.020(3), the governing board of the TBD shall be the Bellingham City Council acting in an ex officio and independent capacity. The TBD Board shall have the authority to exercise the statutory power set forth in RCW chapter 36.73. The TBD is funded by a voter approved 0.2% sales and use tax increase to be used for funding transportation improvements defined by RCW 36.73.015 including street preservation and maintenance, transit service, and non-motorized transportation projects. The City, through an interlocal agreement with the TBD, provides administrative services and financial management. Given that the TBD's governing body is substantively the same as the governing body of the City, and the City has operational responsibility of the TBD, the TBD meets the criterion of a blended component unit. Accordingly, the TBD is reported as part of the non-major special revenue fund in the City's combining and individual fund statements.

Discretely presented component units

The Bellingham-Whatcom Public Facilities District (PFD), established in 2002, is a separate Washington municipal corporation and an independent taxing authority created under RCW 35.57, Bellingham Municipal Code Chapter 2.94, and Whatcom County Code Chapter 1.17. The PFD was created in order to receive a state sales tax rebate for the purpose of creating a regional center. The Board of Directors consists of seven members, appointed in accordance with RCW 35.57 and approved by Bellingham City Council. The City, through an interlocal agreement with the PFD, provides administrative services and financial management.

The City issued bonds on behalf of the PFD in 2004 and is contingently liable for the 2007 bonds issued by the PFD. Payments for the PFD debt are expected to be made from PFD tax revenues. In the event that these revenues are insufficient to make any required payments, the City may be liable for the required debt payments on both bonds. See note IV-H for outstanding PFD debt at year end. Given that the PFD is legally separate from the City, the PFD's board is appointed by the City, the City can impose its will on the PFD, and none of the criteria in GASB No. 61 paragraph eight apply to the PFD, it qualifies as a discrete component unit.

The Bellingham Public Development Authority (BPDA), established in 2008, is a separate Washington municipal corporation under RCW 35.21.730 through 35.21.755. The BPDA was created to undertake redevelopment projects throughout the City with a special focus on the City's downtown, Old Town, and waterfront areas. The BPDA is expected to work in partnership with other public entities, nonprofits, and the private sector on these projects. The Board of Directors consists of seven members appointed by the Mayor and confirmed by the City Council. The independent Board is exclusively responsible for its own debts, obligations, and liabilities. All liabilities incurred by the BPDA shall be satisfied exclusively from the assets, credits, and properties of the BPDA and no creditor shall have the right of action against the City of Bellingham. The City, through an interlocal agreement with the BPDA, provides administrative services and financial management. Given that the BPDA is legally separate from the City, the BPDA's board is appointed by the City, the City can impose its will on the BPDA, and none of the criteria in GASB No. 61 paragraph eight apply to the BPDA, it qualifies as a discrete component unit. In November 2014, the Bellingham City Council passed Resolution 2014-41 dissolving the BPDA and the fund was closed. The final year of activity of this discrete component unit and the close-out of the fund is reflected in these statements.

The discretely presented component units are reported in the government-wide basic financial statements.

I-B Basis of presentation - government-wide and fund financial statements

The government-wide financial statements (i.e., 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 units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Fiduciary fund resources are not available to the City and are not included in the government-wide statements.

The statement of activities shows the degree that the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the basic financial statements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Beginning in 2011, street maintenance was added as part of the general fund presented in the CAFR. Beginning in 2012, eleven additional former special revenue funds are being reported in the general fund to comply with GASB Statement No. 54. These additional former special revenue funds, now referred to as *general fund subsidiaries*, are budgeted separately from the *general fund* and have individual budget and actual statements included in the combining and individual fund statements.

The government reports the following four major proprietary funds:

The *water fund* accounts for the activities of the City's largest utility. The revenues are received from the sales of materials, supplies, and services. Expenses are for maintenance and extension of water service systems. This fund also reflects the accounting of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *wastewater fund* accounts for the activities of the City's second largest utility. The revenues are received from the sales of materials, supplies, and services. Expenses are for maintenance and extension of sewer service systems. This fund also reflects the accounting of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *surface and stormwater fund* accounts for the activities of the utility. The primary source of revenue is a service charge for impervious surface runoff. Expenses are for construction, improvements and maintenance of the City's stormwater facilities, updates of the stormwater master plan, and acquisition of additional wetland and open space.

The *solid waste fund* accounts for litter compliance expenses and the operations of the Clean Green site where City and County residents bring grass, shrubs, and tree trimmings. This fund also accounts for remediation costs of cleaning up several landfill sites. The City has issued two general obligation bonds for the City's share of remediation costs to be repaid primarily by net revenues from the solid waste fund. These revenues are generated principally by tax revenues paid by the City's garbage contractor.

Additionally, the government reports the following fund types as separate columns in the basic financial statements:

Internal service funds account for fleet administration, purchasing and materials, facilities administration, telecommunications, claims and litigation and employee benefits. These funds provide services to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary fund types:

Pension trust funds account for the activities of the police pension funds and the firefighter's pension funds, which accumulate resources for pension benefit payments and post-employment health care benefits. They are accounted for in essentially the same manner as enterprise funds because of the need for determining periodic income of the trust.

Agency funds are custodial in nature and represent assets held in a trustee or agency capacity for others. These funds do not report results of operation. Agency funds consist of the guaranty deposit and school impact fee funds.

I-C Measurement focus, basis of accounting and financial statement presentation

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. 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. Agency funds report only assets and liabilities and have no measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 all revenues except for grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 90 days of the end of the current fiscal period for grant revenues. 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. Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered measurable and available only when cash is received by the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include charge back of services, such as utilities or vehicle maintenance and charges for central administration. The City allocates indirect cost charges as reimbursement for services provided by the general fund in support of those functions based on levels of service provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expenses.

Internal service fund activity is also eliminated to avoid duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, including those levied for specific programs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of latecomers' fees intended to recover the cost of connecting new customers to the existing system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's usual procedure to spend restricted funds first and then unrestricted funds.

I-D Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balances

Deposits and investments

The City's cash and cash equivalents are defined as any funds that are available immediately or within 90 days. These funds consist of imprest cash on hand, bank deposits, certificates of deposits, and deposits with the local government investment pool (LGIP).

Investments for the City as well as for its component units are reported at fair value, based on the fair market value at fiscal year-end. The LGIP operates in accordance with appropriate state laws and regulations. The reported value of the LGIP is the same as the fair value of the pool shares. Investments are reported separately on the balance sheet. Excess cash balances of all City funds are pooled and invested. The annual change in investment balances is shown net of "Proceeds from sales and maturity of investment securities" and "Purchase of investments" on the statement of cash flows.

Interest income is distributed monthly to the funds based on the average daily fund balance. Interest from the following funds is assigned to the general fund:

- Library gift
- CDBG grant fund
- Special assessment (LID) funds
- Guaranty deposit
- Clearing funds

Receivables

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services. Receivables have been recorded net of an allowance for uncollectible amounts. Allowances for uncollectible amounts are calculated as a write-off of bad debt expense.

- 1) Interest receivable consists of amounts earned, but not received, on investments.
- 2) Notes and contracts receivable consists of principal amounts owed on open accounts from private individuals or organizations for goods and services rendered.

- 3) Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.
- 4) During the year, property tax revenues are recognized when received. There is no allowance for uncollectible taxes. The City considers delinquent taxes fully collectible.

Interfund activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “interfund loans receivable/interfund loans payable.” All other outstanding balances between funds are referred to as “due to/from other funds” in the basic and combining statements. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditure at the time individual inventory items are purchased.

Inventories in proprietary funds are valued on a cost basis using the weighted average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life are not capitalized.

Major outlays for capital and improvements are capitalized as projects are constructed. Street infrastructure assets are entered into the system on a “network” basis since these assets consist of several different components of road and street construction. The project plans maintained in the engineering division of public works provide details regarding these components.

Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an individual cost for each asset category in excess of the following amounts:

<u>Asset category</u>	<u>Asset threshold</u>
Land	Capitalize All
Fleet-replacement equipment	\$ 5,000
Machinery and equipment	\$ 10,000
Network/communication/electronic systems equipment	\$ 25,000
Land improvements, infrastructure, buildings and improvements, intangibles, improvements other than buildings, capital leases, leasehold improvements	\$ 50,000

All property, plant, and equipment of governmental or business-type activities are depreciated using the straight line method with the following estimated useful lives:

Asset category	Useful life (years)
Buildings	50
Improvements other than buildings	
Infrastructure	20-50
Leasehold improvements	10
Other improvements	5-50
Software	7
Machinery and equipment	
Information technology equipment	4
Equipment	3-25

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. These assets are identified in the asset system as partially grant funded for tracking purposes in the event of a sale or surplus of the item.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, 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 only has one item that qualifies for reporting in this category. Voluntary nonexchange transactions where resources are received before time requirements are met, but after all other eligibility requirements have been met, should be reported as a deferred inflow of resources by the recipient per GASB 65. In the City's case, this led to the reporting of the advanced funded Office of Public Defense grant as a deferred inflow of resources. The Office of Public Defense grant funds period of availability begins in 2015 but the money was received in advance by the City in late 2014. Accordingly, this amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Compensated absences

City policy permits employees to accumulate unused vacation leave. Vacation leave is earned at rates established in individual bargaining unit agreements. Each employee may accumulate up to double their established annual accrual rate. All unused vacation is payable upon termination of employment. Upon retiring, contractual limitations have been imposed on PERS employees to limit vacation payout to a maximum of 240 hours. Vacation liabilities are recorded at year-end in full accrual funds and in the government-wide statements.

City policy permits employees to accumulate unused sick leave. Sick leave is earned at rates established in individual bargaining unit agreements. Each employee may accumulate a maximum of 1040 hours. Unused sick leave is payable upon termination only to LEOFF II employees. LEOFF II employees may cash out up to 150 hours of their accumulated sick leave balance upon retirement. The City maintains a

liability for future sick leave cash-out payments. Currently, both the Teamsters 231 and AFSCME 114 bargaining groups are also eligible for an optional sick leave cash out program. Employees with accumulated banks of at least 480 hours have the option of cashing out 24 to 48 hours of sick leave accumulated and not used in the twelve-months prior to December 15 of each year. Employee banks will be reduced by the number of hours cashed out. If an employee's bank is at 960 hours or more, no reduction to their bank balance is made for cashed out hours.

Long-term obligations

In government-wide financial statements and 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 statements of net position. Bond premiums and discounts, are amortized over the life of the bonds using the effective interest 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 issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Restricted assets

Enterprise funds have accounts that contain resources for construction and debt services. Certain proceeds of the water and sewer funds' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position in compliance with applicable bond covenants. The amount of these restricted assets is reported in the long-term debt note.

Contributions of capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets (e.g. developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comparative data/reclassifications

Comparative data for the prior year have been presented throughout the financial statements in order to provide an understanding of the changes in the financial position and results of operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

Fund balance

The City of Bellingham is a first class charter City in the state of Washington organized with a council-mayor form of government. City management is led by the elected Mayor in a strong-Mayor, weak-Council form of government. The Mayor and the City Council are the bodies with the "highest level of decision-making authority". In accordance with GASB Statement 54, governmental fund balance reporting and governmental fund type definitions, the City classifies governmental fund balance as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The City has permanent funds, prepaid items, and inventories within the non-spendable fund balance category.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed or constrained due to constitutional provisions or enabling legislation. The City's restricted fund balance includes HUD grant money restricted for federal projects, the spendable portion of permanent funds, debt service, and special revenue funds. Special revenue fund balance, purpose and funding sources can be found in the combining and individual fund statements.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. In order to commit funds to a specific project or activity the City Council, the highest level of decision making authority, must take the formal action of passing an ordinance. An ordinance becomes part of the City's Municipal Code and is the highest level action the Council can pass. An ordinance constitutes a binding constraint on the resources affected. In order to modify or rescind an ordinance the Council must amend or repeal the Municipal Code by adopting another ordinance. Items are committed by a majority vote of the City Council except when there has been a veto by the Mayor which then requires a super majority vote of the City Council. The general fund has a sum committed for estimated legal environmental costs.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Items are assigned by the Mayor or the Mayor's designee within City funds and within City departments. Fund balance may be assigned by the Finance Director or Budget Manager. The Financial Management Guidelines written and endorsed by the Bellingham City Council with Resolution No. 2010-17 establishes the authority to assign fund balance amounts. The City has assigned fund balance for donations to public safety.

Unassigned – the residual balance for the general fund is unassigned. The general fund is the only fund that can have a deficit in unassigned.

Spending prioritization in using available resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first. When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

Fund reserve goals

The City has Financial Management Guidelines that sets reserve goals and reserve minimums for selected City funds including the general fund, water, wastewater, surface and stormwater, parking, medic one, fleet, and the health benefits funds. This document is available on the City's website at:

<http://www.cob.org/documents/finance/publications/2010-financial-management-guidelines.pdf>

When a fund falls below its minimum reserve level as established in the publication approved above, the Mayor is required to present to Council a financial plan, within 60-days, that will restore the fund reserve balance to at least it's minimum level within the shortest time period feasible, not to exceed three budget years.

Meeting the minimum reserve goal is integral to the budget process and is reported in the Adopted Budget document. The budget department tracks the reserve amounts throughout the year. At year end

the actual ending reserves are reviewed and adjustments are made if required including turning down requests for re-appropriations that would reduce ending reserves below the minimum levels.

Net position

In accordance with GASB Statement 63, proprietary, fiduciary, and government-wide financial statements shall report net position. Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement 34. The elements of net position are similar to those of net assets. Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components: net investment in capital assets, restricted, and unrestricted.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**II-A Budgetary information**

Annual appropriated budgets are adopted for the general, special revenue and debt service funds on a basis consistent with generally accepted accounting principles (GAAP). Budgets are not adopted for the special assessment debt sub-funds of the debt service fund type. Capital project funds adopt budgets on an individual project basis. Proprietary and fiduciary funds are budgeted for management purposes only. National Council on Governmental Accounting Statement No. 1 requires financial statements presenting budgetary comparisons for governmental fund types only.

Annual appropriated budgets are adopted at the fund level and legal budgetary control is established at the fund level. Legal budgets are adopted for the 11 funds consolidated with the general fund for GAAP reporting. Budget to actual schedules for these consolidated funds are included in the combining statements. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions by department, activity and object class; however, this level of budgetary monitoring is not legally mandated. Appropriations for all funds lapse at year-end.

The City's budget procedures are mandated by RCW 35.33. On or before November 1, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months. The budget is balanced with revenue estimates made by the Finance Director. Council conducts public hearings on the proposed budget on or before the first Monday in December. The Council makes its adjustments to the proposed budget and adopts by ordinance, a final balanced budget by fund, no later than December 31. Within 30 days of adoption, the final budget is available to the public.

The Mayor is authorized to transfer budgeted amounts between accounts. However, any revisions that alter the total expenditures of a fund must be approved by the City Council. The City Council may determine that it is in the best interest of the City to increase or decrease the appropriation for a particular fund. It must do so by ordinance approved by a simple majority after first holding public meetings providing the public the opportunity to speak.

Encumbrances are committed amounts for goods and services ordered or contracted. Encumbrances do not constitute expenditures or liabilities. The City reappropriates current year encumbrances into the following year as an amendment to the budget. Encumbrances outstanding as of December 31, 2014, were reappropriated by Ordinance 2015-05-016.

Encumbrances outstanding as of December 31, 2014

Fund	Amount
General	\$ 31,197,739
Water	4,232,599
Wastewater	2,953,851
Storm & surface water	10,759,644
Non-major	3,972,128
Total encumbrances	<u>\$ 53,115,961</u>

II-B Deficit fund equity

As of December 31, 2014, the following funds reported deficits in fund balance or fund equity:

Fund 440 – The solid waste fund has a deficit net position of \$5.8 million. This deficit is due to 1) In 2005 the City issued bonds totaling \$8.7 million, and in 2014 issued bonds totaling \$5.5 million to advance refund and defease bonds maturing in years 2020-2025. The purpose of the 2005 bonds was to finance (a) the environmental cleanup of the Holly Street landfill, (b) the City's share of the environmental cleanup of the Cornwall Avenue and Central Waterfront landfill sites by the Port of Bellingham, and (c) the acquisition of the Colony Wharf property adjacent to the Roeder Avenue landfill. In 2006, the solid waste fund sold Colony Wharf to the general fund, so it no longer has the asset, but still has a liability for the debt. The remediation expenses did not increase assets. 2) Per GASB 49, the City has a net pollution remediation liability in the solid waste fund of \$7.9 million at December 31, 2014 (see note V-C). The utility tax received by the solid waste fund was increased from 7% to 11.5% effective May 1, 2005, in order to accommodate the debt service requirements for the projects funded from bond proceeds. The deficit will be reduced as the bonds payable liability is reduced and also as the pollution remediation liability is reduced.

Fund 530 – The facilities administration fund has a deficit net position of \$3.9 million. This deficit is due to issuing qualified energy conservation bonds in 2011 to finance noncapital improvements in over 20 City owned municipal building. These improvement expenses did not increase assets. The deficit will be eliminated when the bonds mature in 2025. These are term bonds; principal is due in full on the maturity date. Fund 530 has a long-term bond payable liability of \$6.1 million at December 31, 2014.

II-C Excess of expenditures over appropriations

As of December 31, 2014, there has been no material violation of finance related legal or contractual provisions in any City governmental fund.

NOTE III. ACCOUNTING CHANGES**III-A New and closed funds**

Fund 970 - Bellingham Public Development Authority (BPDA) - In 2008 the City of Bellingham passed Ordinance 2008-05-047 creating the Bellingham Public Development Authority (the "BPDA"). The BPDA was created as a separate legal entity, pursuant to RCW 35.21.730, to carry out real estate development on behalf of the City. After the BPDA completed its due diligence work it was determined that it was not financially feasible at this time to pursue redevelopment. In November 2014, the Bellingham City Council passed Resolution 2014-41 dissolving the Bellingham Public Development Authority and the fund was closed.

III-B Special items

Whatcom County provided notice in December 2010 of its intent to terminate the Interlocal Cooperation Agreement for Emergency Medical Services between the City and the County, executed in December 2006. The 2006 Interlocal agreement included a clause stating, "In the event that the City no longer contracts with the County for the provision of emergency medical services, the parties shall cause a final accounting to be made, taking into account existing funds, property, outstanding accounts receivable and other liabilities. All equipment and other property shall be appraised and assigned a value. The net assets and liabilities of Medic One shall then be divided equally between the parties, unless otherwise agreed to by the Joint Board." The 2006 Interlocal agreement was not renewed in 2014 and accordingly, the City and the County began the process of accounting described above. The County has elected to implement an alternative contract structure under which the City will provide Advanced Life Support Services both within the city and outside of the city. Under the new contract structure the City is no longer the administrator of the county-wide emergency medical services (EMS) system, the County is. Accordingly, a special item for the \$869,536 loss on the disposal of operations is recognized in the current year financial statements for the City. This \$869,536 balance is half of the net position of Medic One as of January 1, 2014, the day the 2006 Interlocal agreement ended and the effective transfer date as defined in GASB 69.

With the dissolution of the 2006 Interlocal agreement, the City transferred a defibrillator, an ambulance, and a mobile home to the County which had a remaining net book value of \$113,634. Additionally, the \$353,353 accounts receivable balance (net of the allowance for doubtful accounts) was transferred to the County along with the right/claim to any future payments made from the allowance for doubtful accounts. The ending \$131,981 of total current liabilities, \$141,814 of cash and cash equivalents, and the \$722,468 of investments was retained by the City along with the rest of capital assets related to Medic One. As of December 31, 2014 the City and the County were still in negotiations about what the appropriate value was to be assigned to some of the property and what value to assign to the right to claims paid from the allowance for doubtful accounts; accordingly the final equalizing payment between the City and the County had not been paid as of fiscal year end. As of December 31, 2014, the due to County balance is \$428,878, which was the best available estimate at the time. This is subject to change after the conclusion of the negotiations.

III-C Implementation of new Governmental Accounting Standards Board (GASB) pronouncements

Effective for fiscal year 2014 reporting, the City adopted the following new standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 67 Financial Reporting for Pension Plans, amending GASB 25.

GASB Statement No. 67 relates to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement addresses accounting and financial reporting for

the activities of pension plans. The Department of Retirement Systems (DRS) is the administrator for all but two of the City's administered pension plans that are subject to Statement No. 67. The DRS Statement No. 67 compliant stand-alone financial report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, WA 98504-8380 or online at: <http://www.drs.wa.gov>.

Implementation of Statement No. 67 reporting requirements for the City of Bellingham Firefighters' and Police Relief Pension funds, the two plans that are not administered by DRS, are reflected in Note V-F Pension Plans.

As Statement No. 67 establishes financial reporting standards for local governmental defined benefit pension plans that are administered through trusts or equivalent arrangements in which: (1) contributions to the pension plan and earnings on those contributions are irrevocable, (2) pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms, and (3) pension plan assets are legally protected from the creditors of employers and plan members.

This statement specifies the required approach to measuring the net pension liability (NPL) for defined benefit pension plans and provides for specific changes in note disclosures and required supplementary information (RSI).

Statement No. 69 Government Combinations and Disposals of Government Operations.

GASB Statement No. 69 addresses mergers, acquisitions, transfers and disposals of government operations. The 2006 Interlocal agreement between the City and the County for Emergency Medical Services was not renewed and accordingly, the final accounting and division of the assets, liabilities, and net position of the Whatcom Medic One fund was initiated. Statement No. 69 required disclosures are reflected in Note III-B Special Items.

Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees.

GASB Statement No. 70 requires recognition of a liability when certain factors indicate that it is more likely than not that the City will be required to make a payment on a nonexchange financial guarantee. The statement also specifies information to be disclosed by the City when it extends nonexchange financial guarantees. The City has extended a nonexchange financial guarantee on certain debt issued by the Bellingham-Whatcom Public Facilities District (PFD). The adoption of GASB statement No. 70 led to a change in accounting principle adjustment to net position. Statement No. 70 required disclosures are reflected in Note V-B Contingencies.

NOTE IV. DETAILED NOTES ON ALL FUNDS**IV-A Deposits and investments*****Deposits***

The City's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Commission (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington State Public Deposit Protection Commission (PDPC). The FDIC insures the City's deposits up to \$250,000; the PDPC covers amounts over \$250,000. Numbers in section IV-A are obtained from the year-end GASB 31 compliance report provided by the City's securities custodian and primary banker, U.S. Bank.

Investments

All municipal corporations in Washington State, including the City of Bellingham, are empowered by statute to invest in the following securities (the enabling legislation is contained in RCW 36.29.020, as amended and as limited by RCW 39.58.080, as amended, RCW's 35.39.030, 39.59.020, 39.59.030, 39.60.010, 43.84.080 and 43.250):

- Investment deposits including certificates of deposit, with qualified public depositories as defined in RCW Chapter 39.58.
- Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
- Obligations of government sponsored corporations which are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve System. These include but are not limited to Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation.
- Bankers' acceptance purchased on the secondary market.
- Repurchase agreements, if the transaction is structured so that the City of Bellingham obtains control over the underlying securities.
- Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- Washington State Local Government Investment Pool.
- Other investments authorized by law.

These investment types are the same options available to all funds, fund types, and component units.

The State Treasurer's Office administers the Washington State Local Government Investment Pool (LGIP) authorized under RCW Chapter 43.250. The LGIP operates in a manner consistent with the SEC Rule 2a-7. In its management of LGIP, the State Treasurer adheres to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity to meet cash flow demands and attainment of the highest possible yield within the constraints of the first two goals.

All investments are valued at fair value as of December 31, 2014. The fair value of the position in the LGIP is the same as the value of the pool shares. All of the City's investments are defined as being insured or registered in the name of the City, or held by the City or by its agent in the City's name.

The LGIP is reported on the balance sheet as cash and cash equivalents. Investments in the LGIP and other investments with a purchase life of less than one year are reported at cost. Management intends to hold securities, bonds and certificates of deposit until maturity.

Fair value of deposits and investments at December 31, 2014

Deposit and investment type / issuer	Fair value	Maturity period			% of total investments	Moody's rating
		≥ 3 months	4-12 Months	1-5 years		
Cash and cash equivalents						
Local Government Investment Pool (LGIP)	\$ 24,916,830	\$ 24,916,830	\$ -	\$ -		
Deposits	25,276,979	25,276,979	-	-		
Total cash and cash equivalents	50,193,809	50,193,809	-	-		
Investments at fair value						
U.S. Treasury Obligations:						
U.S. Treasury Notes	10,045,704	-	-	10,045,704	7.82%	Aaa
U.S. Government Agency Securities:						
Federal Home Loan Bank (FHLB)	12,277,782	-	-	12,277,782	9.55%	Aaa
Federal National Mortgage Association (FNMA)	49,713,840	-	-	49,713,840	38.69%	Aaa
Federal Home Loan Mortgage Corp. (FHLMC)	25,076,755	-	-	25,076,755	19.52%	Aaa
Federal Farm Credit Bank (FFCB)	14,230,646	-	-	14,230,646	11.08%	Aaa
Municipal Bonds:						
WA State GO Bond	2,529,995	505,815	2,024,180	-	1.97%	Aa2
King County WA School District #414	1,015,640	-	1,015,640	-	0.79%	Aaa
King County WA School District #406	3,996,000	-	1,998,740	1,997,260	3.11%	Aa2
Snohomish County WA School District #16	1,996,760	-	1,001,120	995,640	1.55%	Aa1
Jackson County OR School District #6	2,191,948	-	-	2,191,948	1.71%	Aa1
Honolulu City & County HI GO	4,401,684	-	-	4,401,684	3.43%	Aa1
Northwest Open Access Network WA	1,008,600	-	1,008,600	-	0.78%	A1
Total investments at fair value	128,485,354	505,815	7,048,280	120,931,259		
Total deposits and investments	\$ 178,679,163	\$ 50,699,624	\$ 7,048,280	\$ 120,931,259	100.00%	
<i>Less:</i>						
Fiduciary fund deposits and Investments	(14,366,068)					
Statement of net position total	\$ 164,313,095					

The discretely presented component unit, Public Facilities District, is included in the table above and listed separately below.

Public Facilities District	
Cash and cash equivalents	
Cash in bank	\$ 152,237
Local Government Investment Pool	907,894
Total cash and cash equivalents	1,060,131
Investments at fair value	
Federal Agency Securities	485,887
Municipal Bonds	74,798
Total investments	560,685
Total deposits and investments	\$ 1,620,816

Interest rate risk - To minimize risk of loss arising from interest rate fluctuations, the City purchases a combination of short and longer term investments and staggers their maturities. City Investment Policy requires that unless matched to a specific cash flow (for Reserve and CIP funds); the City will not directly

invest in securities maturing more than five years from the date of purchase. The City is in compliance with this policy.

Credit risk - Per the City's Investment Policy, "Safety of principal is the foremost objective of the City of Bellingham. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses in individual securities do not exceed the income generated from the remainder of the portfolio." The City's policy further states, "Investments shall be made with judgment and care—under circumstances then prevailing—which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Per RCW 39.59.020, state law requires that the City only invest in bonds which at the time of purchase have one of the three highest credit ratings of a nationally recognized rating agency. Per RCW 39.59.030, state law requires that the City only invest in mutual funds with portfolios consisting of only United States government bonds or United States government bonds issued by federal agencies with average maturities of less than five years and possessing one of the three highest credit ratings of a nationally recognized rating agency. At December 31, 2014, the City investments and deposit accounts are in compliance with all applicable state laws including RCW 36.29.020, as amended, and as limited by RCW 39.58.080, as amended, RCW's 35.39.030, 39.59.020, 39.59.030, 39.60.010, 43.84.808 and 43.250.

Concentration of credit risk - Per the City's Investment Policy, the City is directed to "diversify its investments by security type and institution. With the exception of U.S. Treasury securities and the State Investment Pool, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution." As required by GASB 40, paragraph 11, the City acknowledges that there is a concentration of credit risk in each of the four U.S. Government Security Agencies; FHLB, FNMA, FHLMC, and FHLB, as listed in the table above with five percent or more of total investments. The City's investments in municipal bonds at December 31, 2014, did not meet the diversification constraints as recommended in the City's investment policy. The City held 13.34% of its investment portfolio in municipal bonds, whereas City policy calls for a maximum of 10%. The City will be in compliance on December 1, 2015, as municipal bond securities mature. The City is working towards reallocating investments amongst other securities in order to remain in line with the established policy. The remaining City investments and deposit accounts are in compliance with the City's investment policy.

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. For this reason per the City's Investment Policy, "All security transactions, including collateral for repurchase agreements, entered into by the City of Bellingham shall be conducted on a delivery-verses-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director." The City's securities custodian is U.S. Bank Safe Keeping. The City is in compliance with its DVP and safe keeping policies.

Foreign currency risk - The City does not have any investments in foreign currency and accordingly is not exposed to foreign currency risk.

IV-B Receivables

Receivables as of year-end for the City's individual major and nonmajor funds, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Receivables as of December 31, 2014

Governmental activities	General	Nonmajor governmental	Internal service	Total
Interest	\$ -	\$ -	\$ 41,476	\$ 41,476
Taxes	311,291	53,346	-	364,637
Accounts	15,960,004	17,584	7,336	15,984,924
Special assessments	-	7,600	-	7,600
Notes and contracts receivable	326,843	14,846,199	-	15,173,042
Due from other governments	2,126,961	486,510	10,348	2,623,819
Due from component unit	-	8,749,768	-	8,749,768
Gross receivables	18,725,099	24,161,007	59,160	42,945,266
Less: allow. for uncollect.	(13,426,479)	-	-	(13,426,479)
Total governmental	\$ 5,298,620	\$ 24,161,007	\$ 59,160	\$ 29,518,787

Business-type activities	Water	Waste water	Surface & stormwater	Solid waste	Nonmajor enterprise	Total
Interest	\$ 23,927	\$ 27,832	\$ 9,663	\$ 13,742	\$ 17,344	\$ 92,508
Accounts	818,581	865,784	279,971	-	1,934,570	3,898,906
Due from other government	318,195	9,400	496,644	6,360	24,028	854,627
Gross receivables	1,160,703	903,016	786,278	20,102	1,975,942	4,846,041
Less: allow. for uncollect.	-	-	-	-	(1,475,442)	(1,475,442)
Total business-type	\$ 1,160,703	\$ 903,016	\$ 786,278	\$ 20,102	\$ 500,500	\$ 3,370,599

Fiduciary funds	Fire Pension	Police Pension	Guaranty Deposit	Total
Interest	\$ 14,606	\$ 11,476	\$ -	\$ 26,082
Taxes	33,366	-	-	33,366
Accounts	1,485	-	6,260	7,745
Total fiduciary	\$ 49,457	\$ 11,476	\$ 6,260	\$ 67,193

As of December 31, 2014, all special assessments are current.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Special assessments not yet due and notes and contracts receivable represent long-term debt agreements of the City. Taxes receivable are comprised of property taxes combined with utility taxes.

Unearned revenue reported in the governmental funds as of December 31, 2014

Unearned revenue	General	Special revenue	Debt service	Capital projects	Permanent	Total
Delinquent property taxes receivable	\$ 311,291	\$ 45,540	\$ -	\$ 627	\$ 7,178	\$ 364,636
Fines/forfeitures receivable	1,176,330	-	-	-	-	1,176,330
Special assessments not yet due	-	-	123,594	-	-	123,594
Total unearned revenue for governmental funds	<u>\$ 1,487,621</u>	<u>\$ 45,540</u>	<u>\$ 123,594</u>	<u>\$ 627</u>	<u>\$ 7,178</u>	<u>\$ 1,664,560</u>

IV-C Property taxes

In November 2001, the state voters approved Initiative 747, modifying RCW 84.55 and Referendum No. 47, reducing the maximum levy increase to 1% for property taxes, or the Implicit Price Deflator (IPD), whichever is less. The levy limit applies to a taxing district's levy amount, and not to increases in the assessed value of individual properties. The limit is based on the population of the district as well as the district's need to increase revenue. The law restricts taxing districts from levying, in any year, more than a one-percent increase in its regular, non-voted levy over the highest amount that could have been levied since 1985. Because the levy limit does not include new construction, annexations, re-evaluations and voter approved excess levies, a taxing district's actual revenue increase may be greater than one percent. The IPD for 2014 was 1.314%. Council authorized a 1% increase for 2014.

The City may levy up to \$3.60 per \$1,000 of assessed valuation for general governmental services, subject to two limitations:

- The 1% limitation may be exceeded by a "lid lift" if the levy is below the \$3.60 limit and is approved by a simple majority of the voters.
- 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.

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

Property tax levies 2014

Assessment	Type	Valuation	Rate/\$1,000	Tax
General fund		8,554,046,711	1.6163438815	13,826,281
Fire pension		8,554,046,711	0.2249900129	1,924,575
New What RDA LIFT		8,554,046,711	0.0038419636	32,864
Total councilmatic			1.8451758580	15,783,720
Affordable Housing	voter approved	8,554,046,711	0.3507112015	3,000,000
Greenways III - parks	voter approved	8,554,046,711	0.5394900397	4,614,823
Total voter approved			0.8902012412	7,614,823
Total assessments			2.7353770992	23,398,543

The 2006 Legislature passed Engrossed Second Substitute House Bill (E2SHB) 2673 creating the Local Infrastructure Financing Tool (LIFT) Demonstration Program. Bellingham was one-of-three selected local governments to utilize this form of tax increment financing to pay for public improvements within the

Revenue Development Area (RDA). Incremental increases in revenue from local sales/use tax and property taxes generated within the RDA must be used to repay bonds or "pay as you go" financing of public infrastructure improvements that encourage economic development in the RDA. Incremental revenue increases within the RDA and revenue from other local public sources will be used to match state money, which will be distributed through a local sales/use tax that is credited against the state's sales/use tax.

Taxes are levied annually in November for the next fiscal year beginning January 1. The total amount of taxes levied becomes available in February of the year for which they are due. It's not until this time in February that the property tax revenue and receivable are recognized. Annually the Assessor establishes assessed values at 100% of fair market value. Tax bills are mailed on February 15 and taxes are due in two equal installments on April 30 and October 31. The Whatcom County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed monthly on cumulative balances less than \$10,000, or weekly on balances exceeding \$10,000.

In November 2012, City of Bellingham voters approved a property tax levy lid lift. In 2013, the levy began providing \$3 million a year for Low Income Housing Initiatives.

IV-D Capital assets

Capital asset activity for the year ended December 31, 2014, is summarized as follows:

Primary government				
	Beginning balance 1/1/2014	Additions	Reductions	Ending balance 12/31/2014
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 76,347,052	\$ 450,114	\$ -	\$ 76,797,166
Improvements	17,614,900	-	-	17,614,900
Construction in progress	17,738,393	15,353,784	(7,479,463)	25,612,714
Intangibles - right of ways	56,034,478	8,265	-	56,042,743
Total capital assets, not being depreciated	167,734,823	15,812,163	(7,479,463)	176,067,523
Capital assets being depreciated/amortized:				
Buildings	46,917,404	141,350	-	47,058,754
Improvements other than buildings	230,357,687	8,905,224	(500,000)	238,762,911
Machinery and equipment	24,607,507	1,953,729	(1,308,041)	25,253,195
Intangibles - software	3,693,221	-	-	3,693,221
Total capital assets being depreciated/amortized	305,575,819	11,000,303	(1,808,041)	314,768,081
Less accumulated depreciation/amortization for:				
Buildings	(16,815,996)	(871,001)	-	(17,686,997)
Improvements other than buildings	(96,929,124)	(6,834,822)	120,833	(103,643,113)
Machinery and equipment	(13,322,468)	(1,712,033)	1,036,499	(13,998,002)
Intangibles - software	(3,029,198)	(335,475)	-	(3,364,673)
Total accumulated depreciation/amortization	(130,096,786)	(9,753,331)	1,157,332	(138,692,785)
Total capital assets, being depreciated/amortized, net	175,479,033	1,246,972	(650,709)	176,075,296
Governmental activities capital assets, net	\$ 343,213,856	\$ 17,059,135	\$ (8,130,172)	\$ 352,142,819

Business-type activities	Beginning balance 1/1/2014	Additions	Reductions	Ending balance 12/31/2014
Capital assets not depreciated/amortized:				
Land	\$ 43,628,893	\$ 1,254,008	\$ -	\$ 44,882,901
Construction in progress	59,705,376	10,456,385	(239,641)	69,922,120
Intangibles - right of ways	21,903	55,439	-	77,342
Total capital assets, not being depreciated/amortized	103,356,172	11,765,832	(239,641)	114,882,363
Capital assets depreciated/amortized:				
Buildings	94,596,436	74,750	(145,569)	94,525,617
Improvements other than buildings	214,685,402	4,262,479	(32,903)	218,914,978
Machinery and equipment	7,017,253	139,589	(237,617)	6,919,225
Intangibles - software	534,878	-	-	534,878
Total capital assets, being depreciated/amortized	316,833,969	4,476,818	(416,089)	320,894,698
Less accumulated depreciation/amortization for:				
Buildings	(50,007,759)	(1,604,082)	49,332	(51,562,509)
Improvements other than buildings	(88,779,983)	(4,260,383)	32,903	(93,007,463)
Machinery and equipment	(3,903,092)	(374,103)	217,220	(4,059,975)
Intangibles - software	(522,888)	(11,990)	-	(534,878)
Total accumulated depreciation/amortization	(143,213,722)	(6,250,558)	299,455	(149,164,825)
Total capital assets, being depreciated/amortized, net	173,620,247	(1,773,740)	(116,634)	171,729,873
Business-type activities capital assets, net	<u>\$ 276,976,419</u>	<u>\$ 9,992,092</u>	<u>\$ (356,275)</u>	<u>\$ 286,612,236</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities

General governmental	\$ 405,575
Public safety	441,724
Public works	6,086,425
Cultural and recreational	1,282,590
Economic environment	65,986
Internal service fund capital assets are charged to various functions based on the usage of the assets	1,471,031
Total depreciation expense - governmental activities	<u>\$ 9,753,331</u>

Business-type activities

Cemetery	\$ 6,565
Water	2,326,485
Wastewater	2,855,064
Storm and surface water	804,999
Solid waste	21,374
Golf	31,684
Parking	96,305
Medic one	90,999
Development services	17,083
Total depreciation expense - business-type activities	<u>\$ 6,250,558</u>

Capital asset activity for the year ended December 31, 2014 is summarized as follows:

Discretely presented components

Bellingham-Whatcom Public Facility District	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/2014
Capital assets not depreciated:				
Land	\$ 1,329,860	\$ -	\$ -	\$ 1,329,860
Total assets not depreciated	1,329,860	-	-	1,329,860
Capital assets depreciated:				
Buildings	19,094,610	-	-	19,094,610
Improvements other than buildings	9,070,078	-	-	9,070,078
Total assets being depreciated	28,164,688	-	-	28,164,688
Less accumulated depreciation for:				
Buildings	(3,929,762)	(474,147)	-	(4,403,909)
Improvements other than buildings	(1,497,559)	(276,854)	-	(1,774,413)
Total accumulated depreciation	(5,427,321)	(751,001)	-	(6,178,322)
Total capital assets being depreciated, net	22,737,367	(751,001)	-	21,986,366
Public Facilities District capital assets, net	<u>\$ 24,067,227</u>	<u>\$ (751,001)</u>	<u>\$ -</u>	<u>\$ 23,316,226</u>

Public Development Authority	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/2014
Capital assets not depreciated:				
Land	\$ 1,300	\$ -	\$ (1,300)	\$ -
Total assets not depreciated	1,300	-	(1,300)	-
Public Development Authority capital assets, net	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ (1,300)</u>	<u>\$ -</u>

IV-E Interfund receivables, payables and transfers

Loans between funds are classified as interfund loans receivable and payable on the statement of net position. Loans between funds must be authorized by City Council. All loans are authorized with specific repayment terms at a reasonable interest rate.

Due to other funds and due from other funds result from goods issued, work performed, or services rendered to or for the benefit of another fund of the same government when cash is not immediately moved between the funds. The following schedule shows the interfund loans receivables and loans payables as well as the due to and due from other funds balances. All interfund loans and due to and from balances are expected to be repaid within a year unless other terms are specifically established as noted below.

Interfund balances at December 31, 2014

	Interfund loans receivable	Interfund loans payable	Due from other funds	Due to other funds
General	\$ -	\$ (4,303,726)	\$ 179,178	\$ (22,444)
Nonmajor governmental	3,218,767	-	-	(157,140)
Water	-	(247,846)	4,478	(2,719)
Wastewater	-	-	-	(411)
Surface and storm	-	-	19,968	-
Nonmajor enterprise	-	-	-	(20,910)
Internal service	247,846	-	-	-
Fiduciary	1,084,959	-	-	-
Total government-wide	<u>\$ 4,551,572</u>	<u>\$ (4,551,572)</u>	<u>\$ 203,624</u>	<u>\$ (203,624)</u>

Internal balances between governmental activities and business type activities \$ 247,440

Firefighter's pension fund made a \$2,250,000 loan to the general fund in 2008 for the purpose of buying new fire trucks. There is \$1,084,960 remaining on this loan at year-end, and of that amount \$871,596 will not be repaid in 2015.

Greenways endowment fund made a \$3,232,022 loan to the Greenways III fund in 2011 for a land purchase. The repayment terms for this original loan were interest only with a balloon payment of \$3,232,022 in 2017. In 2013, the Chuckanut Community Forest Park District was formed by voter approval for the express purpose of paying off the Greenways III fund loan (Interlocal Agreement 2013-0624).

The District has levied a property tax of \$0.28 cent per thousand dollars of assessed valuation to repay the Greenways endowment fund for this land purchase. The loan is scheduled to be repaid over the next ten years, beginning in 2014 (effectively superseding the original loan terms and beginning principal payments sooner than previously called for). The loan repayment is based on a variable rate of interest equal to the current rate of return on investments not to exceed 3% annually. In addition, the Chuckanut Community Forest Park District's payment increases from 50% to 90% of the tax levy received over the first three years of the agreement.

In 2014, citizens in Bellingham sued the City of Bellingham and the Chuckanut Community Forest Park District challenging the formation of the Park District. The case is still pending.

Transfers in/out include transfers to support the operations of other funds, contributions to the capital of enterprise or internal service funds and transfers to establish or reduce working capital in funds.

Transfers at December 31, 2014

Transfers In	Transfers Out					Total
	General	Nonmajor governmental	Water	Solid waste	Internal service	
General	\$ -	\$ 290,000	\$ -	\$ -	\$ -	\$ 290,000
Nonmajor governmental	969,399	-	-	400,000	2,824	1,372,223
Water	575,000	-	-	-	-	575,000
Nonmajor enterprise	1,346,480	-	-	-	-	1,346,480
Internal service	1,274,981	86,787	216,927	-	-	1,578,695
Total	\$ 4,165,860	\$ 376,787	\$ 216,927	\$ 400,000	\$ 2,824	\$ 5,162,398

IV-F Operating leases

The City leases one radio tower, one off-site data servicing facility, one building, one office space, four storage units, 50 copiers, two fiber and two pieces of equipment under operating lease agreements. Operating leases do not give rise to property rights or lease obligations and therefore the results of the lease agreements are not reflected in the City’s statement of net position. Total operating lease expenditures for 2014 were \$483,465.

Future minimum lease payments year ending December 31, 2014

2015	\$ 91,115
2016	75,401
2017	31,405
2018	9,369
2019	495
Total	\$ 207,785

IV-G Capital construction commitments

The City has outstanding contractual commitments, which include construction and engineering contracts for capital projects currently in progress. The City's total outstanding contract obligations are summarized as follows:

Construction commitments as of December 31, 2014		
	Spent to date	Remaining commitment
Parks projects	\$ 9,838,397	\$ 1,429,267
Street projects	15,673,498	1,950,959
Water projects	2,693,918	378,880
Sewer projects	63,290,556	2,221,225
Storm projects	3,796,702	581,756
Parkade project	79,847	9,864
	<u>\$ 95,372,918</u>	<u>\$ 6,571,951</u>

IV-H Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Unlimited tax general obligation bonds are created by a 60% majority vote of the people and, therefore, financed by a special tax levy. Limited tax general obligation bonds are created by ordinance, adopted by City Council and normally financed from general fund revenues (councilmanic bonds).

The City currently has five outstanding general obligation bond issues and the original amount issued was \$33,450,000. The City issued two new refunding general obligation bonds in 2014.

2005 LTGO Solid Waste Series B bonds were issued December 8, 2005 in the amount of \$7,150,000. These bonds are taxable and the proceeds were used for the purpose of financing the City's share of the environmental clean-up by the Port of Bellingham, Washington, of the Cornwall Avenue and Central Waterfront landfill sites and to finance the acquisition of the Colony Wharf property adjacent to the Roeder Avenue landfill site. The proceeds were deposited in accordance with the bond ordinance into the solid waste fund. These bonds are financed by the solid waste fund, a business-type activity, and were issued to mature in 2023. In 2014 the City did an advanced refunding on bonds due in 2016 through 2023, leaving principal of \$405,000 which matures in 2015.

2011 LTGO Qualified Energy Conservation (QEC) bonds were issued April 27, 2011, in the amount of \$6,480,000. These are term bonds with principal due in full on the maturity date. The City will make interest only payments until 2025. These bonds are taxable and the proceeds are being used for financing improvements in over 20 City-owned municipal buildings for the purpose of reducing energy consumption by at least 20 percent. The City has elected to receive a subsidy payment from the federal government equal to 70 percent of the interest calculated at the tax credit rate published by the United States Treasury on the date of sale. The federal credit payment will be paid to the City; no holders of the bonds will be entitled to a tax credit. The City was notified that Congress included the QEC bond tax program subsidy as part of the "sequester" agreement, which took effect March 1, 2013 and will continue through 2021. As a result of the sequester, in 2013 the subsidy was reduced a total of 7.95% and in 2014 it was reduced 7.2%. The proceeds were deposited in accordance with the bond ordinance into the facilities fund. These bonds are financed by the facilities fund, a governmental activity, and will mature in 2025.

2012 LTGO Refunding bonds were issued March 29, 2012 in the amount of \$14,370,000. These bonds are tax exempt and the proceeds of this issue were used for an advance refunding of \$3,205,000 of the 2004 LTGO Sportsplex acquisition bonds and \$10,660,000 of the 2004 LTGO PFD/Civic/Aquatic refunding bonds, and to pay the bond issuance costs. The proceeds were deposited directly with the refunded debt escrow agent in accordance with the bond ordinance. These bonds are financed by the general fund and will mature in 2028.

2014 LTGO Solid Waste Refunding Series A bonds were issued December 17, 2014 in the amount of \$3,170,000. These bonds are tax exempt and the proceeds of this issue were used for an advance refunding of \$1,545,000 of the 2005 LTGO Solid Waste Series A (tax-exempt) bonds and also \$1,625,000 of the 2005 Solid Waste Series B (taxable) bonds, and to pay the bond issuance costs. The proceeds were deposited directly with the refunded debt escrow agent in accordance with the bond ordinance. These bonds are financed by the solid waste fund, a business-type activity, and will mature in 2025.

2014 LTGO Solid Waste Refunding Series B bonds were issued December 17, 2014 in the amount of \$2,280,000. These bonds are taxable and the proceeds of this issue were used for an advance refunding of the 2005 LTGO Solid Waste Series B (taxable) bonds due in 2016 through 2023 and to pay the bond issuance costs. The proceeds were deposited directly with the refunded debt escrow agent in accordance with the bond ordinance. These bonds are financed by the solid waste fund, a business-type activity, and will mature in 2020.

General obligation bonds outstanding December 31, 2014					
Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
2011 LTGO Qual energy conserv	\$ 6,480,000	04/27/11	12/01/25	5.43%	\$ 6,100,000
2012 LTGO Refunding	14,370,000	03/29/12	12/01/28	2.00 - 4.00%	12,840,000
Total governmental activities	20,850,000				18,940,000
Business-type activities					
2005 LTGO Solid Waste Series B *	7,150,000	12/08/05	12/01/23	4.80 - 5.40%	405,000
2014 LTGO Solid Waste Rfd'g Series A	3,170,000	12/17/14	12/01/25	3.00 - 4.00%	3,170,000
2014 LTGO Solid Waste Rfd'g Series B	2,280,000	12/17/14	12/01/20	.40 - 2.35%	2,280,000
Total business-type activities	12,600,000				5,855,000
Total general obligation bonds outstanding	<u>\$ 33,450,000</u>				<u>\$ 24,795,000</u>

*\$4,260,000 of these bonds were advanced refunded in 2014.

General obligation bond annual debt service requirements to maturity						
Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
2015	\$ 1,110,000	\$ 756,755	\$ 1,866,755	\$ 460,000	\$ 158,471	\$ 618,471
2016	1,190,000	723,455	1,913,455	480,000	143,285	623,285
2017	1,275,000	675,855	1,950,855	485,000	139,925	624,925
2018	1,370,000	624,855	1,994,855	490,000	133,620	623,620
2019	720,000	597,455	1,317,455	495,000	124,555	619,555
2020-2024	4,405,000	2,606,675	7,011,675	2,815,000	412,763	3,227,763
2025-2029	8,870,000	501,930	9,371,930	630,000	25,200	655,200
Total	<u>\$ 18,940,000</u>	<u>\$ 6,486,980</u>	<u>\$ 25,426,980</u>	<u>\$ 5,855,000</u>	<u>\$ 1,137,819</u>	<u>\$ 6,992,819</u>

Notes payable

Drake property note payable - the City issued a note for the acquisition of Big Rock Garden Nursery property on December 31, 1992. The note was issued in the amount of \$225,000 without an option for early redemption. This debt is for general governmental activities, financed from general fund revenues, and will mature in 2022. This note is subordinate to all general obligation debt.

Water and sewer revenue bond anticipation note, 2012 (revolving line of credit) - on December 10, 2012 the City entered into a Note agreement with Wells Fargo Bank, National Association for a revolving line

of credit, not to exceed \$5,000,000. The Note is to provide interim financing for the purchase of various parcels of land within the Lake Whatcom Watershed, and paying the cost of issuance of the Note. The Note is expected to be repaid from revenues of the water and sewer system, including, but not limited to, a portion of the City's watershed management fee set aside and dedicated to support the watershed management program.

The City shall make draws against the revolving line of credit, and repaid principal amounts of draws may be re-borrowed under the Note, provided that the outstanding balance of all draws under the Note shall never exceed \$5,000,000 at any time. Each draw shall have its own terms and maturity date. The City reserves the right to prepay and redeem the Note prior to the maturity date in whole or in part.

Each draw shall bear interest at the daily variable rate calculated as 65% of the LIBOR fixed rate term plus 70 basis points. The LIBOR term is designated by the City with respect to each draw. No fixed rate term may extend beyond the maturity date.

In addition to interest, the City pays an undrawn fee of 0.25% on the average daily balance of the unused portion of the outstanding commitment amount. The undrawn fee is payable quarterly in arrears.

On December 14, 2012 the City made the first draw against the revolving line of credit in the amount of \$2,700,000. The required repayment terms for this draw are interest only payments until the maturity date of December 31, 2015. The interest rate in effect on December 31, 2014 was .806%.

Notes payable debt outstanding December 31, 2014

Name of issuance	Original issue	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
Drake property note payable	\$ 225,000	12/31/92	12/31/22	7.00%	\$ 109,790
Total governmental activities	225,000				109,790
Business-type activities					
Revolving line of credit	2,700,000	12/14/12	12/31/15	variable	2,700,000
Total business-type activities	2,700,000				2,700,000
Total notes payable outstanding	<u>\$2,925,000</u>				<u>\$ 2,809,790</u>

Notes payable annual debt service requirements to maturity

Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirement	Principal	Interest	Total requirement
2015	\$ 10,614	\$ 7,349	\$ 17,963	\$ 2,700,000	\$ 31,200	\$ 2,731,200
2016	11,382	6,582	17,964	-	-	-
2017	12,204	5,759	17,963	-	-	-
2018	13,087	4,877	17,964	-	-	-
2019	14,033	3,931	17,964	-	-	-
2020-2022	48,470	5,407	53,877	-	-	-
Total	<u>\$ 109,790</u>	<u>\$ 33,905</u>	<u>\$ 143,695</u>	<u>\$ 2,700,000</u>	<u>\$ 31,200</u>	<u>\$ 2,731,200</u>

Government loans

Public Work Trust Fund loans - The City has Public Work Trust Fund construction loan agreements with the State Department of Community Development. There are two existing Public Work Trust Fund loans with original loan amounts totaling \$4,913,000. Loans for governmental activity purposes are financed through street revenues and loans for business-type activity purposes are financed through the water and wastewater funds. There were no new loan agreements entered into during 2014.

Street Resurfacing PWTF loan was issued in 2002 through 2005 in amounts totaling \$2,975,000. The loan was authorized for a 20 year period with interest at .5%. The proceeds were deposited into street revenues for the purpose of street surface repaving throughout the city. The loan is for a governmental activity and matures in 2022.

Water Main Replacement PWTF loan was issued in 2002 through 2005 in amounts totaling \$1,938,000. The loan was authorized for a 20 year period with interest at .5%. The proceeds were deposited into the water fund for the purpose of the citywide water main replacement. The loan is for a business-type activity and matures in 2022.

Economic Development Investment (EDI) program loan - The City entered into an EDI program loan agreement with Whatcom County on March 29, 2012 in the amount of \$350,000. The loan was authorized for a seven year period with interest at 1%. The proceeds were deposited into street revenues for the purpose of providing funding support for the West Bakerview Overpass project using certain County funds designated for such infrastructure development. The loan is for a governmental activity and matures in 2019.

Washington State Department of Ecology (DOE) loan L1200033 - The City entered into a Washington State Water Pollution Control Revolving Fund loan agreement with the DOE on June 22, 2012, for a total amount of \$1,426,000. Payments will be made to the City on a "reimbursable basis" and the City received the first loan proceeds in 2013. The proceeds of the loan will be deposited into the surface and stormwater fund and are for the partial funding of the Padden Creek Daylighting project. The project period is January 1, 2012 through December 31, 2015 and includes daylighting a 2,200 foot long reach of Padden Creek that currently flows in a continuous underground tunnel in order to restore the creek's natural channel and permanent riparian buffers. The project will improve water quality by restoring vegetated buffers, natural stream morphology and by providing biological integrity. Payments will be made to the City on a "reimbursable basis". The loan was authorized for 20 years with interest at 2.6% and repayment of the loan will begin 2016. The loan is for a business-type activity and matures in 2035.

Washington State Department of Ecology (DOE) loan L1400025 - The City entered into a Washington State Water Pollution Control Revolving Fund loan agreement with the DOE on March 24, 2014, for a total amount of \$1,647,000. Payments will be made to the City on a "reimbursable basis" and the City received the first loan proceeds in 2014. The proceeds of the loan will be deposited into the surface and stormwater fund. The project period is January 1, 2014 through June 30, 2018 and consists of replacing stormwater mains at multiple locations with the City of Bellingham, centered within two neighborhoods, Roosevelt, affecting the Whatcom Creek watershed, and Columbia, affecting the Squalicum Creek watershed. The loan was authorized for a five year period with interest at 1.1% and repayment of the loan will begin 2019. The loan is for a business-type activity and matures in 2023.

Washington State Certificate of Participation (COP) Lease number 0776-1-1 - The program was originally created by the Legislature in 1989 (RCW 39.94) to provide the lowest cost financing for state agency purchases by pooling funding needs into larger offerings of securities. In 1998 the Legislature passed legislation to provide local governments access to the program. Local government agencies of all types can finance equipment or real estate needs through the State Treasurer's office subject to existing

debt limitations and financial considerations. The State issues Certificates of Participation, and the proceeds of the Certificates are to be used to finance and/or refinance the costs of acquisition of certain personal property for the benefit of certain State Agencies and Local Agencies. Each Agency is required to make Agency Installment Payments to the state pursuant to its Agency Financing Contract for the purchase of its respective items of Property. The Agency Installment Payments payable by the participating Agencies pursuant to the Agency Financing Contracts in the aggregate are at least equal to the corresponding State Payments payable by the state pursuant to the Master Financing Contract.

The City of Bellingham was a participating Local Agency in the State of Washington Certificates of Participation, Series 2014B, dated August 28, 2014. The amount financed was \$867,507 and netted the City of Bellingham \$1,000,000 for the cost of purchasing six new ambulances. Cost of issuance are reflected in the interest rate of 2.12526%. The loan is for a governmental activity and matures in 2024.

Government loan debt outstanding December 31, 2014

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
Street Resurfacing PWTF loan	\$ 2,975,000	7/25/02	7/1/22	0.50%	\$ 1,263,480
EDI - Whatcom County loan	350,000	3/29/12	3/29/19	1.00%	252,475
WA State Certificate of Participation	867,507	8/28/14	6/1/24	2.13%	867,507
Total governmental activities	4,192,507				2,383,462
Business-type activities					
Watermain Repl PWTF loan	1,938,000	7/25/02	7/1/22	0.50%	818,267
DOE Loan - L1200033	39,354	5/10/13	12/31/35	2.60%	39,354
DOE Loan - L1400025	4,229	12/31/14	12/31/23	1.10%	4,229
Total business-type activities	1,981,583				861,850
Total governmental loans outstanding	<u>\$ 6,174,090</u>				<u>\$ 3,245,312</u>

Government loan annual debt service requirements to maturity

Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
2015	\$ 275,989	\$ 50,504	\$ 326,493	\$ 102,283	\$ 4,091	\$ 106,374
2016	280,000	45,703	325,703	103,292	7,483	110,775
2017	284,196	40,717	324,913	104,301	4,058	108,359
2018	288,587	35,537	324,124	104,301	3,494	107,795
2019	293,182	30,152	323,334	104,729	3,509	108,238
2020-2024	961,508	68,137	1,029,645	320,743	6,923	327,666
2025-2029	-	-	-	10,091	2,308	12,399
2030-2034	-	-	-	10,091	989	11,080
2035	-	-	-	2,019	40	2,059
Total	<u>\$ 2,383,462</u>	<u>\$ 270,750</u>	<u>\$ 2,654,212</u>	<u>\$ 861,850</u>	<u>\$ 32,895</u>	<u>\$ 894,745</u>

Revenue bonds

The City also issued bonds where revenue derived from the acquired or constructed assets are pledged to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council and financed from enterprise fund revenues. The City currently has five revenue bonds and the original amount issued was \$79,085,000. The water/sewer revenue bonds are issued to finance capital projects and watershed property acquisitions. There were no new revenue bonds issued in 2014.

2006 Water and Sewer Revenue bonds were issued June 15, 2006 in the amount of \$11,330,000. These bonds are tax exempt and the proceeds were used to finance projects including construction of improvements to the City's water system and acquisition of real property in the Lake Whatcom Watershed in order to preserve water quality. The bonds are financed by business-type activities and will mature in 2026.

2008 Water and Sewer Revenue bonds were issued August 21, 2008 in the amount of \$6,040,000. These bonds are tax exempt and the proceeds are being used to finance the acquisition of real property in the Lake Whatcom Watershed in order to preserve water quality, to pay the cost of other capital projects of the system that may be authorized by the Council and to pay the cost of issuance of the bonds. The bonds are financed by business-type activities and will mature in 2018.

2011 Water and Sewer Revenue bonds were issued September 27, 2011 in the amount of \$42,655,000. These bonds are tax exempt and the proceeds are being used to finance the costs of constructing improvements to the City's combined water supply and distribution system and sewage collection and disposal system, to fund the debt service reserve account and to pay the cost of issuance of the bonds. The bonds are financed by business-type activities and will mature in 2041.

2012 Water and Sewer Refunding bonds were issued March 29, 2012 in the amount of \$3,275,000. These bonds are tax exempt and the proceeds of this issue were used for an advance refunding of \$3,135,000 of the *2004 Water and Sewer Revenue Improvement and Refunding bonds* and to pay the bond issuance costs. The proceeds of the 2004 bonds were used to pay a portion of projects including the construction of a 2.5 million gallon reservoir with offsite piping, on the lower portion of King Mountain that will serve the south Cordata area, and preliminary engineering for five other transmission mains which include Yew Street, Meridian Street, Academy Road, June Road and 21st Street. The proceeds of the 2012 refunding bonds were deposited directly with the refunded debt escrow agent in accordance with the bond ordinance. The bonds are financed by business-type activities and will mature in 2024.

2013 Water and Sewer Revenue bonds were issued August 27, 2013 in the amount of \$15,785,000. These bonds are tax exempt and the proceeds are being used to finance the costs of constructing improvements to the City's combined water supply and distribution system and sewage collection and disposal system, to fund the debt service reserve account and to pay the cost of issuance of the bonds. The bonds are financed by business-type activities and will mature in 2043.

Revenue bonds outstanding December 31, 2014

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Business-type activities					
2006 Water/sewer revenue	\$ 11,330,000	06/15/06	08/01/26	4.00 - 4.50%	\$ 5,585,000
2008 Water/sewer revenue	6,040,000	08/21/08	08/01/18	3.00 - 4.25%	2,795,000
2011 Water/sewer revenue	42,655,000	09/27/11	08/01/41	2.00 - 5.00%	41,425,000
2012 Water/sewer refunding	3,275,000	03/29/12	08/01/24	2.00 - 4.00%	3,190,000
2013 Water/sewer revenue	15,785,000	08/27/13	08/01/43	4.25 - 5.00%	15,785,000
Total revenue bonds outstanding	<u>\$ 79,085,000</u>				<u>\$ 68,780,000</u>

Revenue bond annual debt service requirements to maturity

Year ending December 31	Business-type activities		
	Principal	Interest	Total requirements
2015	\$ 2,070,000	\$ 3,160,818	\$ 5,230,818
2016	2,145,000	3,086,518	5,231,518
2017	2,220,000	3,009,318	5,229,318
2018	2,300,000	2,926,018	5,226,018
2019	1,335,000	2,835,018	4,170,018
2020-2024	7,555,000	13,309,704	20,864,704
2025-2029	9,370,000	11,497,729	20,867,729
2030-2034	11,855,000	9,017,063	20,872,063
2035-2039	15,040,000	5,826,313	20,866,313
2040-2041	14,890,000	1,804,014	16,694,014
Total	<u>\$ 68,780,000</u>	<u>\$ 56,472,513</u>	<u>\$ 125,252,513</u>

To service revenue debt, \$5,231,518 is available in the reserve accounts of the water and wastewater enterprise funds as of December 31, 2014 in compliance with applicable bond covenants.

Water and sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 times the maximum annual debt service (see statistical section). The City complies with bond covenants, with a current ratio coverage of 4.11%. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all debt covenants.

In propriety funds, unamortized debt issue costs are recorded as amortizable bond costs and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

All bond issues comply with arbitrage regulations as verified by an outside consultant. Five year reports are prepared as required.

The table on the following page is a summary of the changes in long-term liabilities for the year ending December 31, 2014. The portion of the long-term debt due within one year is noted in the table on the far right and is broken out on the Statement of Net Position from the rest of the long-term debt balance.

The City of Bellingham did not enter into any short-term debt activity during the year nor does it have any short-term debt outstanding at year-end.

Defeased Debt

On December 17, 2014, the City issued \$3,170,000 in tax exempt LTGO refunding bonds with interest rates ranging from 3.0% - 4.0%, and \$2,280,000 in taxable LTGO refunding bonds with interest rates ranging from .40% - 2.35%. The City issued the bonds to advance refund the \$1,545,000 outstanding 2005 LTGO Solid Waste Series A (tax exempt) bonds and \$3,875,000 outstanding 2005 LTGO Solid Waste Series B (taxable) bonds with interest rates of 4.125% - 5.40%. The proceeds of these bonds were deposited directly with the refunded debt escrow agent and used to purchase securities that were placed in an irrevocable trust to provide for all future debt service payments on the refunded portion of the bonds until the bonds are called. As a result, that portion of the debt is considered defeased and therefore the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$5,420,000 at December 31, 2014. The advanced refunding bond reduced total debt service payment over the next 20 years by \$674,603. This results in an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$614,390.

Summary of changes in long-term liabilities for the year ending December 31, 2014

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due in ≤ 1 year	Due in > 1 year
Governmental activities						
<i>Bonds payable:</i>						
General obligation bonds	\$ 14,010,000	\$ -	\$ (1,170,000)	\$ 12,840,000	\$ 1,110,000	\$ 11,730,000
Less deferred amounts:						
for issuance premiums	934,160	-	(61,286)	872,874	-	872,874
for issuance discounts	-	-	-	-	-	-
Taxable energy conservation bond	6,480,000	-	(380,000)	6,100,000	-	6,100,000
Total bonds payable	21,424,160	-	(1,611,286)	19,812,874	1,110,000	18,702,874
Notes payable	119,689	-	(9,899)	109,790	10,614	99,176
Government loans	1,722,895	867,507	(206,940)	2,383,462	275,989	2,107,473
Claims and litigation	2,174,783	-	(1,205,279)	969,504	630,000	339,504
Pollution remediation obligation	13,594,460	-	(678,235)	12,916,225	731,476	12,184,749
OPEB obligation - long-term care	812,467	2,527,206	(2,431,726)	907,947	-	907,947
Component unit debt contingency	-	2,128,001	-	2,128,001	-	2,128,001
Compensated absences	5,078,332	77,116	(226,253)	4,929,195	3,967,328	961,867
Governmental activities long-term liabilities	\$ 44,926,786	\$ 5,599,830	\$ (6,369,618)	\$ 44,156,998	\$ 6,725,407	\$ 37,431,591
Business-type activities						
<i>Bonds payable:</i>						
Revenue bonds	\$ 70,775,000	\$ -	\$ (1,995,000)	\$ 68,780,000	\$ 2,070,000	\$ 66,710,000
Less deferred amounts:						
for issuance premiums	3,762,514	-	(160,043)	3,602,471	-	3,602,471
for issuance discounts	-	-	-	-	-	-
Total revenue bonds	74,537,514	-	(2,155,043)	72,382,471	2,070,000	70,312,471
General obligation bonds	6,210,000	5,450,000	(5,805,000)	5,855,000	460,000	5,395,000
Less deferred amounts:						
for issuance premiums	-	326,933	-	326,933	-	326,933
for issuance discounts	(28,720)	-	2,393	(26,327)	-	(26,327)
Total general obligation bonds	6,181,280	5,776,933	(5,802,607)	6,155,606	460,000	5,695,606
Total bonds payable	80,718,794	5,776,933	(7,957,650)	78,538,077	2,530,000	76,008,077
Notes payable	2,700,000	-	-	2,700,000	2,700,000	-
Government loans	959,904	4,229	(102,283)	861,850	102,283	759,567
Pollution remediation obligation	10,084,420	118,531	(223,091)	9,979,860	2,079,102	7,900,758
Compensated absences	633,434	137,944	(20,371)	751,007	692,907	58,100
Total business-type activities long-term liabilities	\$ 95,096,552	\$ 6,037,637	\$ (8,303,395)	\$ 92,830,794	\$ 8,104,292	\$ 84,726,502

Internal service funds predominantly serve the governmental funds. Accordingly, long-term and short-term liabilities are included as part of the above totals for governmental activities. At year-end, long-term liabilities of \$74,177 and short-term liabilities of \$248,392 for internal service fund compensated absences are included in the above amounts. For the governmental activities, compensated absences are generally liquidated by the general fund.

The general fund is responsible for ensuring that each pension fund has adequate cash to pay their pension benefit obligations, OPEB benefit obligations, and administrative expenses each year. Governmental activities for claims and litigation and pollution remediation are also financed through general fund revenues.

Pollution remediation in business-type activities is financed by solid waste fund revenues.

Discretely presented component units

Bellingham-Whatcom Public Facilities District

The PFD issued a limited sales tax obligation bond in the amount of \$9,995,000 on December 20, 2007. The issue funded a portion of the cost of constructing the Whatcom Art and Children’s Museum, a portion of the cost of phase II renovations to the Mount Baker Theatre as part of the regional center owned and operated by the PFD, and issue costs of the bonds. These bonds are financed by state sales tax rebate revenue and will mature in 2027. The City made a contingent loan commitment for these bonds per contract 2007-0552.

Limited sales tax obligation bonds outstanding December 31, 2014

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
2007 Limited sales tax obligation	\$ 9,995,000	12/20/07	12/01/27	4.00 - 4.20%	\$ 9,995,000
Total bonds outstanding	<u>\$ 9,995,000</u>				<u>\$ 9,995,000</u>

Limited sales tax annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2015	\$ -	\$ 409,173	\$ 409,173
2016	-	409,173	409,173
2017	-	409,173	409,173
2018	210,000	409,172	619,172
2019	650,000	400,772	1,050,772
2019-2023	4,535,000	1,546,865	6,081,865
2024-2027	4,600,000	419,560	5,019,560
Total	<u>\$ 9,995,000</u>	<u>\$ 4,003,888</u>	<u>\$ 13,998,888</u>

The PFD entered into an agreement with the City of Bellingham to borrow funds from the City’s 2004 LTGO PFD/Civic/Aquatic refunding bond. Of the total \$16,375,000 bond issue, \$9,370,000 was for the PFD to fund the construction of the Whatcom Museum. The PFD pays the debt service costs on its portion of the bond. The PFD portion of the bond matures in 2026. The City made a contingent loan commitment for these bonds per contract 2007-0552.

The PFD entered into a loan agreement with the City of Bellingham in 2008 to borrow \$2,800,000 for the purpose of funding the construction of the Whatcom Museum. This loan had a term of 10 years and payments were interest only for the first five years. In 2010, the PFD made an unscheduled \$1,000,000 principal payment, reducing the outstanding principal amount to \$1,800,000. In 2013 the loan was restructured, setting an interest rate of 3.25% and extending the loan term to mature on December 31, 2027.

Intergovernmental loan outstanding December 31, 2014

Name of issuance	Original loan amount	Issue date	Maturity date	Interest rates	Debt outstanding
2004 City of Bellingham loan	\$ 9,370,000	11/9/04	12/1/26	2.00 - 4.00%	\$ 7,053,000
2008 City of Bellingham loan	2,800,000	12/31/08	12/31/27	3.25%	1,696,768
Total bonds outstanding	<u>\$ 12,170,000</u>				<u>\$ 8,749,768</u>

Intergovernmental loan annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2015	\$ 448,222	\$ 339,122	\$ 787,344
2016	490,228	321,775	812,003
2017	532,350	302,753	835,103
2018	574,593	282,053	856,646
2019	621,769	259,670	881,439
2020-2024	3,912,539	893,127	4,805,666
2025-2026	2,170,067	128,655	2,298,722
Total	<u>\$ 8,749,768</u>	<u>\$ 2,527,155</u>	<u>\$ 11,276,923</u>

Summary of changes in long-term liabilities for the year ending December 31, 2014

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due in ≥ one year
General obligation bonds	\$ 9,995,000	\$ -	\$ -	\$ 9,995,000	\$ -
Less deferred amounts: for issuance discounts	(28,688)	-	2,049	(26,639)	-
Total bonds payable	9,966,312	-	2,049	9,968,361	-
Notes payable	9,235,000	-	(485,232)	8,749,768	448,222
Total long-term liabilities	<u>\$ 19,201,312</u>	<u>\$ -</u>	<u>\$ (483,183)</u>	<u>\$ 18,718,129</u>	<u>\$ 448,222</u>

IV-I Restricted net position

The government-wide statement of net position reports \$75,346,860 of restricted net position, of which \$37,836,633 is restricted by enabling legislation.

NOTE V. OTHER DISCLOSURES**V-A Risk management**

The City is exposed to various risks of losses related to torts, theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established the following four internal service funds to account for and finance its uninsured risks of loss:

The claims, litigation and property loss fund is the source for payment of third party claims and judgments, excess liability insurance premiums, and property insurance premiums. Currently the City maintains commercial property insurance for fire and other hazards on City properties having an estimated total replacement value of \$210 million in 2014 and \$217 million in 2015. During the current and preceding two years, no City property losses exceeded the City's insurance coverage.

Departments of the City contribute premiums to pay prior and current year claims and to provide a reserve for future losses, including catastrophic losses. For 2014, department contributions, judgments and settlements flowing into the fund totaled \$1,260,833. For this same year, the City purchased excess liability insurance with a retained self-insurance limit of \$1 million and \$15 million in policy limits. The City Council has established by ordinance a goal of \$5 million as the minimum amount to be made available to cover losses.

In the normal course of its various operations, the City of Bellingham is involved in lawsuits and receives claims for damages alleging City responsibility for damage incurred by third parties. Claims and/or litigation arise in such areas as police civil liability (false arrest), street and sidewalk design and/or maintenance, utility maintenance, zoning, building and other land-use regulations, equipment operation and other areas. These claims or lawsuits are a natural consequence of conducting the City's business. The City of Bellingham self-insures to cover most of its liability risk as reflected in the retained self-insurance limit.

The City has recorded in its financial statements all other material liabilities, including an estimate for all known claim liabilities. Claims expenditures and liabilities are accrued when the amount of that loss can be reasonably estimated. This estimate includes non-incremental claims adjustment expenses.

In 2014, the estimated claims liability decreased by \$1,205,279.

The unemployment compensation fund was established to reimburse the State of Washington Employment Security Department, on a quarterly basis, for claims paid to former employees. State statutes mandate that most employers pay a tax or contribution to support the unemployment insurance system. City department contributions for 2014 totaled \$110,627. In 2014, the City paid \$94,900 in unemployment claims and \$23,484 in administrative costs. At December 31, 2014, the total estimated liability is \$160,000 and \$465,686 is available. Discretely presented component unit employees are covered under the City self-insurance and are included in the figures above, with the exception of the PDA director who was covered by Washington State Employment Security.

The worker's compensation fund is the source for payment of employee injury claims and other related costs. The City is self-insured for this program and administers its claims by retaining the services of a third party administrator. Claims are administered within the guidelines established by the State of Washington. The workers' compensation program has reinsurance with a \$550,000 per occurrence deductible.

Premiums are assessed to City departments based upon the number of hours worked by covered employees. Rates are revised annually to generate revenues sufficient to cover anticipated expenditures and provide a reserve for incurred but unreported future expenses. City department contributions for 2014 totaled \$726,227. The department contribution rates are based on an internal formula derived

from Washington State standard rates. In 2014, the City paid \$387,541 in worker's compensation claims and \$255,442 in administrative and reinsurance costs. At December 31, 2014, the total estimated liability is \$430,000 and \$1,079,291 is available. Discretely presented component unit employees are covered under the City's self-insurance plan and are included in the figures above, with the exception of the PDA director who was covered by Washington State Labor & Industries.

The health benefits fund is the source for payment of employee health care and related costs. Medical insurance for employees is provided through premium paid plans, purchased through the Association of Washington City's Employee Benefit Trust. Both the City and employees contribute to the cost of medical insurance premiums. The City pays the dental insurance premiums and provides a self-insured vision plan for all employees.

City departments pay monthly premiums to the health benefits fund to cover premiums paid to third parties, administrative overhead, and other obligations. City department contributions for 2014 totaled \$10,193,175 for the medical program, \$1,235,313 for the dental program, and \$85,975 for the vision program. Employee contributions for 2014 totaled \$692,282 for medical, \$0 for dental, and \$558 for vision. The City and employees paid a total of \$12,246,757, spent \$11,820,796 on insurance and health care, and spent \$561,893 on administrative costs. At December 31, 2014, \$2,862,688 is available for all purposes. Discretely presented component unit employees were covered under the City's health plan.

The City 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, 2014, 263 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 insurance through Regence BlueShield and Asuris Northwest Health, dental insurance through Delta Dental of Washington, and vision insurance through Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement. Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. The AWC Trust HCP purchases stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Life Map, and Group Health ISL at \$750,000 through Sun Life. 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 the AWC Board of Directors President and Vice President. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC. The accounting records of the Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

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

Claims expenditures and liabilities are accrued when the amount of that loss can be reasonably estimated. This estimate includes non-incremental claims adjustment expenses.

Changes in estimated claims liabilities

<u>Fund</u>	<u>Beginning liability</u>	<u>Changes in estimated claims</u>	<u>Actual claims payments</u>	<u>Ending liability</u>
Claims and litigation				
2012-2013	\$ 1,810,839	\$ (98,041)	\$ (128,015)	\$ 1,584,783
2013-2014	1,584,783	(1,089,752)	(115,527)	379,504
Unemployment compensation				
2012-2013	\$ 160,000	\$ 89,413	\$ (89,413)	\$ 160,000
2013-2014	160,000	94,900	(94,900)	160,000
Workers' compensation				
2012-2013	\$ 380,000	\$ 421,374	\$ (371,374)	\$ 430,000
2013-2014	430,000	387,541	(387,541)	430,000

V-B Contingencies

Cleanup contingencies - The City of Bellingham (the City) has been named as a Potentially Liable Party (PLP) (as that term is defined in the Model Toxics Control Act) by the Washington State Department of Ecology (DOE) with respect to several cleanup sites. Cleanup at these sites is in a variety of stages, from no action to completion, with several at the remedial investigation phase. For most of these sites, the City is eligible for, and has received or hopes to receive, 50% matching funds from DOE for the cleanups. At several of the sites, the City is not the only PLP and is in negotiation with the other PLPs as to each party's responsibility to fund the remedial actions. The City has issued two general obligation bonds for the City's share of remediation costs to be repaid primarily by net revenues from the solid waste fund. These revenues are generated principally by tax revenues paid by the City's solid waste contractor. The solid waste fund's projected cash flow indicates sufficient net revenue to repay the existing estimated principal and interest costs over a twenty-year period.

New Whatcom Waterfront Development project - In 2004, the City entered into an Interlocal Agreement with the Port of Bellingham to redevelop 137 acres of heavy industrial property located in the center of the City's downtown waterfront. The current plan is to create a new city neighborhood with homes, shops, offices, and light industry, as well as parks and promenades, a healthy shoreline habitat along Bellingham Bay, and a new marina. The City has agreed to provide essential new roads, utilities, parks and trails. The specific elements of the public infrastructure to be provided by the City will be delineated in the Development Agreement. The Port agreed to purchase the Georgia-Pacific property, conduct a comprehensive environmental cleanup of the site and the waterway in keeping with goals defined by the Bellingham Bay Pilot Project, and to develop new visitor and permanent moorage. In addition, the project has received support from the state for railroad track relocation, demolition, planning, and environmental cleanup. The federal government has awarded funds for major transportation improvements needed to access this site. In 2006, the State Legislature approved the New Whatcom Waterfront Development Project as one of the demonstration projects for the Local Infrastructure Financing Tool (LIFT). LIFT is a type of tax incremental financing that will provide up to \$1 million per year for capital projects in the redevelopment area for twenty-five years.

Bellingham-Whatcom Public Facilities District (PFD) contingent loan agreement – In 2007, the City guaranteed the 20 year, \$9,995,000 December 2007 limited sales tax obligation bonds of the PFD, a legally separate discrete component unit of the City, as well as the PFD's \$9,370,000 portion of the 2004 LTGO PFD/Civic/Aquatic refunding bond. Both bonds require annual payments of principal and interest. Under the terms of the 2007-0552 contract the City of Bellingham agreed to be contingently liable for the PFD's 2007 bond payments as well as the PFD's portion of the City's 2004 LTGO PFD/Civic/Aquatic refunding bond. Specifically the contract states: "in the event that the District is unable to timely provide for the payment of principal of or interest on any of its Bonds, the City shall lend the District the amount necessary to make such timely payments". This nonexchange financial guarantee extends through the life of both notes which matures on December 1, 2027, and December 1, 2026, respectively. The total remaining amount of all guarantees extended to the PFD that are outstanding as of December 31, 2014, is \$17,048,000. If the City makes the bond payments on behalf of the PFD due to the PFD's inability to pay the bond obligations when due, the PFD will have to repay the City for the amount expended on their behalf, along with interest set at the rate of the then-current yield of the City's pooled investments.

Due to the recession and the corresponding decrease in sales tax revenue, the City anticipates that beginning in 2018 revenues will be insufficient to cover all of the PFD debt service requirements. GASB Statement No. 70 requires governments that guarantee the indebtedness of others to recognize a liability related to the guarantee when qualitative factors and historical data indicate that it is more likely than not that a government will be required to make a payment related to the nonexchange financial guarantees it extended for liabilities of other entities. The PFD's ability to make its bond and loan repayments was originally predicated on sales tax revenues increasing year over year at a steady 4.5% increase from 2004 to 2027. Given the effects of the recession beginning in 2008, the PFD has substantially less cash and reserves than the original projections. Staff continues to monitor sales tax growth as well as work with the PFD Board to reduce the anticipated shortfall through:

- Bond Refunding
- Legislation Changes
- Other Contributions

However, even with these efforts the PFD and City's projections and forecasts indicate that beginning in 2018 the PFD will not have sufficient funds to make its required debt service payments on its own. Accordingly, the City booked a liability in the statement of net position for \$2,128,001 for the PFD guarantee along with reducing net position by \$2,128,001 in the statement of activities with this change in accounting principle. Of this total \$268,083 was the estimated present value of the PFD bond shortfall

for the 2007 bonds and the other \$1,859,918 was the estimated present value of the PFD bond shortfall on the 2004 bonds that is due to the City. The amount of the liability recognized is the best estimate of the discounted present value of the future outflows expected to be incurred as a result of the guarantee. The City has not had to make any actual payments on this guarantee in the current period.

Grant contingencies - The City participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. There are no known or estimated liabilities as the result of these audits as of year-end.

Home rehabilitation program loan guarantee - The City has an agreement with Key Bank of Washington to guarantee Bellingham Home Rehabilitation Program loans. The City is committed to reimburse the bank for 90% of the outstanding balance of defaulted program loans. At December 31, 2014, the outstanding balance of these loans is \$9,925, and the resultant contingent liability is \$8,933.

V-C GASB 49 pollution remediation obligations

The City records pollution remediation obligations as a liability and prepaid pollution costs as an asset. The City accounts for remediation activity in both proprietary and governmental funds. The City's future remediation obligations are reviewed and updated at the end of each year to reflect current year activity and to revise estimates of future obligations. All sites are overseen by the Washington State Department of Ecology. The City has been named as a Potentially Liable Person ("PLP") by the Washington State Department of Ecology for each of the five sites listed below. To determine the City's remediation liability, project estimates were used from engineers and other remediation specialists. In each case, Legal and Finance staff determined that a single project option was the best representation of the City's future liability. The City expects to receive up to half of the cost of all environmental remediation costs from the State of Washington through the issuance of Department of Ecology local cleanup grants. These grants are issued on a biennial basis with each grant being awarded following the issuance of a cleanup order from the Department of Ecology. These grants are not recognized by the City until they are received.

As remedial investigation and feasibility study (RI/FS) reports are completed and become available, the estimated pollution remediation obligation balances are updated to reflect the revised estimates. A RI/FS was prepared and issued for the Cornwall Ave Landfill Site in December 2013. The consent decree for the Cornwall Ave Landfill Site was signed in December 2014 and selected the preferred alternative for cleanup. The estimated pollution remediation obligation for the Cornwall site was updated below based on the preferred alternative discussed in the report less the current year activity.

RI/FS reports are in process for the other three sites where the City of Bellingham has been named as a PLP. Costs will be updated as clean-up actions are finalized for each site. The pollution remediation obligation is an estimate subject to changes resulting from price increases or reductions, technology, and changes in applicable laws and regulations.

Estimated pollution remediation obligations as of December 31, 2014

Site	Governmental activities	Business-type activities
S. State St Man. Gas Plant (f.k.a Boulevard Park)	\$ 8,446,798	\$ -
Cornwall Ave Landfill Site	-	7,055,685
RG Haley Site	4,469,427	-
Eldridge Municipal Landfill	-	9,349
Central Waterfront	-	2,914,826
Total	<u>\$ 12,916,225</u>	<u>\$ 9,979,860</u>

Estimated pollution remediation prepaid assets	
	Business-type
<u>Site</u>	<u>activities</u>
Cornwall Ave Landfill Site	\$ 709,014
Central Waterfront	1,408,326
Total	<u>\$ 2,117,340</u>

South State Street Manufactured Gas Plant site (formerly known as: Boulevard Park) – Remediation is required to cleanup contamination from the use of this site for the manufacturing of gas from coal. The current estimated cost of remediation is \$8.4 million. The City is negotiating for financial contributions from other potentially liable parties.

Cornwall Ave Landfill site - Remediation is required to cleanup contamination from the use of this site as a landfill for solid waste. In 2005, the City and the Port of Bellingham ('the Port') entered into an agreement to cleanup this site with an original cost estimate of \$3 million plus Ecology oversight costs. The City prefunded its share of that original estimate by paying the Port \$1.44 million upfront.

An RI/FS was released in December 2013 and placed the new estimate for groundwater and sediment cleanup at \$9.1 million. Additionally, the City and Port expect another \$434 thousand of Ecology oversight costs on top of the estimate in the RI/FS. Of the \$1.44 million prepaid, \$731 thousand has been exhausted leaving a residual prepaid asset of \$709 thousand. The City's current estimated remediation liability is \$7.06 million based on the cost sharing agreement between the City and the Port. The net balance of the City's prepaid pollution remediation asset and the City's pollution remediation obligation related to the Cornwall Ave Landfill site is \$6.35 million.

RG Haley site - Remediation is required to cleanup contamination from the use of this site as a wood treatment facility and from cross contamination from garbage landfill activities on the adjacent property, which is part of the Cornwall Avenue Landfill Site.

During 2013, approximately \$412 thousand was spent on a contamination containment interim action to prevent the spread of petroleum hydrocarbon to the waters of Bellingham Bay. Containment was achieved by placing amended or reactive cap material on top of the contaminated sediment. The interim action was intended to contain contaminants while the City completes the Remedial Investigation and Feasibility Study (RI/FS) process in accordance with the Washington State Model Toxics Control Act. The interim action did not preclude the evaluation or selection of alternatives for the final cleanup action. The total liability related to the RG Haley Site was increased in the 2012 financial statements based on the anticipated interim action costs. Substantial progress has been made on the draft of the RI/FS which includes additional costs, however, the RI/FS is not yet complete or issued. Accordingly, the RG Haley liability has not been increased. The estimated liability will be updated upon issuance of the RI/FS report.

Eldridge Avenue Municipal Landfill – Remediation is required to cleanup contamination from the use of this site as a landfill for garbage. The remediation of this site is now complete. Ongoing monitoring and testing of the site is being coordinated with the Department of Ecology. The current cost estimate for completion of the remaining work is \$9 thousand.

Central Waterfront – Remediation is required to cleanup contamination from the use of this area as a landfill for solid waste. In 2005, the City and the Port of Bellingham entered into an agreement to

cleanup this site for an estimated \$6.8 million. The City pre-paid the Port of Bellingham \$2.26 million in 2005 to be applied against the future remediation expenses. Of the \$2.26 million prepaid, \$852 thousand has been exhausted leaving a residual prepaid asset of \$1.41 million. The City's current estimated remediation liability is \$2.91 million. The net of the prepaid pollution remediation asset and the pollution remediation obligation related to the Central Waterfront site is \$1.51 million.

V-D Interlocal agreements

Whatcom Medic One

In November 2005, Whatcom County voters approved a ballot proposition authorizing the County to collect 1/10th of one percent sales tax for the purposes of supporting countywide emergency medical and law enforcement services. One-third of this tax remains with the county/cities for law enforcement and two-thirds of this tax is remitted to the County to be used for countywide emergency medical services.

In 2010, Whatcom County advised the City of its intent to opt out of the ambulance services contract renewal. On January 1, 2014, the County assumed management responsibility of the countywide emergency medical service. The City of Bellingham now contracts with the County to provide ambulance service in certain areas of the county. The co-owned Whatcom Medic One inventory, assets, and liabilities were equally divided between Whatcom County and the City as stipulated in the 2006 Interlocal agreement.

What-Comm/Prospect Communications Center

The City of Bellingham participates with Whatcom County and other local governmental jurisdictions to provide two communication centers; the first is for law enforcement and is the primary public safety answering point. The other is for fire and emergency medical services and serves as the secondary public safety answering point. Each center is capable of providing back up support for the other.

City police department personnel operate "What-Comm Communications Center" and administration of this center is the responsibility of the Bellingham Police Chief. City fire department personnel operate "Prospect Communications Center" and administration of this center is the responsibility of the Bellingham Fire Chief. The City is responsible for maintaining records and statistics regarding the two operations.

The City operates and manages the communications centers under advisement of an administrative board composed of eight voting members and one nonvoting member. The Administrative board has the authority to establish broad policy guidelines and establishes the annual financial contributions to be made by the member jurisdictions. In 2014, the City contributed \$1,037,615 to the public safety dispatch fund as its share of operations, approximately 20% of total revenues.

Waterfront redevelopment

The Bellingham City Council and the Port of Bellingham's Board of Commissioners approved a package of Waterfront District Master Plan documents and related development agreements in December 2013. These documents include the Waterfront District Sub-Area Plan, Design Standards, Development Regulations, Development Agreement, Planned Action Ordinance, and the Interlocal Agreement for Facilities. The Port and City acknowledge that redeveloping the Waterfront District in conformance with the Master Plan will require facilities. The Port's and City's obligations for providing such facilities and the phasing of such facilities are based on a set of triggers that are set forth in the Interlocal Agreement for Facilities. The Port and the City have agreed to jointly prioritize and pursue outside funding assistance from federal, state, and other sources.

Lake Whatcom Management Program (LWMP) and Aquatic Invasive Species (AIS)

The City of Bellingham, Whatcom County, and the Lake Whatcom Water and Sewer District (LWWSO) came together in 1998 to formalize, by interlocal agreement, the Lake Whatcom Management Program. The goal of the program is to improve lake water quality by jointly implementing programs affecting the Lake Whatcom Watershed. In 2010 the LWMP 2010-2014 work plan was adopted which included several capital projects all three entities committed to completing. In this timeframe the Aquatic Invasive Species (AIS) Prevention Program was also launched as a joint program funded by LWWSO, Whatcom County, the City, and program fees. The City contributed \$76,826 towards the AIS program in 2014, LWWSO contributed \$50,000, and the County contributed \$70,000. Additionally, in 2014 the City completed the stormwater retrofit project at Bloedel Donovan which was under the management of the LWMP. The City, County, and LWWSO have all agreed through the interlocal agreement to commit funds towards land preservation, stormwater management, land use, education and engagement, monitoring and data, hazardous materials mitigation, recreation, AIS, utilities and transportation, and administration. The 2015-2019 work plan cost estimates for the LWMP include contributions totaling \$45.7 million between the City, County, and LWWSO over the next five years.

Lake Whatcom Water and Sewer District

The Lake Whatcom Water and Sewer District (LWWSO) is a distinct municipal entity with its own assets, liabilities, and governing board. The LWWSO is not a component unit of the City.

The Lake Whatcom Water and Sewer District (LWWSO) entered into Interlocal Agreement 2014-0136 which is effective from January 1, 2014, through December 31, 2034. RCW 39.34 allows governmental entities to enter into Interlocal Agreements to perform services for one another on the basis of mutual advantage and the Bellingham Municipal Code 15.36 authorizes the City to provide sewer services outside its corporate limits subject to certain conditions. Interlocal agreement 2014-0136 established the terms and conditions upon which the City will accept, convey, treat, and dispose of the District's sewage for a fee. The District agreed to pay its proportionate share of the City's sewer system costs, including operation and maintenance (O&M) and capital improvements. The District's proportionate share of the City's sewer system costs consist of volumetric charges and capital contribution charges as specified in section 6 of the agreement. In 2014 the LWWSO paid the City \$125,802 based on their relative use of the City's sewerage system.

Fire District #8

Whatcom County Fire Protection District No. 8 is a distinct municipal entity and is not a component unit of the City.

Whatcom County Fire Protection District No. 8 and the City of Bellingham entered into Interlocal agreement 2013-0030 for the provision of administrative services. District 8 and the City agreed that a long-term agreement between the two entities for fire and emergency medical services is beneficial to both agencies and their stakeholders and accordingly the City agreed to provide the following services to District 8 for a fee: (a) Fire Chief level oversight, (b) operational management for District 8, and (c) financial management. This agreement is effective from February 1, 2013, and shall continue in effect until December 31, 2017, unless terminated earlier by the provisions in the agreement. In 2014, the City billed the District \$199,509 for providing these services.

Whatcom County Rural Library District

Whatcom County Rural Library District a distinct municipal entity with its own assets, liabilities, and governing board. Whatcom Rural Library District is not a component unit of the City.

Per Interlocal agreement 2013-0614 the City Library and the County Library provide unrestricted access to library services and circulation materials for all residents of the service areas of both libraries.

However, since County residents use the City Library to a greater degree than the County Library is used by City residents, the County Library agreed to reimburse the City Library \$151,360 in 2014.

V-E Related-party transactions

Port of Bellingham Pollution Remediation Costs

The Port of Bellingham is a distinct municipal entity with its own assets, liabilities, and governing board. The Port of Bellingham is not a component unit of the City.

Although distinct entities, the Port and the City are both listed as potentially liable parties (PLP's) by the Department of Ecology in regards to the pollution remediation requirements for the Cornwall Ave Landfill Site and the Central Waterfront site. As two named governmental entities the City and the Port are working jointly with Ecology to address the remediation concerns. In 2005 the City prepaid the Port \$1.44 million and \$2.26 million towards the clean-up of Cornwall Ave and the Central Waterfront, respectively, and as of December 31, 2014, the City has \$709,014 and \$1,408,326 of these two prepayments remaining, respectively.

Park Districts Loan

The Chuckanut Community Forest Park District (Park District) is a distinct municipal entity with its own assets, liabilities, and board of commissioners. The Park District was created on February 12, 2013, when voters in a southern portion of the City approved a ballot measure to create the Chuckanut Community Forest Park District. The Park District taxes property owners within its boundaries to repay the loan from the Greenways Endowment Fund in exchange for a conservation easement ensuring the entirety of the property purchased with the original loan is protected in perpetuity in public ownership. The property will be protected with the conservation easement with respect for its ecological, recreational and educational functions. The Park District is not a component unit of the City.

The specific terms and conditions of the loan repayment are included in Interlocal agreement #2013-0624 which was signed at the end of 2013. In this agreement the Park District agreed to begin making payments to the City to pay off the loan of \$3,232,022, accrued interest on the loan through June 30, 2014, of \$100,335, and future interest on the loan after June 30, 2014. The repayment terms for this loan are interest only with a balloon payment of \$3,232,022 in 2017. The District has levied a \$0.28 cent per thousand dollars of assessed valuation to repay the Greenways endowment fund for this land purchase. The Park District made its first loan repayment of \$13,255 in 2014.

As of the date of the financial statements there is an unresolved lawsuit which is questioning the legality of the formation of the Park District, which correspondingly, calls into the question whether or not this loan agreement and conservation easement will be valid.

V-F Pension plans

Substantially all City 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3**Plan Description**

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 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 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Terminated Plan Members Nonvested	101,191
Total	368,272

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

State agencies and local government employers not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

***Minimum rate.

Both the city and the employees made the required contributions. The city's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2014	\$ 90,432	\$ 2,043,234	\$ 754,863
2013	96,731	1,590,094	669,138
2012	103,272	1,314,610	557,991

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board’s duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS’ Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

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 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. 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 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect the choice of survivor option and for each year that the member's age is less than 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	10,511
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	699
Active Plan Members Vested	16,830
Terminated Plan Members Nonvested	1,600
Total	29,640

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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 DRS' Fiscal Year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2014, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for ports and universities is 8.59%.

Both the City and the employees made the required contributions. The City required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2014	\$ 461	\$ 1,240,824
2013	890	1,312,368
2012	822	1,167,707

City of Bellingham Firefighter's and Police Relief Pension Funds

Plan description:

The City is the administrator of two single employer defined benefit pension plans, the Firefighter's and Police Relief pension funds shown as trust funds in the City's financial reports. Both systems were established in conformance with RCW 41.18 and 41.20. These plans provide retirement benefits, disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Separate financial statements are not issued.

Membership and eligibility:

Membership is limited to firefighters and police officers employed prior to March 1, 1970, when the DRS LEOFF Plan I retirement system was established. The plan is closed to new members. Plan membership consists of:

	Firefighter's 12/13/14	Police Relief 12/13/14	Total City Pensions
Active	1	1	2
Retirees	27	17	44
Beneficiaries	20	9	29
Total Participants	48	27	75
Receiving Benefits	41	16	57

Firefighter pension members are eligible for retirement after completing 5 years of service and attaining the age of 50. A member is eligible for disability benefits if disabled for a minimum of 6 months. An individual becomes vested after 5 years of service. All existing members of this closed plan are fully vested.

Police relief pension plan members are eligible for benefits after completing 25 years of service. A member is eligible for disability benefits if disabled for a minimum of 6 months. An individual becomes vested after 5 years of service. All existing members of this closed plan are fully vested.

Benefit obligations:

The City's obligation under the plans consists of paying full benefits, including payment to beneficiaries, for members who retired prior to March 1, 1970, and partial or excess benefits over LEOFF Plan I benefits for those members who retired or will retire after March 1, 1970.

Pension benefits are tied to the current pay rates and/or the cost of living index. Benefits are calculated at 2% per year of service and on the average final compensation for the last two years of credited service

Each member in service on March 1, 1970, receives the greater of benefit payable under the DRS LEOFF Plan I system or the benefits available under the old law. Where benefits under the old law exceed those under LEOFF Plan I, the excess benefits are paid by the pension fund of the City employing them on March 1, 1970.

There were no changes in benefit provisions in the current year.

Summary of significant accounting policies:

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recorded when due and payable in accordance with the terms of each plan.

The individual plans net position and changes in net position for the year ended, December 31, 2014, are as follows:

Pension - Statement of Net Position			
	<u>Firefighter's</u>	<u>Police Relief</u>	<u>Total City Pensions</u>
ASSETS			
Cash and cash equivalents	\$ 1,052,731	\$ 797,517	\$ 1,850,248
Investments:			
Governments securities	3,928,046	2,975,772	6,903,818
Receivables, net	44,105	7,011	51,116
Interfund loans receivable	<u>1,084,959</u>	<u>-</u>	<u>1,084,959</u>
Total assets	<u>6,109,841</u>	<u>3,780,300</u>	<u>9,890,141</u>
LIABILITIES			
Accounts payable	1,255	18,052	19,307
Accrued pension benefits	43,617	9,986	53,603
Other liabilities	<u>33,366</u>	<u>-</u>	<u>33,366</u>
Total liabilities	<u>78,238</u>	<u>28,038</u>	<u>106,276</u>
NET POSITION HELD IN TRUST	<u>\$ 6,031,603</u>	<u>\$ 3,752,262</u>	<u>\$ 9,783,865</u>

Pension - Statement of Changes in Net Position			
	<u>Firefighter's</u>	<u>Police Relief</u>	<u>Total City Pensions</u>
Contributions:			
Taxes	\$ 737,527	\$ -	\$ 737,527
Auction proceeds	-	14,355	-
Employer contributions	<u>70,000</u>	<u>323,660</u>	<u>393,660</u>
Total trust contributions	<u>807,527</u>	<u>338,015</u>	<u>1,145,542</u>
Investment income:			
Interest	48,353	28,980	77,333
Net incr (decr) in fair value of investments	<u>15,681</u>	<u>12,613</u>	<u>28,294</u>
Net investment income	<u>64,034</u>	<u>41,593</u>	<u>105,627</u>
Total additions	<u>871,561</u>	<u>379,608</u>	<u>1,251,169</u>
DEDUCTIONS			
Pension benefits	536,869	122,007	658,876
Administration expense	<u>2,420</u>	<u>2,969</u>	<u>5,389</u>
Total deductions	<u>539,289</u>	<u>124,976</u>	<u>664,265</u>
CHANGE IN NET ASSETS			
Pension benefits	<u>332,272</u>	<u>254,632</u>	<u>586,904</u>
Net position, beginning of year	<u>5,699,331</u>	<u>3,497,630</u>	<u>9,196,961</u>
Net position, end of year	<u>\$ 6,031,603</u>	<u>\$ 3,752,262</u>	<u>\$ 9,783,865</u>

Investments:

Details of plan investments are included in Note IV-A. The fair value of investments in these funds are determined by their market value.

Funding policy and contributions:

The general fund is responsible for ensuring that each of the pension funds has adequate cash to pay their benefit obligations and administrative expenses each year. There have been no required employee contributions to the firefighter's or police relief pension plans since March 1, 1970.

Actuarial methods and assumptions:

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and the amounts are subject to continual revision and reflect a long-term perspective. Actuarial valuations of these plans are performed every two years, with the most recent valuation being performed to determine the funded status as of December 31, 2014. The actuarial assumptions involving investment earnings and salary growth for firefighter's and police relief pension plans have been determined in accordance with the recommendation of the system's retained actuary. Under LEOFF Plan I, the benefit is adjusted after retirement in proportion to the change in the Consumer Price Index (CPI). Most adjustments are based on the change in salary for the rank the members held at retirement. The salaries are based on salary and benefits surveys collected by the Association of Washington Cities (AWC) for an upper-level police and firefighter. The CPI figures used are for classification *Urban Wage Earners and Clerical Workers* officer, *Seattle-Everett, Washington*, which is the basis of LEOFF Plan I increases.

While assumptions are made regarding mortality, inflation and wage rates, our actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The City uses this cash flow projection to budget annual amounts to transfer to these plans for benefits.

The following significant assumptions are used in the most current study:

Pension actuarial methods and assumptions	
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Actuarial cost method	entry age
Asset valuation method	market value
Amortization method	level basis as a % of salary
Amortization period	closed, 30 years
Remaining amortization	15 years
Assumed composite rate of return	3.5%
Projected salary increases	3.0%
Cost of living adjustments	2.5%
Inflation rate	2.5%
Mortality rate - static projection	RP-2000, scale BB

Annual Pension Cost and Net Pension Obligations:

The City’s annual pension cost and net pension asset for the year ended December 31, 2014, are as follows:

Annual Pension Cost (APC) and Net Pension Asset (NPA)

	<u>Firefighter's</u> <u>12/13/14</u>	<u>Police Relief</u> <u>12/13/14</u>
Annual required contribution (ARC)	\$ 73,616	\$ -
Interest on net pension asset (NPA)	(252,950)	(162,817)
Adjustment to the ARC	<u>500,866</u>	<u>159,228</u>
Annual pension cost (APC)	321,532	(3,589)
Contributions made	<u>(807,527)</u>	<u>(338,015)</u>
Increase / (decrease) in net pension asset	(485,995)	(341,604)
Net pension obligation (asset), beginning of year	<u>(5,621,116)</u>	<u>(3,618,158)</u>
Net pension obligation (asset), end of year	<u>\$ (6,107,111)</u>	<u>\$ (3,959,762)</u>

Funded status and funding progress:

A schedule of funding progress provided in the required supplemental information section of this report provides information on whether the funded ratio is increasing or decreasing over time. As of the last valuation date, December 31, 2014, the firefighter's pension plan is 105.3% funded and the police relief pension plan is 274.5% funded. In 2014, the City contributed more than the ARC in both the firefighter's and the police relief pension plans.

Schedule of pension funded status

	<u>Firefighter's</u> <u>12/31/14</u>	<u>Police Relief</u> <u>12/31/14</u>
Actuarial accrued liability (AAL)	\$ 5,731,000	\$ 1,367,000
Actuarial value of plan assets	<u>6,032,000</u>	<u>3,752,000</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (301,000)</u>	<u>\$ (2,385,000)</u>
Funded ratio (actuarial value of plan assets/AAL)	105.3%	274.5%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 357,440	\$ 162,093
UAAL as a % of covered payroll	-84.2%	-1471.4%

Trend information is intended to provide an indication of the progress being made in accumulating sufficient assets to pay benefits when due. A negative net pension obligation is the result of the City overpaying its annual required pension cost.

Three year pension trend information

	Year ending	Annual pension cost (APC)	Contributions	Percentage of APC contributed	Net pension obligation
Firefighter's	12/31/12	\$ 252,555	\$ 633,363	250.8%	\$ (5,100,061)
	12/31/13	227,549	748,604	329.0%	(5,621,116)
	12/31/14	321,532	807,527	251.1%	(6,107,111)
Police Officer's	12/31/12	**	399,991	**	(3,290,978)
	12/31/13	**	263,344	**	(3,618,158)
	12/31/14	**	\$ 338,015	**	\$ (3,959,762)

** Annual pension cost is less than zero.

V-G Other post-employment benefits (OPEB)

Firefighter's and Police Officer's Medical and Long-Term Care Plans

Plan description:

In addition to the pension benefits described in Note V-E, the City is also the administrator of the firefighter's and police officer's medical and long-term care plans. Both health plans are closed single-employer defined benefit plans shown as trust funds in the City's financial reports. Separate financial statements are not issued. In accordance with RCW 41.26 the City provides lifetime health care benefits for firefighter's and police officer's who established membership after June 8, 1961, and before October 1, 1977.

Membership and eligibility:

	Firefighter's 12/13/14	Police Officer's 12/13/14	Total City OPEB
Active	1	1	2
Retirees	68	45	113
Total Participants	69	46	115

Benefit obligations:

The City's obligation under the plans consists of paying retired LEOFF Plan I members' lifetime usual and customary medical and long-term care services not payable from another source. The Bellingham Fire and Police Pension Boards' review claims and designate the health care services and expenses to be covered.

Summary of significant accounting policies:

The financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are due and the City has made a formal commitment

to provide the contributions. Benefits and refunds are recorded when due and payable in accordance with the terms of each plan.

The individual plans net position and changes in net position for the year ended, December 31, 2014, are as follows:

OPEB - Statement of Net Position			
	Firefighter's	Police Officer's	Total City OPEB
ASSETS			
Cash and cash equivalents	\$ 608,800	\$ 507,927	\$ 1,116,727
Investments:			
Governments securities	2,271,610	1,895,224	4,166,834
Receivables, net	5,352	4,465	9,817
Total assets	2,885,762	2,407,616	5,293,378
LIABILITIES			
Accounts payable	19,599	-	19,599
Total liabilities	19,599	-	19,599
NET POSITION HELD IN TRUST	\$ 2,866,163	\$ 2,407,616	\$ 5,273,779
OPEB - Statement of Changes in Net Position			
	Firefighter's	Police Officer's	Total City OPEB
Contributions:			
Taxes	\$ 1,325,385	\$ -	\$ 1,325,385
Employer contributions	135,220	971,121	1,106,341
Total trust contributions	1,460,605	971,121	2,431,726
Investment income:			
Interest	20,500	17,743	38,243
Net incr (decr) in fair value of investments	8,742	8,600	17,342
Net investment income	29,242	26,343	55,585
Total additions	1,489,847	997,464	2,487,311
DEDUCTIONS			
Medical benefits	150,188	714,844	865,032
Long-term care benefits	1,079,874	131,537	1,211,411
Administrative costs	34,061	26,277	60,338
Total deductions	1,264,123	872,658	2,136,781
CHANGE IN NET ASSETS			
Long-term care benefits	225,724	124,806	350,530
Net position, beginning of year	2,640,439	2,282,810	4,923,249
Net position, end of year	\$ 2,866,163	\$ 2,407,616	\$ 5,273,779

Investments:

Details of plan investments are included in Note IV-A. The fair value of investments are determined by their market value.

Funding policy and contributions:

The general fund is responsible for ensuring that the trust funds have adequate cash to pay their benefit obligations and administrative expenses each year. The medical care benefits are funded on a pay-as-you-go basis. The long-term care benefits are being pre-funded.

The firefighter's medical and long-term care health plan contributions for 2014 consisted of \$1,325,385 of City levied property tax, \$135,220 of employer general fund contribution, and \$29,242 of investment income.

The police officer's medical and long-term care health plans contributions for 2014 consisted of \$971,121 of employer general fund contribution and \$26,343 of investment income.

Member benefits and expenses:

In 2014, the City purchased group insurance from Association of Washington Cities (AWC) to provide comprehensive medical coverage for LEOFF Plan I retirees under the age of 65 and supplemental medical coverage for LEOFF Plan I retirees over the age of 65. The City reimburses Medicare Part B premiums for eligible LEOFF Plan I retirees over the age of 65.

The fixed AWC insurance premiums paid in 2014 were \$1,475 per month for retirees not enrolled in Medicare and \$1,034 per month for retirees enrolled in Medicare. The Medicare Part B insurance premiums paid in 2014 were \$105 per month.

Funding status and progress:

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and the amounts are subject to continual revision and reflect a long-term perspective. Actuarial valuations of these plans are performed every two years, with the most recent valuation being performed to determine the funded status as of December 31, 2014. The actuarial assumptions involving investment earnings and salary growth for both firefighter's and police officer's long-term care plans have been determined in accordance with the recommendation of the system's retained actuary. OPEB calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of cost sharing between the employer and plan members. While assumptions are made regarding mortality, inflation and wage rates, our actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The City uses this cash flow projection to budget annual amounts to transfer to these plans for benefits. The following significant assumptions are used in the most current study:

OPEB actuarial methods and assumptions

Actuarial cost method	entry age
Asset valuation method	market value
Amortization period	closed, 30 years
Remaining amortization	22 years
Assumed composite blended rate of return	3.5% **
Inflation rate	2.5%
Medical care cost inflation rate	7% grading down to 5% over 4 yrs.
Long-term care cost inflation rate	4.5%
Mortality rate - static projection	RP-2000, scale BB

** The blended rate of return is calculated based on the long term municipal bond rate which was 3.5% at December 31, 2014.

Annual OPEB cost and net OPEB obligations:

The City’s annual pension cost and net pension asset for the year ended December 31, 2014, are as follows:

Annual OPEB cost and net OPEB obligation		
	Firefighter's 12/13/14	Police Officer's 12/13/14
Annual required contribution (ARC)	\$ 1,538,195	\$ 1,008,853
Interest on net OPEB obligation (NOA)	20,656	15,905
Adjustment to the ARC	<u>(31,866)</u>	<u>(24,537)</u>
Annual OPEB cost (AOC)	1,526,985	1,000,221
Contributions made	<u>(1,460,605)</u>	<u>(971,121)</u>
Increase / (decrease) in net OPEB obligation	66,380	29,100
Net pension obligation (asset), beginning of year	<u>459,020</u>	<u>353,447</u>
Net pension obligation (asset), end of year	<u>\$ 525,400</u>	<u>\$ 382,547</u>

A schedule of funding progress provided in the required supplemental information section of this report provides information on whether the funded ratio is increasing or decreasing over time. As of the last valuation date, December 31, 2014, the firefighter's OPEB long-term care plan is 13.4% funded and the police officer's OPEB long-term care plan is 16.4% funded.

Schedule of OPEB funded status		
	Firefighter's 12/31/14	Police Officer's 12/31/14
Actuarial accrued liability (AAL)	\$ 21,396,000	\$ 14,684,000
Actuarial value of plan assets	<u>2,866,000</u>	<u>2,408,000</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 18,530,000</u>	<u>\$ 12,276,000</u>
Funded ratio (actuarial value of plan assets/AAL)	13.4%	16.4%
Covered payroll (annual payroll of active employees covered by the plan)	\$ 357,440	\$ 162,093
UAAL as a % of covered payroll	5184%	7573%

Trend information is intended to provide an indication of the progress being made in accumulating sufficient assets to pay benefits when due. A negative net OPEB obligation is the result of the City overpaying its annual required OPEB cost.

Three year OPEB trend information

	Year ending	Annual OPEB cost (AOC)	Contributions	Percentage of AOC contributed	Net OPEB obligation
Firefighter's	12/31/12	\$ 1,650,398	\$ 1,590,108	96.3%	\$ 399,483
	12/31/13	1,533,146	1,473,609	96.1%	459,020
	12/31/14	1,526,985	1,460,605	95.7%	525,400
Police Officer's	12/31/12	1,095,506	1,085,080	99.0%	272,309
	12/31/13	1,005,411	924,373	91.9%	353,447
	12/31/14	\$ 1,000,221	\$ 971,121	97.1%	\$ 382,547

V-H Endowments

Greenways maintenance endowment fund – This endowment was created internally by ordinance 1998-02-004. In November 1997, the voters passed a ballot issue to levy increased property taxes in the amount of \$20 million over nine years to provide funds for continuing acquisition, improvement and maintenance of current and future open space, greenways, parks, athletic fields, recreation facilities, trails and wetlands. The City created two funds to account for this levy. The first was the beyond greenways fund with 90% of the levy property tax receipts to be used for acquisition and development/improvement of property. The other 10% of the property tax levy receipts and interest earnings are allocated into the beyond greenways endowment fund. The money allocated to this fund is not yet needed for operational purposes. Additionally, any principal donations that are intended to be kept in a nonexpendable trust are also put in the beyond greenways endowment fund.

On May 16, 2006, the voters passed a ballot authorizing the City to increase its regular property tax levy in 2007 to \$2.49 per thousand (which included \$0.057 per thousand from the beyond greenways levy) of assessed valuation on all of the taxable property within the City. The ballot specified increases in 2008 and each of the nine succeeding years as allowed by RCW 84.55 to be used for the costs of parks, greenways, trails, and open space property acquisition, development, and maintenance. The City created the greenways III fund to account for 91% of the property tax levy receipts. These receipts are to be used for acquisition and development/improvement of property. The remaining 9% of the levy property tax receipts and interest earnings that are not yet needed for operational purposes are deposited into the endowment fund.

Ordinance 2007-04-034 changed the name of the beyond greenways endowment fund to greenways maintenance endowment fund. This ordinance also expanded the scope of the fund to include revenues from the greenways III levy and maintenance activities for properties acquired or developed with any greenway levy funds.

The interest earned within the greenways maintenance endowment fund is transferred when needed. It helps pay for parks and recreation department maintenance of properties acquired and developed with beyond greenways funds.

As of December 31, 2014, a total of \$5,068,495 in property taxes and donations has been receipted into the endowment fund and is nonspendable. Interest in the amount of \$28,658 remains unspent.

Natural resources protect and restore fund – As a result of the 1999 Olympic Pipeline disaster, an agreement was reached in December 2003 between the City of Bellingham and the Washington State Department of Ecology establishing an endowment fund to be used solely for (a) the purchase of conservation easements, or (b) restoration of damaged ecological processes. Ordinance 2004-01-001 incorporated the agreement and its governing rules and regulations. The \$4.0 million endowment was received December 16, 2003.

According to the terms of the agreement, the corpus (or original lump payment received) cannot be expended for fifty (50) years. Only the interest earned by that corpus or any other outside revenues received (such as donations) may be expended for (a) or (b) as defined above. As of December 31, 2014, \$438,799 is available to spend.

The fund balance of the endowment fund is reflected in the governmental portion of the statement of net position and the statement of activities. Washington State authorizes the spending of net appreciation on investments of endowments in RCW 24.44. Investments for the endowment funds meet the same criteria as other City funds. The City's investment risk is described in note IV-A.



CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Legally Adopted Original General Fund
For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 13,626,708	\$ 13,626,708	\$ 13,784,569	\$ 157,861
Retail sales and use	14,060,400	14,060,400	14,240,035	179,635
Business	28,617,389	28,617,389	27,648,814	(968,575)
Other	885,000	885,000	977,860	92,860
Licenses and permits	691,571	691,571	722,435	30,864
Intergovernmental revenue	858,939	1,794,070	1,845,125	51,055
Charges for services	7,663,267	8,457,609	9,024,366	566,757
Fines and penalties	1,323,483	1,323,483	1,071,566	(251,917)
Miscellaneous revenue	672,805	672,805	916,114	243,309
Total revenues	<u>68,399,562</u>	<u>70,129,035</u>	<u>70,230,884</u>	<u>101,849</u>
EXPENDITURES				
Current:				
General government services	13,705,328	13,970,384	12,696,200	1,274,184
Public safety	36,117,583	36,669,125	36,139,796	529,329
Natural and economic environment	4,104,761	4,296,410	3,815,822	480,588
Cultural and recreation	13,013,357	13,027,571	12,616,436	411,135
Debt service:				
Redemption of general long-term debt	210,815	210,815	-	210,815
Interest and other debt service cost	11,514	11,514	21,850	(10,336)
Capital outlay	-	1,030,000	630,326	399,674
Total expenditures	<u>67,163,358</u>	<u>69,215,819</u>	<u>65,920,430</u>	<u>3,295,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,236,204</u>	<u>913,216</u>	<u>4,310,454</u>	<u>3,397,238</u>
OTHER FINANCING SOURCES (USES)				
General long-term debt proceeds	-	-	1,010,336	1,010,336
Transfers in	1,084,342	290,000	290,000	-
Transfers out	(4,327,489)	(4,142,309)	(4,149,480)	(7,171)
Total other financing sources and (uses)	<u>(3,243,147)</u>	<u>(3,852,309)</u>	<u>(2,849,144)</u>	<u>1,003,165</u>
Net change in fund balances	(2,006,943)	(2,939,093)	1,461,310	4,400,403
Fund balances - beginning	<u>14,879,989</u>	<u>17,069,127</u>	<u>16,062,490</u>	<u>(1,006,637)</u>
Fund balances - ending	<u>\$ 12,873,046</u>	<u>\$ 14,130,034</u>	<u>\$ 17,523,800</u>	<u>\$ 3,393,766</u>

CITY OF BELLINGHAM
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balances
Original General Fund compared to Combined GASB 54 General Fund GAAP Basis
For the Year Ended December 31, 2014

REVENUES

General fund	\$70,230,884
<i>Budgeted separately and consolidated for GASB 54 reporting -</i>	
Streets	19,949,885
Paths and Trails Reserve	8,748
Park Site Acquisition	2,422
Federal Building	738
Olympic - Whatcom Falls Park Addition	3,274
First 1/4% Real Estate Excise Tax	1,410,789
Second 1/4% Real Estate Excise Tax	1,481,059
Beyond Greenway Levy	10,213
Greenway III Levy	4,819,372
Park Impact Fees	2,631,584
Sportsplex	2,003
Combined General Fund	<u>100,550,971</u>

EXPENDITURES

General Fund	65,920,430
<i>Budgeted separately and consolidated for GASB 54 reporting -</i>	
Streets	19,087,509
Paths and Trails Reserve	506
Park Site Acquisition	56,493
Federal Building	411,915
Olympic - Whatcom Falls Park Addition	16,437
First 1/4% Real Estate Excise Tax	595,035
Second 1/4% Real Estate Excise Tax	280,433
Beyond Greenway Levy	549,701
Greenway III Levy	4,771,188
Park Impact Fees	1,351,294
Combined General Fund	<u>93,040,941</u>

OTHER FINANCING SOURCES (USES)

General Fund	(2,849,144)
<i>Budgeted separately and consolidated for GASB 54 reporting -</i>	<u>(16,380)</u>
Combined General Fund	<u>(2,865,524)</u>

NET CHANGES IN FUND BALANCES

General Fund	1,461,310
<i>Budgeted separately and consolidated for GASB 54 reporting -</i>	<u>3,183,196</u>
Combined General Fund	<u>\$ 4,644,506</u>

**Note: The eleven funds delineated above do not meet the definition of a special revenue fund as defined in GASB 54 ¶30-31 and by the WA State Auditors office BARS manual GAAP section 3.1.1.40 code 100. Accordingly, they were combined with the general fund for GAAP basis reporting. However, the budgets for these eleven funds and the originally budgeted general fund were legally appropriated and as such are presented as part of the combining and individual fund statements.*

Actuarial valuations for the following pension plans are performed every two years using the Entry Age Normal Cost Method. The most recent valuation was performed December 31, 2014. The next scheduled valuation date is December 31, 2016.

Schedule of pension funding progress

	Valuation date	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
Firefighter's	12/31/2006	\$ 3,512,000	\$ 8,204,000	\$ 4,692,000	42.8%	\$ 1,644,771	285%
	12/31/2008	4,762,000	7,385,000	2,623,000	64.5%	1,171,301	224%
	12/31/2010	5,441,000	6,570,000	1,129,000	82.8%	761,841	148%
	12/31/2012	5,555,000	6,382,000	827,000	87.0%	479,131	173%
	12/31/2014	6,032,000	5,731,000	(301,000)	105.3%	357,440	-84%
Police Relief	12/31/2006	\$ 2,684,000	\$ 2,142,000	\$ (542,000)	125.3%	\$ 1,112,039	-49%
	12/31/2008	3,216,000	2,205,000	(1,011,000)	145.9%	650,656	-155%
	12/31/2010	3,134,000	1,899,000	(1,235,000)	165.0%	396,480	-311%
	12/31/2012	3,408,000	1,575,000	(1,833,000)	216.4%	232,874	-787%
	12/31/2014	3,752,000	1,367,000	(2,385,000)	274.5%	162,093	-1471%

Schedule of employer pension contributions

	Year ending	Annual required contribution (ARC)	Employer contributions	Percentage contributed
Firefighter's	12/31/2009	\$ 219,490	\$ 1,028,402	468.5%
	12/31/2010	219,490	628,673	286.4%
	12/31/2011	100,391	496,590	494.7%
	12/31/2012	100,391	633,363	630.9%
	12/31/2013	73,616	748,604	1016.9%
	12/31/2014	73,616	807,527	1096.9%
Police Officer's	12/31/2009	**	\$ 17,559	**
	12/31/2010	**	150,745	**
	12/31/2011	**	73,432	**
	12/31/2012	**	399,991	**
	12/31/2013	**	263,344	**
	12/31/2014	**	338,015	**

Actuarial valuations for the following OPEB medical and long-term care plans are performed every two years using the Entry Age Normal Cost Method. The most recent valuation was performed December 31, 2014.

Schedule of OPEB funding progress

	Valuation date	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
Firefighter's	12/31/2010	\$ 1,713,000	\$ 23,929,000	\$ 22,216,000	7.2%	\$ 761,841	2916.1%
	12/31/2012	2,365,000	24,127,000	21,762,000	9.8%	479,131	4542.0%
	12/31/2014	2,866,000	21,396,000	18,530,000	13.4%	357,440	5184.1%
Police Officer's	12/31/2010	\$ 2,043,000	\$ 16,798,000	\$ 14,755,000	12.2%	\$ 396,480	3721.5%
	12/31/2012	2,172,000	16,445,000	14,273,000	13.2%	232,874	6129.1%
	12/31/2014	2,408,000	14,684,000	12,276,000	16.4%	162,093	7573.4%

Schedule of employer OPEB contributions

	Year ending	Annual required contribution (ARC)	Employer contributions	Percentage contributed
Firefighter's	12/31/2009	\$ 1,400,119	\$ 1,059,211	75.7%
	12/31/2010	1,400,119	1,577,876	112.7%
	12/31/2011	1,656,188	1,740,949	105.1%
	12/31/2012	1,656,188	1,590,108	96.0%
	12/31/2013	1,538,195	1,473,609	95.8%
	12/31/2014	1,538,195	1,460,605	95.0%
Police Officer's	12/31/2009	\$ 915,952	\$ 852,957	93.1%
	12/31/2010	915,952	692,509	75.6%
	12/31/2011	1,099,976	822,505	74.8%
	12/31/2012	1,099,976	1,085,080	98.6%
	12/31/2013	1,008,853	924,273	91.6%
	12/31/2014	1,008,853	971,121	96.3%

The City reports defined benefit pension plans that are administered through a trust or equivalent arrangement. A separately issued report for these plans can be obtained at <http://www.drs.wa.gov/> which presents the annual money-weighted rate of return on pension plan investments for each plan. The schedule is to be built prospectively until it contains ten years of data but as of the plans' fiscal year end only one year of data is reflected.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Other Non-Major Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 3,132,164	\$ 1,765,468	\$ 381,019	\$ 989,373	\$ 6,268,024
Investments	11,216,248	333,306	1,403,281	3,643,832	16,596,667
Receivables, net	62,775	7,600	656	7,499	78,530
Due from other governments	486,510	-	-	-	486,510
Due from component units	-	7,053,000	-	1,696,768	8,749,768
Interfund loans receivable	-	-	-	3,218,767	3,218,767
Prepaid items	27,707	-	-	-	27,707
Special assessments	-	123,594	-	-	123,594
Notes and contracts receivable	14,846,199	-	-	-	14,846,199
Restricted:					
Cash and cash equivalents	28,079	-	-	-	28,079
Investments	103,413	-	-	-	103,413
Total assets	<u>29,903,095</u>	<u>9,282,968</u>	<u>1,784,956</u>	<u>9,556,239</u>	<u>50,527,258</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	999,670	54	-	-	999,724
Accrued wages and benefits	207,269	-	-	-	207,269
Due to other funds	144,031	-	-	13,109	157,140
Unearned revenue	45,540	123,594	627	7,178	176,939
Total liabilities	<u>1,396,510</u>	<u>123,648</u>	<u>627</u>	<u>20,287</u>	<u>1,541,072</u>
FUND BALANCES					
Nonspendable	27,707	-	-	9,068,495	9,096,202
Restricted	28,478,878	9,159,320	1,784,329	467,457	39,889,984
Total fund balances	<u>28,506,585</u>	<u>9,159,320</u>	<u>1,784,329</u>	<u>9,535,952</u>	<u>48,986,186</u>
Total liabilities and fund balances	<u>\$ 29,903,095</u>	<u>\$ 9,282,968</u>	<u>\$ 1,784,956</u>	<u>\$ 9,556,239</u>	<u>\$ 50,527,258</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2014

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Funds</u>	<u>Total Other Non-Major Governmental Funds</u>
REVENUES					
Taxes	\$ 9,006,226	\$ -	\$ 1,298,901	\$ 414,795	\$ 10,719,922
Licenses and permits	464,673	-	-	-	464,673
Intergovernmental revenues	3,639,282	-	-	-	3,639,282
Charges for goods and services	3,282,253	363,101	-	-	3,645,354
Miscellaneous revenues	575,065	717,688	(22)	138,437	1,431,168
Total revenues	<u>16,967,499</u>	<u>1,080,789</u>	<u>1,298,879</u>	<u>553,232</u>	<u>19,900,399</u>
EXPENDITURES					
Current:					
Public safety	5,223,621	-	-	-	5,223,621
Transportation	1,392,183	-	-	-	1,392,183
Natural and economic environment	3,222,298	-	-	658	3,222,956
Cultural and recreation	56,450	-	-	6,127	62,577
Debt service:					
Redemption of general long-term debt	-	1,386,839	-	-	1,386,839
Interest and other debt service cost	-	474,485	-	-	474,485
Capital outlay	3,538,238	-	-	-	3,538,238
Total expenditures	<u>13,432,790</u>	<u>1,861,324</u>	<u>-</u>	<u>6,785</u>	<u>15,300,899</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>3,534,709</u>	<u>(780,535)</u>	<u>1,298,879</u>	<u>546,447</u>	<u>4,599,500</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	400,000	972,223	-	-	1,372,223
Transfers out	(376,787)	-	-	-	(376,787)
Total other financing sources (uses)	<u>23,213</u>	<u>972,223</u>	<u>-</u>	<u>-</u>	<u>995,436</u>
Net change in fund balances	3,557,922	191,688	1,298,879	546,447	5,594,936
Fund balances - beginning	<u>24,948,663</u>	<u>8,967,632</u>	<u>485,450</u>	<u>8,989,505</u>	<u>43,391,250</u>
Fund balances - ending	<u>\$ 28,506,585</u>	<u>\$ 9,159,320</u>	<u>\$ 1,784,329</u>	<u>\$ 9,535,952</u>	<u>\$ 48,986,186</u>

SPECIAL REVENUE FUNDS**126 – Library Gift**

Accumulates cash gifts from private donors, for donor specified library projects. Established by Ordinance 7573 and transferred to special revenue classification by Ordinance 2001-11-086.

131 – Olympic Pipeline Incident

Created for the purpose of accounting for environmental settlement funds to implement maintenance and monitoring tasks on Whatcom Creek pursuant to the Olympic Pipeline Whatcom Creek Restoration Plan. Established by Ordinance 2005-10-082.

136 – Environmental Remediation

Created to account for revenues, provided by other responsible parties, for the purpose of funding environmental remediation. Established by Ordinance 2011-06-029.

150's - Police Special Purpose**151 – Police Federal Equitable Sharing**

Created when the City entered into agreement with the Department of the Treasury to participate in the program for federally forfeited property or proceeds. Money received under the program is spent pursuant to federal guidelines. Established by Ordinance 10623.

152 – Asset Forfeiture/Drug Enforcement

Proceeds of seizures are deposited into this fund. Used exclusively for expansion of narcotics enforcement services. Established by Ordinance 9894 and amended by Ordinance 10624.

153 – Criminal Justice

Funded by state entitlements. Supplements staffing costs and capital equipment purchases. Established by Ordinance 1999-07-045.

160 – Public Safety Dispatch

Provides communication services for Bellingham's police, fire and EMS units, and participating public safety agencies in Whatcom County. Funding is provided by user agency fees and intergovernmental revenue derived from 911 tax. This separate fund facilitates reporting financial operations to user agencies and to the 911 Center's Board of Administration. Established by Ordinance 9165.

161 – Transportation Benefit District

Funded from a voter approved 0.2% sales tax that began in April of 2011 and runs for ten years. Funds are used to pay for Sunday bus service in Bellingham and maintain and build transportation infrastructure. Established by Ordinance 2011-02-006.

162 – Public, Education and Government Access Television

Created to account for revenues and expenses related to the operation of public, education and government access television. Funded by a portion of the revenue received from Comcast's cable television franchise agreement. Established by Ordinance 2011-12-076.

180 – Tourism

Pays costs of tourism promotion or acquisition and operation of tourism-related facilities. The source of revenue is a special excise tax of four percent on transient lodging of less than one month, pursuant to RCW 67.28.180 and Ordinances 8319 and 10915.

181 - Low Income Housing

In November 2012, Bellingham City voters approved a seven-year \$21 million dollar levy to provide housing assistance for homeless and low income citizens. Established by Ordinance 2012-06-033.

190 – HUD Grants

Accounts for federal grant revenue dedicated to upgrade neighborhoods and expand affordable housing choices, assist community social service agencies, address human needs and create employment opportunities for individuals with low and moderate incomes, and home investment partnership program revenue used to expand the supply of affordable housing.

City of Bellingham
Combining Balance Sheet
Non-Major Special Revenue Funds
December 31, 2014

	Library Gift	Olympic Pipeline Incident	Environmental Remediation	Police Special Purpose	Public Safety Dispatch	Transportation Benefit District	Public, Ed & Govt Access TV	Tourism	Low Income Housing	HUD Grants	Total Other Non-Major Special Revenue Funds
ASSETS											
Cash and cash equivalents	\$86,730	\$106,880	\$ 108,615	\$ 110,484	\$ 828,093	\$ 625,412	\$ 214,437	\$ 149,146	\$ 902,367	\$ -	\$ 3,132,164
Investments	-	393,638	400,026	406,908	3,049,843	2,303,375	789,766	549,302	3,323,390	-	11,216,248
Receivables, net	-	-	14,938	-	-	-	-	-	47,837	-	62,775
Due from other governments	-	-	171,807	-	-	-	-	-	-	314,703	486,510
Prepaid items	-	-	-	-	-	27,707	-	-	-	-	27,707
Notes and contracts receivable	-	-	-	-	-	-	-	-	1,109,634	13,736,565	14,846,199
Restricted:											
Cash and cash equivalents	-	-	-	-	-	-	-	-	28,079	-	28,079
Investments	-	-	-	-	-	-	-	-	103,413	-	103,413
Total assets	<u>86,730</u>	<u>500,518</u>	<u>695,386</u>	<u>517,392</u>	<u>3,877,936</u>	<u>2,956,494</u>	<u>1,004,203</u>	<u>698,448</u>	<u>5,514,720</u>	<u>14,051,268</u>	<u>29,903,095</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	5,100	-	178,894	54,101	12,883	335,998	14,526	106,081	105,051	187,036	999,670
Accrued wages and benefits	-	-	-	-	196,323	-	10,596	350	-	-	207,269
Due to other funds	-	-	-	-	-	5,198	-	-	-	138,833	144,031
Unearned revenue	-	-	-	-	-	-	-	-	45,540	-	45,540
Total liabilities	<u>5,100</u>	<u>-</u>	<u>178,894</u>	<u>54,101</u>	<u>209,206</u>	<u>341,196</u>	<u>25,122</u>	<u>106,431</u>	<u>150,591</u>	<u>325,869</u>	<u>1,396,510</u>
FUND BALANCES											
Nonspendable	-	-	-	-	-	27,707	-	-	-	-	27,707
Restricted	81,630	500,518	516,492	463,291	3,668,730	2,587,591	979,081	592,017	5,364,129	13,725,399	28,478,878
Total fund balances	<u>81,630</u>	<u>500,518</u>	<u>516,492</u>	<u>463,291</u>	<u>3,668,730</u>	<u>2,615,298</u>	<u>979,081</u>	<u>592,017</u>	<u>5,364,129</u>	<u>13,725,399</u>	<u>28,506,585</u>
Total liabilities and fund balances	<u>\$86,730</u>	<u>\$500,518</u>	<u>\$ 695,386</u>	<u>\$ 517,392</u>	<u>\$3,877,936</u>	<u>\$ 2,956,494</u>	<u>\$ 1,004,203</u>	<u>\$ 698,448</u>	<u>\$ 5,514,720</u>	<u>\$ 14,051,268</u>	<u>\$ 29,903,095</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended December 31, 2014

	Library Gift	Olympic Pipeline Incident	Environmental Remediation	Police Special Purpose	Public Safety Dispatch	Transportation Benefit District	Public, Ed & Govt Access TV	Tourism	Low Income Housing	HUD Grants	Total Other Non-Major Special Revenue Funds
REVENUES											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,700,864	\$ -	\$ 1,319,092	\$ 2,986,270	\$ -	\$ 9,006,226
Licenses and permits	-	-	-	-	-	-	464,673	-	-	-	464,673
Intergovernmental revenues	3,394	-	287,505	339,351	2,166,662	-	-	-	-	842,370	3,639,282
Charges for goods and services	-	-	-	-	3,131,233	17,985	1,035	-	132,000	-	3,282,253
Miscellaneous revenues	70,947	6,321	73,895	102,455	39,035	41,328	125,055	5,584	25,323	85,122	575,065
Total revenues	74,341	6,321	361,400	441,806	5,336,930	4,760,177	590,763	1,324,676	3,143,593	927,492	16,967,499
EXPENDITURES											
Current:											
Public safety	-	-	-	664,355	4,559,266	-	-	-	-	-	5,223,621
Transportation	-	-	-	-	-	1,392,183	-	-	-	-	1,392,183
Natural and economic environment	-	21,644	740,441	-	-	-	313,681	1,062,792	553,670	530,070	3,222,298
Cultural and recreation	56,450	-	-	-	-	-	-	-	-	-	56,450
Capital outlay	-	-	-	35,895	-	3,502,343	-	-	-	-	3,538,238
Total expenditures	56,450	21,644	740,441	700,250	4,559,266	4,894,526	313,681	1,062,792	553,670	530,070	13,432,790
Excess (deficiency) of revenues over (under) expenditures	17,891	(15,323)	(379,041)	(258,444)	777,664	(134,349)	277,082	261,884	2,589,923	397,422	3,534,709
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	400,000	-	-	-	-	-	-	-	400,000
Transfers out	-	-	-	(226,787)	-	-	-	(150,000)	-	-	(376,787)
Total other financing sources (uses)	-	-	400,000	(226,787)	-	-	-	(150,000)	-	-	23,213
Net change in fund balances	17,891	(15,323)	20,959	(485,231)	777,664	(134,349)	277,082	111,884	2,589,923	397,422	3,557,922
Fund balance - beginning	63,739	515,841	495,533	948,522	2,891,066	2,749,647	701,999	480,133	2,774,206	13,327,977	24,948,663
Fund balance - ending	\$81,630	\$500,518	\$ 516,492	\$ 463,291	\$ 3,668,730	\$ 2,615,298	\$979,081	\$ 592,017	\$ 5,364,129	\$13,725,399	\$ 28,506,585

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Library Gift Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 3,394	\$ 3,394
Miscellaneous revenues	25,000	25,000	70,947	45,947
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>74,341</u>	<u>49,341</u>
EXPENDITURES				
Current:				
Cultural and recreation	25,750	60,750	56,450	4,300
Total expenditures	<u>25,750</u>	<u>60,750</u>	<u>56,450</u>	<u>4,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(750)</u>	<u>(35,750)</u>	<u>17,891</u>	<u>53,641</u>
Net change in fund balances	(750)	(35,750)	17,891	53,641
Fund balance - beginning	<u>6,000</u>	<u>63,739</u>	<u>63,739</u>	<u>-</u>
Fund balance - ending	<u>\$ 5,250</u>	<u>\$ 27,989</u>	<u>\$ 81,630</u>	<u>\$ 53,641</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Olympic Pipeline Incident Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u></u>
REVENUES				
Miscellaneous revenues	\$ 4,593	\$ 4,593	\$ 6,321	\$ 1,728
Total revenues	<u>4,593</u>	<u>4,593</u>	<u>6,321</u>	<u>1,728</u>
EXPENDITURES				
Current:				
Natural and economic environment	<u>20,593</u>	<u>23,113</u>	<u>21,644</u>	<u>1,469</u>
Total expenditures	<u>20,593</u>	<u>23,113</u>	<u>21,644</u>	<u>1,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,000)</u>	<u>(18,520)</u>	<u>(15,323)</u>	<u>3,197</u>
Net change in fund balances	(16,000)	(18,520)	(15,323)	3,197
Fund balance - beginning	<u>44,956</u>	<u>521,997</u>	<u>515,841</u>	<u>(6,156)</u>
Fund balance - ending	<u>\$ 28,956</u>	<u>\$ 503,477</u>	<u>\$ 500,518</u>	<u>\$ (2,959)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Environmental Remediation Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ -	\$ 1,944,185	\$ 287,505	\$ (1,656,680)
Miscellaneous revenues	<u>10,000</u>	<u>1,263,859</u>	<u>73,895</u>	<u>(1,189,964)</u>
Total revenues	<u>10,000</u>	<u>3,208,044</u>	<u>361,400</u>	<u>(2,846,644)</u>
EXPENDITURES				
Current:				
Natural and economic environment	<u>64,057</u>	<u>2,740,870</u>	<u>740,441</u>	<u>2,000,429</u>
Total expenditures	<u>64,057</u>	<u>2,740,870</u>	<u>740,441</u>	<u>2,000,429</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,057)</u>	<u>467,174</u>	<u>(379,041)</u>	<u>(846,215)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources (uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Net change in fund balances	345,943	867,174	20,959	(846,215)
Fund balance - beginning	<u>663,300</u>	<u>392,028</u>	<u>495,533</u>	<u>103,505</u>
Fund balance - ending	<u>\$ 1,009,243</u>	<u>\$ 1,259,202</u>	<u>\$ 516,492</u>	<u>\$ (742,710)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Police Special Purpose Funds
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 376,634	\$ 376,634	\$ 339,351	\$ (37,283)
Miscellaneous revenues	<u>52,216</u>	<u>52,216</u>	<u>102,455</u>	<u>50,239</u>
Total revenues	<u>428,850</u>	<u>428,850</u>	<u>441,806</u>	<u>12,956</u>
EXPENDITURES				
Current:				
Public safety	811,514	811,514	664,355	147,159
Capital outlay	<u>36,000</u>	<u>56,000</u>	<u>35,895</u>	<u>20,105</u>
Total expenditures	<u>847,514</u>	<u>867,514</u>	<u>700,250</u>	<u>167,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(418,664)</u>	<u>(438,664)</u>	<u>(258,444)</u>	<u>180,220</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(226,787)</u>	<u>(86,787)</u>
Total other financing sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(226,787)</u>	<u>(86,787)</u>
Net change in fund balances	(558,664)	(578,664)	(485,231)	93,433
Fund balance - beginning	<u>1,240,361</u>	<u>960,402</u>	<u>948,522</u>	<u>(11,880)</u>
Fund balance - ending	<u>\$ 681,697</u>	<u>\$ 381,738</u>	<u>\$ 463,291</u>	<u>\$ 81,553</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Public Safety Dispatch Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 1,900,000	\$ 1,900,000	\$ 2,166,662	\$ 266,662
Charges for goods and services	3,118,763	3,118,763	3,131,233	12,470
Miscellaneous revenues	<u>28,809</u>	<u>28,809</u>	<u>39,035</u>	<u>10,226</u>
Total revenues	<u>5,047,572</u>	<u>5,047,572</u>	<u>5,336,930</u>	<u>289,358</u>
EXPENDITURES				
Current:				
Public safety	4,811,747	4,825,504	4,559,266	266,238
Capital outlay	<u>-</u>	<u>89,600</u>	<u>-</u>	<u>89,600</u>
Total expenditures	<u>4,811,747</u>	<u>4,915,104</u>	<u>4,559,266</u>	<u>355,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>235,825</u>	<u>132,468</u>	<u>777,664</u>	<u>645,196</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(10,883)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(10,883)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	224,942	132,468	777,664	645,196
Fund balance - beginning	<u>2,207,647</u>	<u>2,931,306</u>	<u>2,891,066</u>	<u>(40,240)</u>
Fund balance - ending	<u>\$ 2,432,589</u>	<u>\$ 3,063,774</u>	<u>\$ 3,668,730</u>	<u>\$ 604,956</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Transportation Benefit District Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,600,000	\$ 4,600,000	\$ 4,700,864	\$ 100,864
Charges for goods and services	-	6,399	17,985	11,586
Miscellaneous revenues	<u>50,000</u>	<u>50,000</u>	<u>41,328</u>	<u>(8,672)</u>
Total revenues	<u>4,650,000</u>	<u>4,656,399</u>	<u>4,760,177</u>	<u>103,778</u>
EXPENDITURES				
Current:				
Transportation	1,493,878	1,493,878	1,392,183	101,695
Capital outlay	<u>3,530,000</u>	<u>4,973,686</u>	<u>3,502,343</u>	<u>1,471,343</u>
Total expenditures	<u>5,023,878</u>	<u>6,467,564</u>	<u>4,894,526</u>	<u>1,573,038</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,878)</u>	<u>(1,811,165)</u>	<u>(134,349)</u>	<u>1,676,816</u>
Net change in fund balances	<u>(373,878)</u>	<u>(1,811,165)</u>	<u>(134,349)</u>	<u>1,676,816</u>
Fund balance - beginning	<u>800,000</u>	<u>2,656,535</u>	<u>2,749,647</u>	<u>93,112</u>
Fund balance - ending	<u>\$ 426,122</u>	<u>\$ 845,370</u>	<u>\$ 2,615,298</u>	<u>\$ 1,769,928</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Public, Education and Government Access Television Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 480,000	\$ 480,000	\$ 464,673	\$ (15,327)
Charges for goods and services	2,050	2,050	1,035	(1,015)
Miscellaneous revenues	<u>128,000</u>	<u>128,000</u>	<u>125,055</u>	<u>(2,945)</u>
Total revenues	<u>610,050</u>	<u>610,050</u>	<u>590,763</u>	<u>(19,287)</u>
EXPENDITURES				
Current:				
Natural and economic environment	278,700	342,017	313,681	28,336
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total expenditures	<u>303,700</u>	<u>367,017</u>	<u>313,681</u>	<u>53,336</u>
Excess (deficiency) of revenues over (under) expenditures	<u>306,350</u>	<u>243,033</u>	<u>277,082</u>	<u>34,049</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(5,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,442)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	300,908	243,033	277,082	34,049
Fund balance - beginning	<u>703,242</u>	<u>671,926</u>	<u>701,999</u>	<u>30,073</u>
Fund balance - ending	<u>\$ 1,004,150</u>	<u>\$ 914,959</u>	<u>\$ 979,081</u>	<u>\$ 64,122</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Tourism Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		Actual Amounts GAAP Basis	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,319,092	\$ 119,092
Miscellaneous revenues	<u>3,812</u>	<u>3,812</u>	<u>5,584</u>	<u>1,772</u>
Total revenues	<u>1,203,812</u>	<u>1,203,812</u>	<u>1,324,676</u>	<u>120,864</u>
EXPENDITURES				
Current:				
Natural and economic environment	<u>1,345,471</u>	<u>1,345,471</u>	<u>1,062,792</u>	<u>282,679</u>
Total expenditures	<u>1,345,471</u>	<u>1,345,471</u>	<u>1,062,792</u>	<u>282,679</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(141,659)</u>	<u>(141,659)</u>	<u>261,884</u>	<u>403,543</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>-</u>
Net change in fund balances	(291,659)	(291,659)	111,884	403,543
Fund balance - beginning	<u>491,279</u>	<u>487,127</u>	<u>480,133</u>	<u>(6,994)</u>
Fund balance - ending	<u>\$ 199,620</u>	<u>\$ 195,468</u>	<u>\$ 592,017</u>	<u>\$ 396,549</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Low Income Housing Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,000,000	\$ 3,000,000	\$ 2,986,270	\$ (13,730)
Charges for goods and services	-	-	132,000	132,000
Miscellaneous revenues	<u>19,650</u>	<u>19,650</u>	<u>25,323</u>	<u>5,673</u>
Total revenues	<u>3,019,650</u>	<u>3,019,650</u>	<u>3,143,593</u>	<u>123,943</u>
EXPENDITURES				
Current:				
Natural and economic environment	<u>4,522,786</u>	<u>4,783,292</u>	<u>553,670</u>	<u>4,229,622</u>
Total expenditures	<u>4,522,786</u>	<u>4,783,292</u>	<u>553,670</u>	<u>4,229,622</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,503,136)</u>	<u>(1,763,642)</u>	<u>2,589,923</u>	<u>4,353,565</u>
Net change in fund balances	(1,503,136)	(1,763,642)	2,589,923	4,353,565
Fund balance - beginning	<u>1,703,136</u>	<u>2,784,798</u>	<u>2,774,206</u>	<u>(10,592)</u>
Fund balance - ending	<u>\$ 200,000</u>	<u>\$ 1,021,156</u>	<u>\$ 5,364,129</u>	<u>\$ 4,342,973</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
HUD Grants Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 2,447,369	\$ 2,534,412	\$ 842,370	\$ (1,692,042)
Charges for services	255,699	255,699	-	(255,699)
Miscellaneous revenues	<u>70,301</u>	<u>70,301</u>	<u>85,122</u>	<u>14,821</u>
Total revenues	<u>2,773,369</u>	<u>2,860,412</u>	<u>927,492</u>	<u>(1,932,920)</u>
EXPENDITURES				
Current:				
Natural and economic environment	<u>2,773,369</u>	<u>2,860,412</u>	<u>530,070</u>	<u>2,330,342</u>
Total expenditures	<u>2,773,369</u>	<u>2,860,412</u>	<u>530,070</u>	<u>2,330,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>397,422</u>	<u>397,422</u>
Net change in fund balances	-	-	397,422	397,422
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>13,327,977</u>	<u>13,327,977</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,725,399</u>	<u>\$ 13,725,399</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 8,800,000	\$ 8,800,000	\$ 9,006,226	\$ 206,226
Licenses and permits	480,000	480,000	464,673	(15,327)
Intergovernmental revenues	4,724,003	6,755,231	3,639,282	(3,115,949)
Charges for goods and services	3,376,512	3,382,911	3,282,253	(100,658)
Miscellaneous revenues	<u>392,381</u>	<u>1,646,240</u>	<u>575,065</u>	<u>(1,071,175)</u>
Total revenues	<u>17,772,896</u>	<u>21,064,382</u>	<u>16,967,499</u>	<u>(4,096,883)</u>
EXPENDITURES				
Current:				
Public safety	5,623,261	5,637,018	5,223,621	413,397
Transportation	1,493,878	1,493,878	1,392,183	101,695
Natural and economic environment	9,004,976	12,095,175	3,222,298	8,872,877
Cultural and recreation	25,750	60,750	56,450	4,300
Capital outlay	<u>3,591,000</u>	<u>5,144,286</u>	<u>3,538,238</u>	<u>1,606,048</u>
Total expenditures	<u>19,738,865</u>	<u>24,431,107</u>	<u>13,432,790</u>	<u>10,998,317</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,965,969)</u>	<u>(3,366,725)</u>	<u>3,534,709</u>	<u>6,901,434</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	400,000	400,000	-
Transfers out	<u>(306,325)</u>	<u>(290,000)</u>	<u>(376,787)</u>	<u>(86,787)</u>
Total other financing sources (uses)	<u>93,675</u>	<u>110,000</u>	<u>23,213</u>	<u>(86,787)</u>
Net change in fund balances	(1,872,294)	(3,256,725)	3,557,922	6,814,647
Fund balance - beginning	<u>7,859,921</u>	<u>11,469,858</u>	<u>24,948,663</u>	<u>13,478,805</u>
Fund balance - ending	<u>\$ 5,987,627</u>	<u>\$ 8,213,133</u>	<u>\$ 28,506,585</u>	<u>\$ 20,293,452</u>

FUNDS CONSOLIDATED WITH 001-GENERAL FUND GASB STATEMENT NO. 54 FOR REPORTING**111-Streets**

Responsible for maintenance for all City streets. This funds revenues are derived from state sales tax, diverted county road property tax, permits, grants, and impact fees.

113 – Paths & Trails Reserve

Establishes and maintains paths and trails for bicyclists, equestrians and pedestrians. The source of revenue is one-half of one percent of motor vehicle fuel taxes received by the street fund. Funds must be expended for the purpose required within ten years of receipt. Established in the 1975 Budget by Ordinance 8356.

123 – Park Site Acquisition

Acquisition of land for parks, playgrounds, open space or greenbelts in areas deemed appropriate by the City Council. The source of revenue is a charge of \$50 per lot in subdivisions that do not dedicate or set aside property for park purposes. Established by Ordinance 8414.

125 – Federal Building

Created to account for revenues and expenses related to the restoration of the Federal Building. This fund will be closed after all proceeds placed in the fund have been disbursed. Established by Ordinance 2012-03-014.

134 – Olympic-Whatcom Falls Park Addition

Created for the purpose of accounting for the settlement funds from the Olympic-Whatcom Falls Park Addition property settlement. This fund will be closed after all proceeds placed in the fund have been disbursed.

141 – First ¼% Real Estate Excise Tax

Proceeds from this tax fund construction, repair, replacement, rehabilitation, or improvement projects as authorized by RCW 82.46.010. Established by Ordinance 9270 and amended by Ordinance 10273.

142 – Second ¼% Real Estate Excise Tax

Proceeds from the second ¼% real estate tax are used solely for financing capital projects specified in a capital facilities plan element of the comprehensive plan as authorized by RCW 82.46.035. Established by Ordinance 1027.

172 – Beyond Greenway Levy

Funded by increased property tax of \$.57 per thousand of assessed valuation, to be collected over nine years, not to exceed \$20 million. Continues the acquisition, improvement and maintenance of greenways areas begun by the original greenway levy. Voter approved levy passed in 1997. The fund was established by Ordinance 1998-02-004.

173 – Greenway III Levy

Funded by increased property tax of \$.57 per thousand of assessed valuation, to be collected over ten years. Continues the acquisition, improvement and maintenance of greenways areas begun by the original greenway levy. Voter approved levy passed in 2006. The fund was established by Ordinance 2007-01-004.

177 – Park Impact Fee

Park impact fees, as authorized by Ordinance 2006-02-012, are placed in this fund. Funds are invested until needed, and the interest income remains with the park impact fee fund until the fees and interest are either refunded to the property owner or utilized as part of the resources for an approved project. Established by Ordinance 2006-02-012.

178 – Sportsplex

Created as a repository for the security deposit and the accumulated interest on the security deposit for the Whatcom Soccer Commission lease of the Sportsplex. The lease agreement requires that any interest accrued on the deposited monies be added to and become part of the security deposit. Established by Ordinance 2006-01-001.

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Legally Adopted Original General Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 13,626,708	\$ 13,626,708	\$ 13,784,569	\$ 157,861
Retail sales and use	14,060,400	14,060,400	14,240,035	179,635
Business	28,617,389	28,617,389	27,648,814	(968,575)
Other	885,000	885,000	977,860	92,860
Licenses and permits	691,571	691,571	722,435	30,864
Intergovernmental revenue	858,939	1,794,070	1,845,125	51,055
Charges for services	7,663,267	8,457,609	9,024,366	566,757
Fines and penalties	1,323,483	1,323,483	1,071,566	(251,917)
Miscellaneous revenue	672,805	672,805	916,114	243,309
Total revenues	<u>68,399,562</u>	<u>70,129,035</u>	<u>70,230,884</u>	<u>101,849</u>
EXPENDITURES				
Current:				
General government services	13,705,328	13,970,384	12,696,200	1,274,184
Public safety	36,117,583	36,669,125	36,139,796	529,329
Natural and economic environment	4,104,761	4,296,410	3,815,822	480,588
Cultural and recreation	13,013,357	13,027,571	12,616,436	411,135
Debt service:				
Redemption of general long-term debt	210,815	210,815	-	210,815
Interest and other debt service cost	11,514	11,514	21,850	(10,336)
Capital outlay	-	1,030,000	630,326	399,674
Total expenditures	<u>67,163,358</u>	<u>69,215,819</u>	<u>65,920,430</u>	<u>3,295,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,236,204</u>	<u>913,216</u>	<u>4,310,454</u>	<u>3,397,238</u>
OTHER FINANCING SOURCES (USES)				
General long-term debt proceeds	-	-	1,010,336	1,010,336
Transfers in	1,084,342	290,000	290,000	-
Transfers out	(4,327,489)	(4,142,309)	(4,149,480)	(7,171)
Total other financing sources and (uses)	<u>(3,243,147)</u>	<u>(3,852,309)</u>	<u>(2,849,144)</u>	<u>1,003,165</u>
Net change in fund balances	(2,006,943)	(2,939,093)	1,461,310	4,400,403
Fund balances - beginning	<u>14,879,989</u>	<u>17,069,127</u>	<u>16,062,490</u>	<u>(1,006,637)</u>
Fund balances - ending	<u>\$ 12,873,046</u>	<u>\$ 14,130,034</u>	<u>\$ 17,523,800</u>	<u>\$ 3,393,766</u>

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Street Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ -	\$ -	\$ 4,595	\$ 4,595
Retail sales and use	7,335,000	7,335,000	7,834,059	499,059
Licenses and permits	54,000	54,000	70,900	16,900
Intergovernmental revenue	4,618,500	18,728,128	4,480,419	(14,247,709)
Charges for services	8,007,395	8,855,470	7,330,664	(1,524,806)
Miscellaneous revenues	<u>455,745</u>	<u>267,680</u>	<u>229,248</u>	<u>(38,432)</u>
Total revenues	<u>20,470,640</u>	<u>35,240,278</u>	<u>19,949,885</u>	<u>(15,290,393)</u>
EXPENDITURES				
Current:				
General government services	157,833	177,244	126,620	50,624
Transportation	13,853,315	15,189,647	13,660,288	1,529,359
Natural and economic environment	91,696	778,719	157,994	620,725
Capital outlay	<u>5,338,370</u>	<u>25,332,546</u>	<u>5,142,607</u>	<u>20,189,939</u>
Total expenditures	19,441,214	41,478,156	19,087,509	22,390,647
Excess (deficiency) of revenues over (under) expenditures	<u>1,029,426</u>	<u>(6,237,878)</u>	<u>862,376</u>	<u>7,100,254</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,328,006)</u>	<u>(1,152,058)</u>	<u>(1,184,871)</u>	<u>(32,813)</u>
Total other financing sources (uses)	<u>(1,328,006)</u>	<u>(1,152,058)</u>	<u>(1,184,871)</u>	<u>(32,813)</u>
Net change in fund balances	(298,580)	(7,389,936)	(322,495)	7,067,441
Fund balance - beginning	<u>1,926,844</u>	<u>11,180,934</u>	<u>11,131,742</u>	<u>(49,192)</u>
Fund balance - ending	<u>\$ 1,628,264</u>	<u>\$ 3,790,998</u>	<u>\$ 10,809,247</u>	<u>\$ 7,018,249</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Paths and Trails Reserve Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 7,750	\$ 7,750	\$ 8,498	\$ 748
Miscellaneous revenues	447	447	250	(197)
Total revenues	<u>8,197</u>	<u>8,197</u>	<u>8,748</u>	<u>551</u>
EXPENDITURES				
Current:				
Transportation	<u>506</u>	<u>506</u>	<u>506</u>	<u>-</u>
Total expenditures	<u>506</u>	<u>506</u>	<u>506</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,691</u>	<u>7,691</u>	<u>8,242</u>	<u>551</u>
Net change in fund balances	7,691	7,691	8,242	551
Fund balances - beginning	<u>22,947</u>	<u>23,428</u>	<u>23,152</u>	<u>(276)</u>
Fund balances - ending	<u>\$ 30,638</u>	<u>\$ 31,119</u>	<u>\$ 31,394</u>	<u>\$ 275</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Park Site Acquisition Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 2,772	\$ 2,772	\$ 2,422	\$ (350)
Total revenues	<u>2,772</u>	<u>2,772</u>	<u>2,422</u>	<u>(350)</u>
EXPENDITURES				
Current:				
Cultural and recreation	506	506	507	(1)
Capital outlay	-	115,000	55,986	59,014
Total expenditures	<u>506</u>	<u>115,506</u>	<u>56,493</u>	<u>59,013</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,266</u>	<u>(112,734)</u>	<u>(54,071)</u>	<u>58,663</u>
Net change in fund balances	2,266	(112,734)	(54,071)	58,663
Fund balances - beginning	<u>82,985</u>	<u>199,208</u>	<u>196,861</u>	<u>(2,347)</u>
Fund balances - ending	<u>\$ 85,251</u>	<u>\$ 86,474</u>	<u>\$ 142,790</u>	<u>\$ 56,316</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Federal Building Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 4,510	\$ 4,510	\$ 738	\$ (3,772)
Total revenues	<u>4,510</u>	<u>4,510</u>	<u>738</u>	<u>(3,772)</u>
EXPENDITURES				
Current:				
General government	<u>1,939,954</u>	<u>1,939,954</u>	<u>411,915</u>	<u>1,528,039</u>
Total expenditures	<u>1,939,954</u>	<u>1,939,954</u>	<u>411,915</u>	<u>1,528,039</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,935,444)</u>	<u>(1,935,444)</u>	<u>(411,177)</u>	<u>1,524,267</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,888,045</u>	<u>1,888,045</u>	<u>1,888,045</u>	<u>-</u>
Total other financing sources (uses)	<u>1,888,045</u>	<u>1,888,045</u>	<u>1,888,045</u>	<u>-</u>
Net change in fund balances	<u>(47,399)</u>	<u>(47,399)</u>	<u>1,476,868</u>	<u>1,524,267</u>
Fund balance - beginning	<u>433,085</u>	<u>432,531</u>	<u>427,435</u>	<u>(5,096)</u>
Fund balance - ending	<u>\$ 385,686</u>	<u>\$ 385,132</u>	<u>\$ 1,904,303</u>	<u>\$ 1,519,171</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Olympic - Whatcom Falls Park Addition
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 2,790	\$ 2,790	\$ 3,274	\$ 484
Total revenues	<u>2,790</u>	<u>2,790</u>	<u>3,274</u>	<u>484</u>
EXPENDITURES				
Current:				
Cultural and recreation	506	506	506	-
Capital outlay	<u>200,000</u>	<u>222,500</u>	<u>15,931</u>	<u>206,569</u>
Total expenditures	<u>200,506</u>	<u>223,006</u>	<u>16,437</u>	<u>206,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(197,716)</u>	<u>(220,216)</u>	<u>(13,163)</u>	<u>207,053</u>
Net change in fund balances	<u>(197,716)</u>	<u>(220,216)</u>	<u>(13,163)</u>	<u>207,053</u>
Fund balance - beginning	<u>265,087</u>	<u>265,204</u>	<u>262,080</u>	<u>(3,124)</u>
Fund balance - ending	<u>\$ 67,371</u>	<u>\$ 44,988</u>	<u>\$ 248,917</u>	<u>\$ 203,929</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
First 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Real estate excise tax (REET)	\$ 1,000,000	\$ 1,000,000	\$ 1,256,310	\$ 256,310
Intergovernmental revenue	-	740,080	117,187	(622,893)
Miscellaneous revenues	<u>34,642</u>	<u>34,642</u>	<u>37,292</u>	<u>2,650</u>
Total revenues	<u>1,034,642</u>	<u>1,774,722</u>	<u>1,410,789</u>	<u>(363,933)</u>
EXPENDITURES				
Current:				
General government services	23,638	23,638	23,938	(300)
Cultural and recreation	131,000	141,723	80,437	61,286
Capital outlay	<u>1,000,000</u>	<u>3,731,825</u>	<u>490,660</u>	<u>3,241,165</u>
Total expenditures	<u>1,154,638</u>	<u>3,897,186</u>	<u>595,035</u>	<u>3,302,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(119,996)</u>	<u>(2,122,464)</u>	<u>815,754</u>	<u>2,938,218</u>
Net change in fund balances	(119,996)	(2,122,464)	815,754	2,938,218
Fund balances - beginning	<u>1,215,000</u>	<u>3,324,383</u>	<u>3,284,945</u>	<u>(39,438)</u>
Fund balances - ending	<u>\$ 1,095,004</u>	<u>\$ 1,201,919</u>	<u>\$ 4,100,699</u>	<u>\$ 2,898,780</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Second 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	Variance with Final Budget -
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Taxes				
Real estate excise tax (REET)	\$ 1,000,000	\$ 1,000,000	\$ 1,273,559	\$ 273,559
Intergovernmental revenue	20,000	329,196	175,736	(153,460)
Miscellaneous revenues	<u>27,532</u>	<u>27,532</u>	<u>31,764</u>	<u>4,232</u>
Total revenues	<u>1,047,532</u>	<u>1,356,728</u>	<u>1,481,059</u>	<u>124,331</u>
EXPENDITURES				
Current:				
General government services	20,269	20,269	20,269	-
Natural and economic environment	-	1,950	770	1,180
Cultural and recreation	50,000	102,334	58,179	44,155
Capital outlay	<u>-</u>	<u>772,085</u>	<u>201,215</u>	<u>570,870</u>
Total expenditures	<u>70,269</u>	<u>896,638</u>	<u>280,433</u>	<u>616,205</u>
Excess (deficiency) of revenues over (under) expenditures	<u>977,263</u>	<u>460,090</u>	<u>1,200,626</u>	<u>740,536</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(719,925)</u>	<u>(719,925)</u>	<u>(719,554)</u>	<u>371</u>
Total other financing sources and (uses)	<u>(719,925)</u>	<u>(719,925)</u>	<u>(719,554)</u>	<u>371</u>
Net change in fund balances	257,338	(259,835)	481,072	740,907
Fund balances - beginning	<u>2,073,548</u>	<u>2,819,403</u>	<u>2,786,313</u>	<u>(33,090)</u>
Fund balances - ending	<u>\$ 2,330,886</u>	<u>\$ 2,559,568</u>	<u>\$ 3,267,385</u>	<u>\$ 707,817</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Beyond Greenway Levy Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 8,788	\$ 8,788	\$ 10,213	\$ 1,425
Total revenues	<u>8,788</u>	<u>8,788</u>	<u>10,213</u>	<u>1,425</u>
EXPENDITURES				
Current:				
Cultural and recreation	37,572	117,738	11,934	105,804
Capital outlay	<u>42,089</u>	<u>561,095</u>	<u>537,767</u>	<u>23,328</u>
Total expenditures	<u>79,661</u>	<u>678,833</u>	<u>549,701</u>	<u>129,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(70,873)</u>	<u>(670,045)</u>	<u>(539,488)</u>	<u>130,557</u>
Net change in fund balances	(70,873)	(670,045)	(539,488)	130,557
Fund balances - beginning	<u>486,889</u>	<u>670,045</u>	<u>661,895</u>	<u>(8,150)</u>
Fund balances - ending	<u>\$ 416,016</u>	<u>\$ -</u>	<u>\$ 122,407</u>	<u>\$ 122,407</u>

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Greenway III Levy Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts Legal Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property	\$ 4,130,617	\$ 4,130,617	\$ 4,194,039	\$ 63,422
Intergovernmental revenue	-	167,754	492,611	324,857
Fines and penalties	-	-	500	500
Miscellaneous revenues	<u>48,215</u>	<u>48,215</u>	<u>132,222</u>	<u>84,007</u>
Total revenues	<u>4,178,832</u>	<u>4,346,586</u>	<u>4,819,372</u>	<u>472,786</u>
EXPENDITURES				
Current:				
Cultural and recreation	261,157	261,157	311,958	(50,801)
Debt service:				
Interest and other debt service cost	31,028	31,028	48,837	(17,809)
Capital outlay	<u>8,834,706</u>	<u>12,292,589</u>	<u>4,410,393</u>	<u>7,882,196</u>
Total expenditures	<u>9,126,891</u>	<u>12,584,774</u>	<u>4,771,188</u>	<u>7,813,586</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,948,059)</u>	<u>(8,238,188)</u>	<u>48,184</u>	<u>8,286,372</u>
Net change in fund balances	(4,948,059)	(8,238,188)	48,184	8,286,372
Fund balances - beginning	<u>6,805,607</u>	<u>8,238,188</u>	<u>4,914,856</u>	<u>(3,323,332)</u>
Fund balances - ending	<u>\$ 1,857,548</u>	<u>\$ -</u>	<u>\$ 4,963,040</u>	<u>\$ 4,963,040</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Park Impact Fees Fund
For the Year Ended December 31, 2014

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	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 1,438,200	\$ 1,438,200	\$ 749,887	\$ (688,313)
Charges for services	412,000	412,000	1,838,454	1,426,454
Miscellaneous revenues	28,364	28,364	43,243	14,879
Total revenues	<u>1,878,564</u>	<u>1,878,564</u>	<u>2,631,584</u>	<u>753,020</u>
EXPENDITURES				
Current:				
Cultural and recreation	34,883	34,883	28,292	6,591
Capital outlay	2,650,857	3,710,812	1,323,002	2,387,810
Total expenditures	<u>2,685,740</u>	<u>3,745,695</u>	<u>1,351,294</u>	<u>2,394,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(807,176)</u>	<u>(1,867,131)</u>	<u>1,280,290</u>	<u>3,147,421</u>
Net change in fund balances	(807,176)	(1,867,131)	1,280,290	3,147,421
Fund balances - beginning	<u>2,454,601</u>	<u>4,009,035</u>	<u>3,961,543</u>	<u>(47,492)</u>
Fund balances - ending	<u>\$ 1,647,425</u>	<u>\$ 2,141,904</u>	<u>\$ 5,241,833</u>	<u>\$ 3,099,929</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Sportsplex Fund
For the Year Ended December 31, 2014

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	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous revenues	\$ 1,677	\$ 1,677	\$ 2,003	\$ 326
Total revenues	1,677	1,677	2,003	326
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,677	1,677	2,003	326
Net change in fund balances	1,677	1,677	2,003	326
Fund balances - beginning	40,077	43,601	41,655	(1,946)
Fund balances - ending	\$ 41,754	\$ 45,278	\$ 43,658	\$ (1,620)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
General Fund combined per GASB 54
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Intra-fund Eliminations</u>	<u>Total General Fund combined per GASB 54</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>				
REVENUES						
Taxes						
Property	\$ 17,757,325	\$ 17,757,325	\$ 17,983,203	\$ -	\$ 17,983,203	\$ 225,878
Retail sales and use	21,395,400	21,395,400	22,074,094	-	22,074,094	678,694
Real estate excise tax (REET)	2,000,000	2,000,000	2,529,869	-	2,529,869	529,869
Business	28,617,389	28,617,389	27,648,814	-	27,648,814	(968,575)
Other	885,000	885,000	977,860	-	977,860	92,860
Licenses and permits	745,571	745,571	793,335	-	793,335	47,764
Intergovernmental revenue	6,943,389	23,205,178	7,869,463	-	7,869,463	(15,335,715)
Charges for services	16,082,662	17,725,079	18,193,484	-	18,193,484	468,405
Fines and penalties	1,323,483	1,323,483	1,072,066	-	1,072,066	(251,417)
Miscellaneous revenues	1,288,287	1,100,222	1,408,783	-	1,408,783	308,561
Total revenues	97,038,506	114,754,647	100,550,971	-	100,550,971	(14,203,676)
EXPENDITURES						
Current:						
General government services	15,847,022	16,131,489	13,278,942	-	13,278,942	2,852,547
Public safety	36,117,583	36,669,125	36,139,796	-	36,139,796	529,329
Transportation	13,853,821	15,190,153	13,660,794	-	13,660,794	1,529,359
Economic environment	4,196,457	5,077,079	3,974,586	-	3,974,586	1,102,493
Cultural and recreation	13,528,981	13,686,418	13,108,249	-	13,108,249	578,169
Debt service:						
Redemption of general long-term debt	210,815	210,815	-	-	-	210,815
Interest and other debt service cost	42,542	42,542	70,687	-	70,687	(28,145)
Capital outlay	18,066,022	47,768,452	12,807,887	-	12,807,887	34,960,565
Total expenditures	101,863,243	134,776,073	93,040,941	-	93,040,941	41,735,132
Excess (deficiency) of revenues over (under) expenditures	(4,824,737)	(20,021,426)	7,510,030	-	7,510,030	27,531,456
OTHER FINANCING SOURCES (USES)						
General long-term debt proceeds	-	-	1,010,336	-	1,010,336	1,010,336
Transfers in	2,972,387	2,178,045	2,178,045	(1,888,045)	290,000	-
Transfers out	(6,375,420)	(6,014,292)	(6,053,905)	1,888,045	(4,165,860)	(39,613)
Total other financing sources and (uses)	(3,403,033)	(3,836,247)	(2,865,524)	-	(2,865,524)	970,723
Net change in fund balances	(8,227,770)	(23,857,673)	4,644,506	-	4,644,506	28,502,179
Fund balances - beginning	30,686,659	48,275,087	43,754,967	-	43,754,967	(4,520,120)
Fund balances - ending	\$ 22,458,889	\$ 24,417,414	\$ 48,399,473	\$ -	\$ 48,399,473	\$ 23,982,059



DEBT SERVICE FUNDS**224 – 2004 Sportsplex LTGO Bond**

\$4,315,000 to finance the cost of acquiring the Sportsplex building, an indoor ice-rink and soccer facility. These facilities are leased to the Whatcom Soccer Commission. Established by Ordinance 2004-02-011.

225 – 2004 PFD/Civic Field LTGO Bond

\$16,375,000 to finance the cost of development of a regional center, improvements to the City-owned civic field complex, and the refunding of the 1996 aquatic facility bonds. Established by Ordinance 2004-12-093.

226 – 2011 Qualified Energy Conservation Bond (QECB)

\$6,480,000 to finance the costs of improvements in over 20 City-owned municipal buildings. These bonds are term bonds, principal is due in full at the maturity date. The City is accumulating money in this fund to make the principal payment in 2025. Established by Ordinance 2011-12-077.

231 – Drake Note

\$225,000 for the Big Rock Garden Nursery. Established by Ordinances 10347, 48, 49 and 10378.

235 – Governmental Debt Service

This fund is used to account for debt service payments on governmental loans. Established by Ordinance 2013-05-035.

245 – Local Improvement District (LID) Guaranty

The guaranty fund assures that payments on individual LID's will be made on time if collections from district property holders are insufficient. Property in arrears is foreclosed and the proceeds deposited to the guaranty fund. The balance in the guaranty fund is maintained at twelve percent of the combined assessments in the LID funds. The LID guaranty fund was established by Ordinance 4764. When an LID bond's final debt service payment has been made to the fiscal agent, and there are still collections due from the property owners, these LIDs are moved to the guaranty fund until the remainder of collections from district property holders are complete.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2014

	2004	2004	2011	Governmental			Total Other Non-Major Debt Service Funds
	Sportsplex LTGO Bond	PFD/Civic Fld LTGO Bond	QEC Bond	Drake Note	Debt Service	LID Guaranty	
ASSETS							
Cash and cash equivalents	\$ 23,610	\$ 54	\$1,651,304	\$ -	\$ -	\$ 90,500	\$1,765,468
Investments	-	-	-	-	-	333,306	333,306
Receivables, net	-	-	-	-	-	7,600	7,600
Due from component units	-	7,053,000	-	-	-	-	7,053,000
Special assessments	-	-	-	-	-	123,594	123,594
Total assets	<u>23,610</u>	<u>7,053,054</u>	<u>1,651,304</u>	<u>-</u>	<u>-</u>	<u>555,000</u>	<u>9,282,968</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	-	54	-	-	-	-	54
Unearned revenue	-	-	-	-	-	123,594	123,594
Total liabilities	<u>-</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,594</u>	<u>123,648</u>
FUND BALANCES							
Restricted	23,610	7,053,000	1,651,304	-	-	431,406	9,159,320
Total fund balances	<u>23,610</u>	<u>7,053,000</u>	<u>1,651,304</u>	<u>-</u>	<u>-</u>	<u>431,406</u>	<u>9,159,320</u>
Total liabilities and fund balances	<u>\$ 23,610</u>	<u>\$7,053,054</u>	<u>\$1,651,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$555,000</u>	<u>\$9,282,968</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2014

	2004	2004	2011	Governmental			Total Other Non-Major Debt Service Funds
	Sportsplex LTGO Bond	PFD/Civic Fid LTGO Bond	QEC Bond	Drake Note	Debt Service	LID Guaranty	
REVENUES							
Charges for services	\$ -	\$ -	\$ 363,101	\$ -	\$ -	\$ -	\$ 363,101
Miscellaneous revenues	<u>258,311</u>	<u>252,312</u>	<u>22,622</u>	<u>-</u>	<u>-</u>	<u>184,443</u>	<u>717,688</u>
Total revenues	<u>258,311</u>	<u>252,312</u>	<u>385,723</u>	<u>-</u>	<u>-</u>	<u>184,443</u>	<u>1,080,789</u>
EXPENDITURES							
Debt service:							
Redemption of general long-term debt	155,000	1,015,000	-	9,899	206,940	-	1,386,839
Interest and other debt service cost	<u>102,613</u>	<u>338,866</u>	<u>-</u>	<u>8,064</u>	<u>24,942</u>	<u>-</u>	<u>474,485</u>
Total expenditures	<u>257,613</u>	<u>1,353,866</u>	<u>-</u>	<u>17,963</u>	<u>231,882</u>	<u>-</u>	<u>1,861,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>698</u>	<u>(1,101,554)</u>	<u>385,723</u>	<u>(17,963)</u>	<u>(231,882)</u>	<u>184,443</u>	<u>(780,535)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	<u>-</u>	<u>719,554</u>	<u>2,824</u>	<u>17,963</u>	<u>231,882</u>	<u>-</u>	<u>972,223</u>
Total other financing sources (uses)	<u>-</u>	<u>719,554</u>	<u>2,824</u>	<u>17,963</u>	<u>231,882</u>	<u>-</u>	<u>972,223</u>
Net change in fund balances	698	(382,000)	388,547	-	-	184,443	191,688
Fund balances - beginning	<u>22,912</u>	<u>7,435,000</u>	<u>1,262,757</u>	<u>-</u>	<u>-</u>	<u>246,963</u>	<u>8,967,632</u>
Fund balance - ending	<u>\$ 23,610</u>	<u>\$ 7,053,000</u>	<u>\$ 1,651,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,406</u>	<u>\$ 9,159,320</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 Sportsplex LTGO Bond Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Miscellaneous revenues	\$ 279,170	\$ 279,170	\$ 258,311	\$ (20,859)
Total revenues	<u>279,170</u>	<u>279,170</u>	<u>258,311</u>	<u>(20,859)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	155,000	155,000	155,000	-
Interest and other debt service cost	<u>103,038</u>	<u>103,038</u>	<u>102,613</u>	<u>425</u>
Total expenditures	<u>258,038</u>	<u>258,038</u>	<u>257,613</u>	<u>425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,132</u>	<u>21,132</u>	<u>698</u>	<u>(20,434)</u>
 Net change in fund balances	 21,132	 21,132	 698	 (20,434)
Fund balance - beginning	<u>23,185</u>	<u>23,185</u>	<u>22,912</u>	<u>(273)</u>
Fund balance - ending	<u>\$ 44,317</u>	<u>\$ 44,317</u>	<u>\$ 23,610</u>	<u>\$ (20,707)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 PFD/Civic Fld LTGO Bond Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 634,313	\$ 634,313	\$ 252,312	\$ (382,001)
Total revenues	<u>634,313</u>	<u>634,313</u>	<u>252,312</u>	<u>(382,001)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	1,015,000	1,015,000	1,015,000	-
Interest and other debt service cost	<u>339,238</u>	<u>339,238</u>	<u>338,866</u>	<u>372</u>
Total expenditures	<u>1,354,238</u>	<u>1,354,238</u>	<u>1,353,866</u>	<u>372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(719,925)</u>	<u>(719,925)</u>	<u>(1,101,554)</u>	<u>(381,629)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>719,925</u>	<u>719,925</u>	<u>719,554</u>	<u>(371)</u>
Total other financing sources (uses)	<u>719,925</u>	<u>719,925</u>	<u>719,554</u>	<u>(371)</u>
Net change in fund balances	-	-	(382,000)	(382,000)
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>7,435,000</u>	<u>7,435,000</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,053,000</u>	<u>\$ 7,053,000</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2011 QEC Bond Fund
For the Year Ended December 31, 2014

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	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 387,655	\$ 387,655	\$ 363,101	\$ (24,554)
Miscellaneous revenues	<u>14,850</u>	<u>14,850</u>	<u>22,622</u>	<u>7,772</u>
Total revenues	<u>402,505</u>	<u>402,505</u>	<u>385,723</u>	<u>(16,782)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>402,505</u>	<u>402,505</u>	<u>385,723</u>	<u>(16,782)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>2,824</u>	<u>2,824</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>2,824</u>	<u>2,824</u>	<u>-</u>
Net change in fund balances	402,505	405,329	388,547	(16,782)
Fund balance - beginning	<u>1,125,591</u>	<u>1,277,813</u>	<u>1,262,757</u>	<u>(15,056)</u>
Fund balance - ending	<u>\$ 1,528,096</u>	<u>\$ 1,683,142</u>	<u>\$ 1,651,304</u>	<u>\$ (31,838)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Drake Note Fund
For the Year Ended December 31, 2014

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	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	9,899	9,899	9,899	-
Interest and other debt service cost	8,065	8,065	8,064	1
Total expenditures	17,964	17,964	17,963	1
Excess (deficiency) of revenues over (under) expenditures	(17,964)	(17,964)	(17,963)	1
OTHER FINANCING SOURCES (USES)				
Transfers in	17,964	17,964	17,963	(1)
Total other financing sources (uses)	17,964	17,964	17,963	(1)
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Governmental Debt Service Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	206,940	206,940	206,940	-
Interest and other debt service cost	<u>10,123</u>	<u>24,943</u>	<u>24,942</u>	<u>1</u>
Total expenditures	<u>217,063</u>	<u>231,883</u>	<u>231,882</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(217,063)</u>	<u>(231,883)</u>	<u>(231,882)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>217,063</u>	<u>231,883</u>	<u>231,882</u>	<u>(1)</u>
Total other financing sources (uses)	<u>217,063</u>	<u>231,883</u>	<u>231,882</u>	<u>(1)</u>
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
LID Guaranty Fund
For the Year Ended December 31, 2014

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	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ -	\$ -	\$ 184,443	\$ 184,443
Total revenues	<u>-</u>	<u>-</u>	<u>184,443</u>	<u>184,443</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>184,443</u>	<u>184,443</u>
Net change in fund balances	-	-	184,443	184,443
Fund balance - beginning	<u>7,001</u>	<u>229,610</u>	<u>246,963</u>	<u>17,353</u>
Fund balance - ending	<u>\$ 7,001</u>	<u>\$ 229,610</u>	<u>\$ 431,406</u>	<u>\$ 201,796</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Debt Service Funds
For the Year Ended December 31, 2014

Page 7 of 7

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 387,655	\$ 387,655	\$ 363,101	\$ (24,554)
Miscellaneous revenues	<u>928,333</u>	<u>928,333</u>	<u>717,688</u>	<u>(210,645)</u>
Total revenues	<u>1,315,988</u>	<u>1,315,988</u>	<u>1,080,789</u>	<u>(235,199)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	1,386,839	1,386,839	1,386,839	-
Interest and other debt service cost	<u>460,464</u>	<u>475,284</u>	<u>474,485</u>	<u>799</u>
Total expenditures	<u>1,847,303</u>	<u>1,862,123</u>	<u>1,861,324</u>	<u>799</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(531,315)</u>	<u>(546,135)</u>	<u>(780,535)</u>	<u>(234,400)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>954,952</u>	<u>972,596</u>	<u>972,223</u>	<u>(373)</u>
Total other financing sources (uses)	<u>954,952</u>	<u>972,596</u>	<u>972,223</u>	<u>(373)</u>
Net change in fund balances	423,637	426,461	191,688	(234,773)
Fund balance - beginning	<u>1,155,777</u>	<u>1,530,608</u>	<u>8,967,632</u>	<u>7,437,024</u>
Fund balance - ending	<u>\$ 1,579,414</u>	<u>\$ 1,957,069</u>	<u>\$ 9,159,320</u>	<u>\$ 7,202,251</u>



CAPITAL PROJECTS FUND**371-Waterfront Construction #1**

Accounts for Local Infrastructure Financing Tool (LIFT) revenue received from the state for up to twenty-five years. The funds are to be spent on public infrastructure projects within the Revenue Development Area - the Waterfront District. Established by Ordinance 2013-12-098.

CITY OF BELLINGHAM
Balance Sheet
Capital Projects Fund
December 31, 2014

	<u>Waterfront Construction #1</u>
ASSETS	
Cash and cash equivalents	\$ 381,019
Investments	1,403,281
Receivable, net	<u>656</u>
Total assets	<u><u>1,784,956</u></u>
 LIABILITIES	
Unearned revenue	<u>627</u>
Total liabilities	<u><u>627</u></u>
 FUND BALANCE	
Restricted	<u>1,784,329</u>
Total fund balance	<u><u>1,784,329</u></u>
Total liabilities and fund balance	<u><u>\$ 1,784,956</u></u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Projects Fund
For the Year Ended December 31, 2014

	<u>Waterfront Construction #1</u>
REVENUES	
Taxes	\$ 1,298,901
Miscellaneous revenues	<u>(22)</u>
Total revenues	<u>1,298,879</u>
EXPENDITURES	
Total expenditures	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,298,879</u>
Net change in fund balances	1,298,879
Fund balance - beginning	<u>485,450</u>
Fund balance - ending	<u>\$ 1,784,329</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Waterfront Construction #1
From Inception and For the Year Ended December 31, 2014

	<u>Project Authorized</u>	<u>Prior Years' Actual</u>	<u>Current Year Actual</u>	<u>Total To Date Actual</u>
REVENUES				
Taxes	\$1,525,489	\$ 490,189	\$ 1,298,901	\$ 1,789,090
Miscellaneous revenues	-	(4,739)	(22)	(4,761)
Total revenues	<u>1,525,489</u>	<u>485,450</u>	<u>1,298,879</u>	<u>1,784,329</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>1,525,489</u>	<u>485,450</u>	<u>1,298,879</u>	<u>1,784,329</u>
Net change in fund balances	1,525,489	485,450	1,298,879	1,784,329
Fund balance - beginning	<u>490,189</u>	<u>-</u>	<u>485,450</u>	<u>485,450</u>
Fund balance - ending	<u>\$2,015,678</u>	<u>\$ 485,450</u>	<u>\$ 1,784,329</u>	<u>\$ 2,269,779</u>



PERMANENT FUNDS**701 – Greenways Maintenance Endowment**

Revenue is derived from the interest earnings on principal donations for the purpose of maintaining properties acquired and developed with greenway funds. Originally established by Ordinance 1998-02-004, transfer authorized by Ordinance 2001-11-086 to replace non-expendable trust fund (601) in preparation of GASB 34 implementation and reporting in 2002, and modified by Ordinance 2007-04-034 for inclusion of the Greenways III Levy.

702 – Natural Resource Protection and Restoration

This permanent fund was created in 2004 to account for the \$4 million settlement passed on by the State as a part of the Olympic Pipeline Settlement. The principal cannot be spent for 50 years. Interest earnings will be spent on protection and restoration projects. Established by Ordinance 2004-01-001.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Permanent Funds
For the Year Ended December 31, 2014

	Greenways Maintenance Endowment	Natural Resource Protection & Restoration	Totals
ASSETS			
Cash and cash equivalents	\$ 403,840	\$ 585,533	\$ 989,373
Investments	1,487,334	2,156,498	3,643,832
Receivables, net	7,499	-	7,499
Due from component units	-	1,696,768	1,696,768
Interfund loans receivable	3,218,767	-	3,218,767
Total assets	<u>5,117,440</u>	<u>4,438,799</u>	<u>9,556,239</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	13,109	-	13,109
Unearned revenue	7,178	-	7,178
Total liabilities	<u>20,287</u>	<u>-</u>	<u>20,287</u>
FUND BALANCES			
Nonspendable	5,068,495	4,000,000	9,068,495
Restricted	28,658	438,799	467,457
Total fund balances	<u>5,097,153</u>	<u>4,438,799</u>	<u>9,535,952</u>
Total liabilities and fund balances	<u>\$ 5,117,440</u>	<u>\$ 4,438,799</u>	<u>\$ 9,556,239</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2014

	Greenways Maintenance Endowment	Natural Resource Protection & Restoration	Totals
REVENUES			
Taxes	\$ 414,795	\$ -	\$ 414,795
Miscellaneous revenues	<u>51,023</u>	<u>87,414</u>	<u>138,437</u>
Total revenues	<u>465,818</u>	<u>87,414</u>	<u>553,232</u>
EXPENDITURES			
Natural and economic environment	-	658	658
Culture and recreation	<u>6,127</u>	<u>-</u>	<u>6,127</u>
Total expenditures	<u>6,127</u>	<u>658</u>	<u>6,785</u>
Excess (deficiency) of revenues over (under) expenditures	<u>459,691</u>	<u>86,756</u>	<u>546,447</u>
Net change in fund balances	459,691	86,756	546,447
Fund balance - beginning	<u>4,637,462</u>	<u>4,352,043</u>	<u>8,989,505</u>
Fund balance - ending	<u>\$ 5,097,153</u>	<u>\$ 4,438,799</u>	<u>\$ 9,535,952</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Greenways Maintenance Endowment Fund
For the Year Ended December 31, 2014

Page 1 of 3

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 422,786	\$ 422,786	\$ 414,795	\$ (7,991)
Miscellaneous revenues	51,728	51,728	51,023	(705)
Total revenues	<u>474,514</u>	<u>474,514</u>	<u>465,818</u>	<u>(8,696)</u>
EXPENDITURES				
Culture and recreation	6,127	9,123	6,127	2,996
Total expenditures	<u>6,127</u>	<u>9,123</u>	<u>6,127</u>	<u>2,996</u>
Excess (deficiency) of revenues over (under) expenditures	<u>468,387</u>	<u>465,391</u>	<u>459,691</u>	<u>(5,700)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,996)	-	-	-
Total other financing sources (uses)	<u>(2,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	465,391	465,391	459,691	(5,700)
Fund balance - beginning	<u>1,027,640</u>	<u>1,421,678</u>	<u>4,637,462</u>	<u>3,215,784</u>
Fund balance - ending	<u>\$ 1,493,031</u>	<u>\$ 1,887,069</u>	<u>\$ 5,097,153</u>	<u>\$ 3,210,084</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Natural Resource Protection and Restoration Fund
For the Year Ended December 31, 2014

Page 2 of 3

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 78,915	\$ 78,915	\$ 87,414	\$ 8,499
Total revenues	<u>78,915</u>	<u>78,915</u>	<u>87,414</u>	<u>8,499</u>
EXPENDITURES				
Natural and economic environment	<u>79,573</u>	<u>86,388</u>	<u>658</u>	<u>85,730</u>
Total expenditures	<u>79,573</u>	<u>86,388</u>	<u>658</u>	<u>85,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(658)</u>	<u>(7,473)</u>	<u>86,756</u>	<u>94,229</u>
Net change in fund balances	(658)	(7,473)	86,756	94,229
Fund balance - beginning	<u>2,586,151</u>	<u>2,596,167</u>	<u>4,352,043</u>	<u>1,755,876</u>
Fund balance - ending	<u>\$ 2,585,493</u>	<u>\$ 2,588,694</u>	<u>\$ 4,438,799</u>	<u>\$ 1,850,105</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Nonmajor Permanent Funds
For the Year Ended December 31, 2014

Page 3 of 3

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 422,786	\$ 422,786	\$ 414,795	\$ (7,991)
Miscellaneous revenues	130,643	130,643	138,437	7,794
Total revenues	<u>553,429</u>	<u>553,429</u>	<u>553,232</u>	<u>(197)</u>
EXPENDITURES				
Natural and economic environment	79,573	86,388	658	85,730
Culture and recreation	6,127	9,123	6,127	2,996
Total expenditures	<u>85,700</u>	<u>95,511</u>	<u>6,785</u>	<u>88,726</u>
Excess (deficiency) of revenues over (under) expenditures	<u>467,729</u>	<u>457,918</u>	<u>546,447</u>	<u>88,529</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,996)	-	-	-
Total other financing sources (uses)	<u>(2,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	464,733	457,918	546,447	88,529
Fund balance - beginning	<u>3,613,791</u>	<u>4,017,845</u>	<u>8,989,505</u>	<u>4,971,660</u>
Fund balance - ending	<u>\$ 4,078,524</u>	<u>\$ 4,475,763</u>	<u>\$ 9,535,952</u>	<u>\$ 5,060,189</u>

ENTERPRISE FUNDS**456 – Cemetery**

Operates and maintains Bayview Cemetery. Revenue is derived from the sale of lots, interment charges and sale of liners. Perpetual care for upkeep of graves and cemetery property is funded from sale of gravesites and City funding. Established by Ordinances 52 and 9898.

460 – Golf Course

Lake Padden Golf Course was constructed in 1970 as part of Lake Padden Park with funding from a bond issue and additional City funding. The parks and recreation department leases out the operation of the golf course. Established in the 1971 Budget by Ordinance 7967.

465 – Parking Services

Operates and maintains municipal parking system consisting of parking garages, surface lots, on-street parking and commercial space rental. Revenue primarily derived from fees and rentals. Established by Ordinances 7747 and 10367.

470 – Medic One

Provides countywide ambulance service through a contract with Whatcom County. Established by Ordinance 8328.

475 – Development Services

Primary source of revenue is fees for inspection services. Ensures compliance with state and local codes. Established by Ordinance 10035. Goal for ending fund balance is fifty percent of annual operating budget.

CITY OF BELLINGHAM
Combining Statement of Net Position
Other Non-Major Enterprise Funds
December 31, 2014

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Medic One</u>	<u>Development Services</u>	<u>Total Other Non-Major Enterprise Funds</u>
ASSETS						
<i>Current assets:</i>						
Cash and cash equivalents	\$ 3,155	\$ 40,182	\$ 672,340	\$ 424,330	\$ 787,895	\$ 1,927,902
Investments	10,718	147,991	2,472,233	1,562,793	2,901,795	7,095,530
Receivables, net	655	18,653	445,398	4,929	6,837	476,472
Due from other governments	-	-	24,000	28	-	24,028
Prepaid items	-	-	-	808	-	808
Total current assets	<u>14,528</u>	<u>206,826</u>	<u>3,613,971</u>	<u>1,992,888</u>	<u>3,696,527</u>	<u>9,524,740</u>
<i>Noncurrent assets:</i>						
Restricted cash and cash equivalents	72,306	-	-	-	-	72,306
Restricted investments	266,296	-	-	-	-	266,296
<i>Capital assets, not being depreciated/amortized:</i>						
Land	359,274	-	1,109,904	52,457	-	1,521,635
Construction in progress	-	-	79,847	-	-	79,847
<i>Capital assets, net of depreciation/amortization:</i>						
Buildings	38,214	380,138	1,804,826	206,898	-	2,430,076
Improvements	-	208,285	400,969	-	1,626	610,880
Machinery and equipment	-	31,811	31,419	186,429	-	249,659
Total noncurrent assets	<u>736,090</u>	<u>620,234</u>	<u>3,426,965</u>	<u>445,784</u>	<u>1,626</u>	<u>5,230,699</u>
Total assets	<u>750,618</u>	<u>827,060</u>	<u>7,040,936</u>	<u>2,438,672</u>	<u>3,698,153</u>	<u>14,755,439</u>
LIABILITIES						
<i>Current liabilities:</i>						
Accounts payable	2,022	16	23,954	287,863	3,905	317,760
Accrued wages and benefits	11,135	1,902	24,418	43,884	70,100	151,439
Due to other funds	-	-	-	20,910	-	20,910
Due to other governments	-	-	6,497	445,369	-	451,866
Other current liabilities	117,383	14,883	17,856	-	-	150,122
<i>Current portion:</i>						
Compensated absences	<u>13,598</u>	<u>3,589</u>	<u>12,461</u>	<u>97,703</u>	<u>89,231</u>	<u>216,582</u>
Total current liabilities	<u>144,138</u>	<u>20,390</u>	<u>85,186</u>	<u>895,729</u>	<u>163,236</u>	<u>1,308,679</u>
<i>Noncurrent liabilities:</i>						
Compensated absences	-	-	392	7,080	3,411	10,883
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>392</u>	<u>7,080</u>	<u>3,411</u>	<u>10,883</u>
Total liabilities	<u>144,138</u>	<u>20,390</u>	<u>85,578</u>	<u>902,809</u>	<u>166,647</u>	<u>1,319,562</u>
NET POSITION						
Net investment in capital assets	397,489	620,233	3,347,118	445,785	1,626	4,812,251
Restricted for cemetery endowment / preneed	224,483	-	-	-	-	224,483
Unrestricted	<u>(15,492)</u>	<u>186,437</u>	<u>3,608,240</u>	<u>1,090,078</u>	<u>3,529,880</u>	<u>8,399,143</u>
Total net position	<u>\$ 606,480</u>	<u>\$ 806,670</u>	<u>\$ 6,955,358</u>	<u>\$ 1,535,863</u>	<u>\$ 3,531,506</u>	<u>\$ 13,435,877</u>

CITY OF BELLINGHAM
Combining Statement of Revenue, Expenses and Changes in Net Position
Other Non-Major Enterprise Funds
For the Year Ended December 31, 2014

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Medic One</u>	<u>Development Services</u>	<u>Total Other Non-Major Enterprise Funds</u>
Operating revenues:						
Customer sales and service fees	\$ 171,759	\$ -	\$ -	\$ 5,900,243	\$ 2,895,768	\$ 8,967,770
Charges for services	109,374	-	-	-	-	109,374
Rents, parking and concessions	-	213,791	2,189,752	-	-	2,403,543
Other operating revenues	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33</u>
Total operating revenues	<u>281,166</u>	<u>213,791</u>	<u>2,189,752</u>	<u>5,900,243</u>	<u>2,895,768</u>	<u>11,480,720</u>
Operating expenses:						
General operations	377,240	350,914	2,033,618	6,305,823	-	9,067,595
General administration	169,442	-	-	-	1,970,813	2,140,255
Depreciation	<u>6,565</u>	<u>31,684</u>	<u>96,305</u>	<u>90,999</u>	<u>17,083</u>	<u>242,636</u>
Total operating expenses	<u>553,247</u>	<u>382,598</u>	<u>2,129,923</u>	<u>6,396,822</u>	<u>1,987,896</u>	<u>11,450,486</u>
Operating income (loss)	<u>(272,081)</u>	<u>(168,807)</u>	<u>59,829</u>	<u>(496,579)</u>	<u>907,872</u>	<u>30,234</u>
Nonoperating revenues (expenses):						
External operating grants and subsidies	-	-	24,000	1,473	-	25,473
Operating assessments and tax levies	-	-	-	636,485	-	636,485
Investment interest	2,780	1,573	23,820	14,309	25,503	67,985
Net increase (decrease) in fair value of investments	2,016	2,024	11,608	(4,999)	4,318	14,967
Gain (loss) on sale of capital assets	-	-	-	(3,000)	-	(3,000)
Other nonoperating revenues	1,503	22	636	30,123	1,072	33,356
Other nonoperating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(636,485)</u>	<u>-</u>	<u>(636,485)</u>
Total nonoperating revenues (expenses)	<u>6,299</u>	<u>3,619</u>	<u>60,064</u>	<u>37,906</u>	<u>30,893</u>	<u>138,781</u>
Income (loss) before transfers	<u>(265,782)</u>	<u>(165,188)</u>	<u>119,893</u>	<u>(458,673)</u>	<u>938,765</u>	<u>169,015</u>
Transfers in	221,480	-	-	1,125,000	-	1,346,480
Special item - division of WMO assets and liabilities with Whatcom County	<u>-</u>	<u>-</u>	<u>-</u>	<u>(869,536)</u>	<u>-</u>	<u>(869,536)</u>
Change in net position	<u>(44,302)</u>	<u>(165,188)</u>	<u>119,893</u>	<u>(203,209)</u>	<u>938,765</u>	<u>645,959</u>
Total net position - beginning	<u>650,782</u>	<u>971,858</u>	<u>6,835,465</u>	<u>1,739,072</u>	<u>2,592,741</u>	<u>12,789,918</u>
Total net position - ending	<u>\$ 606,480</u>	<u>\$ 806,670</u>	<u>\$ 6,955,358</u>	<u>\$ 1,535,863</u>	<u>\$ 3,531,506</u>	<u>\$ 13,435,877</u>

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Other Non-Major Enterprise Funds
For the Year Ended December 31, 2014

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Medic One</u>	<u>Development Services</u>	<u>Total Other Non-Major Enterprise Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 274,856	\$ 213,258	\$ 2,201,298	\$ 5,923,445	\$ 2,895,768	\$ 11,508,625
Payments for wages and benefits	(300,557)	(96,388)	(380,824)	(4,849,572)	(1,461,301)	(7,088,642)
Payments for operating expenses	(246,394)	(223,899)	(1,660,916)	(1,115,105)	(520,285)	(3,766,599)
Other receipts	<u>1,503</u>	<u>22</u>	<u>636</u>	<u>30,123</u>	<u>1,072</u>	<u>33,356</u>
Net cash provided (used) by operating activities	<u>(270,592)</u>	<u>(107,007)</u>	<u>160,194</u>	<u>(11,109)</u>	<u>915,254</u>	<u>686,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	221,480	-	-	1,125,000	-	1,346,480
Receipts from other governmental units	-	-	24,000	1,473	-	25,473
Payments to other governmental units	-	-	-	(636,485)	-	(636,485)
Receipts for taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>636,485</u>	<u>-</u>	<u>636,485</u>
Net cash provided (used) by noncapital financing activities	<u>221,480</u>	<u>-</u>	<u>24,000</u>	<u>1,126,473</u>	<u>-</u>	<u>1,371,953</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Payments for construction of capital assets	<u>-</u>	<u>-</u>	<u>(79,847)</u>	<u>-</u>	<u>-</u>	<u>(79,847)</u>
Net cash provided (used) by capital financing activities	<u>-</u>	<u>-</u>	<u>(79,847)</u>	<u>-</u>	<u>-</u>	<u>(79,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturity of investments	79,535	131,501	50,633	952,098	678,496	1,892,263
Purchase of investments	(23,013)	(33,958)	-	(1,797,423)	(1,280,901)	(3,135,295)
Interest and dividends received	<u>2,976</u>	<u>1,847</u>	<u>24,421</u>	<u>12,477</u>	<u>24,542</u>	<u>66,263</u>
Net cash provided (used) in investment activities	<u>59,498</u>	<u>99,390</u>	<u>75,054</u>	<u>(832,848)</u>	<u>(577,863)</u>	<u>(1,176,769)</u>
Net increase (decrease) in cash and equivalents	10,386	(7,617)	179,401	282,516	337,391	802,077
Cash and cash equivalents - beginning of year	<u>65,075</u>	<u>47,799</u>	<u>492,939</u>	<u>141,814</u>	<u>450,504</u>	<u>1,198,131</u>
Cash and cash equivalents - end of year	<u>75,461</u>	<u>40,182</u>	<u>672,340</u>	<u>424,330</u>	<u>787,895</u>	<u>2,000,208</u>
Cash at end of year consists of						
Cash and cash equivalents	3,155	40,182	672,340	424,330	787,895	1,927,902
Restricted cash	<u>72,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,306</u>
Total cash at end of year	<u>\$ 75,461</u>	<u>\$ 40,182</u>	<u>\$ 672,340</u>	<u>\$ 424,330</u>	<u>\$ 787,895</u>	<u>\$ 2,000,208</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ (272,081)	\$ (168,807)	\$ 59,829	\$ (496,579)	\$ 907,872	\$ 30,234
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>						
Depreciation	6,565	31,684	96,305	90,999	17,083	242,636
Miscellaneous income	1,503	22	636	30,123	1,072	33,356
Abandoned capital projects	-	49,578	-	-	-	49,578
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	1,686	(533)	11,096	23,202	-	35,451
(Increase) decrease in prepayments	-	-	-	(808)	-	(808)
Increase (decrease) in accounts payable	(2,351)	(19,358)	(13,616)	160,591	(2,349)	122,917
Increase (decrease) in wages and benefits payable	1,954	407	5,615	139,121	(7,829)	139,268
Increase (decrease) in revenues collected in advance	(7,996)	-	450	-	-	(7,546)
Increase (decrease) in due to other funds	-	-	-	18,585	-	18,585
Increase (decrease) in other current liabilities	688	-	1,487	16,491	-	18,666
Increase (decrease) in other fees and taxes	(560)	-	(2,000)	86	-	(2,474)
Increase (decrease) in other long-term liabilities	<u>-</u>	<u>-</u>	<u>392</u>	<u>7,080</u>	<u>(595)</u>	<u>6,877</u>
Net cash provided (used) by operating activities	<u>\$ (270,592)</u>	<u>\$ (107,007)</u>	<u>\$ 160,194</u>	<u>\$ (11,109)</u>	<u>\$ 915,254</u>	<u>\$ 686,740</u>
Noncash investing, capital, and financing activities:						
Net change in fair value of investments	2,016	2,024	11,608	(4,999)	4,318	14,967



INTERNAL SERVICE FUNDS**510 – Fleet Administration**

Consolidates vehicles and equipment under one fund for acquisition, repair, maintenance and replacement. Revenue is derived from renting these assets to user funds and mechanical shop services to other funds and other government agencies. Established by Ordinance 7684. *Goal for ending fund balance fluctuates based on the replacement cycle.*

520 – Purchasing and Materials Management

Consolidates the functions of purchasing, warehousing and issuing supplies to various departments of the City. Revenue is derived from inventory sales and overhead charges. Established by Ordinance 8929 and 8976.

530 – Facilities Administration

Consolidates custodial services and facility maintenance under one fund. Established by Ordinance 10269.

540 – Technology and Telecommunications

Purchases telecommunications and technology equipment and services, and recovers the costs from the user departments. Provides a source for centralized payment of telecommunication and technology expenses. Excess funding is used for future acquisitions. Established by Ordinance 9747, revised by Ordinance 2011-12-075.

550 – Claims and Litigation

Established in 1977 to pay expenses for claims, litigation, administrative costs and settlements and judgments on behalf of all City departments. Departments pay insurance premiums into this fund for future contingencies. Costs over \$500,000 are covered by excess liability insurance. Established by Ordinance 8616. *Minimum goal for ending fund balance is \$5 million.*

561 – Unemployment Compensation

Established to reimburse the State on a quarterly basis for unemployment claims paid to former employees. State law requires that municipalities participate in the State Unemployment Compensation Plan. Effective January 1, 1978, to finance this fund, a percentage of payroll is transferred each payroll period as required. *Established in the 1978 Budget by Ordinance 8627. Goal for ending fund balance is seventy five percent of budgeted annual claims payments to the state.*

562 – Worker's Compensation Self-Insurance

Covers the cost of claims resulting from injuries on the job or job-related illnesses, and related preventive, safety and disability programs. Established and amended by Ordinances 8616 and 1999-02-005. *Goal for ending fund balance is twice the projected annual claims expense.*

565 – Health Benefits

Covers the costs of providing medical, dental, vision and employee wellness benefits to City employees. Revenue is derived from employer (paid by City Departments on a per employee basis) and employee premium charges. Established by Ordinance 8942.

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2014

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ASSETS	Purchasing				
	Fleet Administration	Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
<i>Current assets:</i>					
Cash and cash equivalents	\$ 1,781,767	\$ 99,901	\$ 234,236	\$ 545,168	\$ 1,121,958
Investments	6,562,194	367,934	862,683	2,007,840	4,132,139
Receivables, net	22,731	867	2,041	4,787	9,736
Interfund loans receivable	247,846	-	-	-	-
Due from other governments	1,237	-	-	9,111	-
Inventory	-	809,508	-	-	-
Prepaid items	-	-	-	-	-
Total current assets	8,615,775	1,278,210	1,098,960	2,566,906	5,263,833
<i>Noncurrent assets:</i>					
Restricted cash and cash equivalents	-	-	9,692	-	-
<i>Capital assets, not being depreciated/amortized:</i>					
Land	-	-	40,102	-	-
Construction in progress	-	-	-	100,819	-
<i>Capital assets, net of depreciation/amortization:</i>					
Buildings	-	-	1,355,278	-	-
Machinery and equipment	9,730,134	-	24,376	133,613	-
Intangibles - software	-	-	-	9,475	-
Total noncurrent assets	9,730,134	-	1,429,448	243,907	-
Total assets	18,345,909	1,278,210	2,528,408	2,810,813	5,263,833
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	164,321	135,724	152,190	171,747	5,583
Accrued wages and benefits	55,646	31,487	74,909	19,212	7,481
Other current liabilities	1,432	-	600	-	-
<i>Current portion:</i>					
Compensated absences	78,482	30,682	85,375	23,111	6,976
Claims and judgements payable	-	-	-	-	40,000
Total current liabilities	299,881	197,893	313,074	214,070	60,040
<i>Noncurrent liabilities:</i>					
Bonds payable, net	-	-	6,100,000	-	-
Compensated absences	29,948	10,513	25,326	8,390	-
Claims and judgements payable	-	-	-	-	339,504
Total noncurrent liabilities	29,948	10,513	6,125,326	8,390	339,504
Total liabilities	329,829	208,406	6,438,400	222,460	399,544
NET POSITION					
Net investment in capital assets	9,730,134	-	1,419,756	243,907	-
Unrestricted	8,285,946	1,069,804	(5,329,748)	2,344,446	4,864,289
Total net position	\$ 18,016,080	\$ 1,069,804	\$ (3,909,992)	\$ 2,588,353	\$ 4,864,289

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2014

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ASSETS	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
<i>Current assets:</i>				
Cash and cash equivalents	\$ 112,615	\$ 254,882	\$ 629,422	\$ 4,779,949
Investments	414,760	938,724	2,318,141	17,604,415
Receivables, net	977	2,212	5,461	48,812
Interfund loans receivable	-	-	-	247,846
Due from other governments	-	-	-	10,348
Inventory	-	-	-	809,508
Prepaid items	-	20,347	7,202	27,549
Total current assets	<u>528,352</u>	<u>1,216,165</u>	<u>2,960,226</u>	<u>23,528,427</u>
<i>Noncurrent assets:</i>				
Restricted cash and cash equivalents	-	-	-	9,692
Capital assets, not being depreciated/amortized:				
Land	-	-	-	40,102
Construction in progress	-	-	-	100,819
Capital assets, net of depreciation/amortization:				
Buildings	-	-	-	1,355,278
Machinery and equipment	-	-	-	9,888,123
Intangibles - software	-	-	-	9,475
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,403,489</u>
Total assets	<u>528,352</u>	<u>1,216,165</u>	<u>2,960,226</u>	<u>34,931,916</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	60,026	103,525	21,338	814,454
Accrued wages and benefits	568	4,618	35,410	229,331
Other current liabilities	-	-	11,628	13,660
<i>Current portion:</i>				
Compensated absences	1,095	6,172	16,499	248,392
Claims and judgements payable	160,000	430,000	-	630,000
Total current liabilities	<u>221,689</u>	<u>544,315</u>	<u>84,875</u>	<u>1,935,837</u>
<i>Noncurrent liabilities:</i>				
Bonds payable, net	-	-	-	6,100,000
Compensated absences	-	-	-	74,177
Claims and judgements payable	-	-	-	339,504
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,513,681</u>
Total liabilities	<u>221,689</u>	<u>544,315</u>	<u>84,875</u>	<u>8,449,518</u>
NET POSITION				
Net investment in capital assets	-	-	-	11,393,797
Unrestricted	306,663	671,850	2,875,351	15,088,601
Total net position	<u>\$ 306,663</u>	<u>\$ 671,850</u>	<u>\$ 2,875,351</u>	<u>\$ 26,482,398</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2014

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	Fleet	Purchasing			
	Administration	Materials	Facilities	Technology &	Claims &
		Management	Administration	Telecom	Litigation
Operating revenues:					
Sales of merchandise	\$ -	\$ 2,249,078	\$ -	\$ -	\$ -
Less: cost of goods sold	-	(1,397,347)	-	-	-
Charges for services	2,024,734	6,257	2,850,654	2,157,813	15,780
Insurance premium contributions	-	-	-	-	1,184,221
Other operating revenues	<u>1,723,678</u>	<u>-</u>	<u>66,323</u>	<u>-</u>	<u>50</u>
Total operating revenues	<u>3,748,412</u>	<u>857,988</u>	<u>2,916,977</u>	<u>2,157,813</u>	<u>1,200,051</u>
Operating expenses:					
General operations	2,893,789	929,870	3,172,903	1,931,306	-
General administration	-	-	-	-	(732,324)
Depreciation	1,344,267	-	82,411	44,353	-
Risk transfer payment	-	-	-	-	481,827
Payments to claimants and beneficiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>4,238,056</u>	<u>929,870</u>	<u>3,255,314</u>	<u>1,975,659</u>	<u>(250,497)</u>
Operating income (loss)	<u>(489,644)</u>	<u>(71,882)</u>	<u>(338,337)</u>	<u>182,154</u>	<u>1,450,548</u>
Nonoperating revenues (expenses):					
External operating subsidies	-	-	221,753	8,811	-
Investment interest	67,540	3,024	6,733	19,568	40,502
Net incr (decr) in fair value of investments	20,691	3,682	8,646	5,925	18,500
Interest expense and related charges	-	-	(361,003)	-	-
Gain (loss) on sale of capital assets	(17,701)	-	-	-	-
Other nonoperating revenues	2,835	31,223	145,022	7,550	1,780
Other nonoperating expenses	<u>-</u>	<u>(174,603)</u>	<u>(263)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>73,365</u>	<u>(136,674)</u>	<u>20,888</u>	<u>41,854</u>	<u>60,782</u>
Income (loss) before transfers	(416,279)	(208,556)	(317,449)	224,008	1,511,330
Transfers in	940,943	-	300,000	350,234	-
Transfers out	<u>-</u>	<u>(12,482)</u>	<u>(2,824)</u>	<u>-</u>	<u>-</u>
Change in net position	524,664	(221,038)	(20,273)	574,242	1,511,330
Total net position - beginning	<u>17,491,416</u>	<u>1,290,842</u>	<u>(3,889,719)</u>	<u>2,014,111</u>	<u>3,352,959</u>
Total net position - ending	<u>\$ 18,016,080</u>	<u>\$ 1,069,804</u>	<u>\$ (3,909,992)</u>	<u>\$ 2,588,353</u>	<u>\$ 4,864,289</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2014

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	Worker's				
	Unemployment Compensation	Compensation Self-Insurance	Health Benefits	Intra-fund Eliminations	Totals
Operating revenues:					
Sales of merchandise	\$ -	\$ -	\$ -	\$ -	\$ 2,249,078
Less: cost of goods sold	-	-	-	-	(1,397,347)
Charges for services	-	-	-	-	7,055,238
Insurance premium contributions	110,627	726,227	12,209,781	-	14,230,856
Other operating revenues	-	-	-	-	1,790,051
Total operating revenues	<u>110,627</u>	<u>726,227</u>	<u>12,209,781</u>	<u>-</u>	<u>23,927,876</u>
Operating expenses:					
General operations	-	-	-	-	8,927,868
General administration	23,484	255,442	561,893	-	108,495
Depreciation	-	-	-	-	1,471,031
Risk transfer payments	-	-	11,400,274	-	11,882,101
Payments to claimants and beneficiaries	94,900	387,541	420,522	-	902,963
Total operating expenses	<u>118,384</u>	<u>642,983</u>	<u>12,382,689</u>	<u>-</u>	<u>23,292,458</u>
Operating income (loss)	<u>(7,757)</u>	<u>83,244</u>	<u>(172,908)</u>	<u>-</u>	<u>635,418</u>
Nonoperating revenues (expenses):					
External operating subsidies	-	-	-	-	230,564
Investment interest	3,938	8,710	23,144	-	173,159
Net increase (decrease) in fair value of investments	1,756	3,140	13,832	-	76,172
Interest expense and related charges	-	-	-	-	(361,003)
Gain (loss) on sale of capital assets	-	-	-	-	(17,701)
Other nonoperating revenues	-	-	-	-	188,410
Other nonoperating expenses	-	-	-	-	(174,866)
Total nonoperating revenues (expenses)	<u>5,694</u>	<u>11,850</u>	<u>36,976</u>	<u>-</u>	<u>114,735</u>
Income (loss) before transfers	<u>(2,063)</u>	<u>95,094</u>	<u>(135,932)</u>	<u>-</u>	<u>750,153</u>
Transfers in	-	-	-	(12,482)	1,578,695
Transfers out	-	-	-	12,482	(2,824)
Change in net position	<u>(2,063)</u>	<u>95,094</u>	<u>(135,932)</u>	<u>-</u>	<u>2,326,024</u>
Total net position - beginning	<u>308,726</u>	<u>576,756</u>	<u>3,011,283</u>	<u>-</u>	<u>24,156,374</u>
Total net position - ending	<u>\$ 306,663</u>	<u>\$ 671,850</u>	<u>\$ 2,875,351</u>	<u>\$ -</u>	<u>\$ 26,482,398</u>

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2014

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	Fleet	Purchasing	Facilities	Technology &	Claims &
	Administration	Materials	Administration	Telecom	Litigation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ 6,257	\$ 66,314	\$ -	\$ 15,830
Receipts from interfund services provided	3,745,808	2,249,078	2,850,654	2,148,646	1,184,221
Payments for merchandise	-	(1,376,242)	-	-	-
Payments for wages and benefits	(745,854)	(656,299)	(1,558,179)	(408,509)	(177,443)
Payments for operating expenses	(2,078,214)	(217,254)	(1,643,855)	(1,514,955)	(775,701)
Other receipts	2,835	31,223	14,911	7,550	1,780
Other payments	-	(174,603)	(263)	-	-
Net cash provided (used) by operating activities	924,575	(137,840)	(270,418)	232,732	248,687
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	584,761	-	300,000	350,234	-
Transfers out	-	(12,482)	(2,824)	-	-
Payments for interest	-	-	(342,197)	-	-
Principal payment on bonds	-	-	(380,000)	-	-
Receipts from other governmental units	-	-	221,753	8,811	-
Interfund receipts for bond repayment	-	-	130,111	-	-
Interfund loan repayments	738,800	-	-	-	-
Net cash provided (used) by noncapital financing activities	1,323,561	(12,482)	(73,157)	359,045	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,368,938)	-	-	(210,187)	-
Proceeds from the sale of capital assets	251,478	-	-	-	-
Net cash provided (used) by capital financing activities	(1,117,460)	-	-	(210,187)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	1,523,656	146,501	344,475	3,145,159	20,436
Purchase of investments	(2,109,031)	-	-	(3,353,144)	-
Interest and dividends received	67,328	3,465	7,769	19,430	41,351
Net cash provided (used) in investment activities	(518,047)	149,966	352,244	(188,555)	61,787
Net increase (decrease) in cash and equivalents	612,629	(356)	8,669	193,035	310,474
Cash and cash equivalents - beginning of year	1,169,138	100,257	235,259	352,133	811,484
Cash and cash equivalents - end of year	1,781,767	99,901	243,928	545,168	1,121,958
Cash at end of year consists of					
Cash and cash equivalents	1,781,767	99,901	234,236	545,168	1,121,958
Restricted cash	-	-	9,692	-	-
Total cash at end of year	\$ 1,781,767	\$ 99,901	\$ 243,928	\$ 545,168	\$ 1,121,958
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (489,644)	\$ (71,882)	\$ (338,337)	\$ 182,154	\$ 1,450,548
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	1,344,267	-	82,411	44,353	-
Miscellaneous income	2,835	31,223	14,911	7,550	1,780
Miscellaneous expenses	-	(174,603)	(263)	-	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(2,604)	-	(9)	(9,167)	-
(Increase) decrease in inventory of supplies	-	21,105	-	-	-
(Increase) decrease in prepayments	-	-	-	-	-
Increase (decrease) in accounts payable	10,300	88,606	(50,642)	5,822	2,555
Increase (decrease) in wages and benefits payable	47,245	(30,085)	12,908	2,153	(917)
Increase (decrease) in due to other funds	(559)	-	-	-	-
Increase (decrease) in other current liabilities	-	-	-	-	-
Increase (decrease) in other fees and taxes	715	31	(48)	(9)	-
Increase (decrease) in other long-term liabilities	12,020	(2,235)	8,651	(124)	(1,205,279)
Net cash provided (used) by operating activities	\$ 924,575	\$ (137,840)	\$ (270,418)	\$ 232,732	\$ 248,687
Noncash investing, capital, and financing activities:					
Net change in fair value of investments	20,691	3,682	8,646	5,925	18,500
Fleet donations	356,183	-	-	-	-

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2014

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	Worker's				
	Unemployment	Compensation	Health	Intra-fund	
	<u>Compensation</u>	<u>Self-Insurance</u>	<u>Benefits</u>	<u>Eliminations</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ -	\$ -	\$ -	\$ 88,401
Receipts from interfund services provided	110,627	726,227	12,209,781	-	25,225,042
Payments for merchandise	-	-	-	-	(1,376,242)
Payments for wages and benefits	(13,571)	(116,221)	(274,884)	-	(3,950,960)
Payments for operating expenses	(63,419)	(462,611)	(12,089,525)	-	(18,845,534)
Other receipts	-	-	-	-	58,299
Other payments	-	-	-	-	(174,866)
Net cash provided (used) by operating activities	<u>33,637</u>	<u>147,395</u>	<u>(154,628)</u>	<u>-</u>	<u>1,024,140</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	(12,482)	1,222,513
Transfers out	-	-	-	12,482	(2,824)
Payments for interest	-	-	-	-	(342,197)
Principal payment on bonds	-	-	-	-	(380,000)
Receipts from other governmental units	-	-	-	-	230,564
Interfund receipts for bond repayment	-	-	-	-	130,111
Interfund loan repayments	-	-	-	-	738,800
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596,967</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	-	-	-	-	(1,579,125)
Proceeds from the sale of capital assets	-	-	-	-	251,478
Net cash provided (used) by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,327,647)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	5,740	79,908	257,039	-	5,522,914
Purchase of investments	(10,836)	(150,855)	-	-	(5,623,866)
Interest and dividends received	4,005	8,713	24,240	-	176,301
Net cash provided (used) in investment activities	<u>(1,091)</u>	<u>(62,234)</u>	<u>281,279</u>	<u>-</u>	<u>75,349</u>
Net increase (decrease) in cash and equivalents	32,546	85,161	126,651	-	1,368,809
Cash and cash equivalents - beginning of year	80,069	169,721	502,771	-	3,420,832
Cash and cash equivalents - end of year	<u>112,615</u>	<u>254,882</u>	<u>629,422</u>	<u>-</u>	<u>4,789,641</u>
Cash at end of year consists of					
Cash and cash equivalents	112,615	254,882	629,422	-	4,779,949
Restricted cash	-	-	-	-	9,692
Total cash at end of year	<u>\$ 112,615</u>	<u>\$ 254,882</u>	<u>\$ 629,422</u>	<u>\$ -</u>	<u>\$ 4,789,641</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (7,757)	\$ 83,244	\$ (172,908)	\$ -	\$ 635,418
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	-	-	-	-	1,471,031
Miscellaneous income	-	-	-	-	58,299
Miscellaneous expenses	-	-	-	-	(174,866)
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	-	-	-	-	(11,780)
(Increase) decrease in inventory of supplies	-	-	-	-	21,105
(Increase) decrease in prepayments	-	33,017	(120)	-	32,897
Increase (decrease) in accounts payable	41,409	32,586	11,008	-	141,644
Increase (decrease) in wages and benefits payable	(15)	(1,452)	5,116	-	34,953
Increase (decrease) in due to other funds	-	-	-	-	(559)
Increase (decrease) in other current liabilities	-	-	2,587	-	2,587
Increase (decrease) in other fees and taxes	-	-	-	-	689
Increase (decrease) in other long-term liabilities	-	-	(311)	-	(1,187,278)
Net cash provided (used) by operating activities	<u>\$ 33,637</u>	<u>\$ 147,395</u>	<u>\$ (154,628)</u>	<u>\$ -</u>	<u>\$ 1,024,140</u>
Noncash investing, capital, and financing activities:					
Net change in fair value of investments	1,756	3,140	13,832	-	76,172
Fleet donations	-	-	-	-	356,183



FIDUCIARY FUNDS**Pension Trust****612 – Firefighters Pensions**

Pension payments for pre March 1, 1970 firefighters or surviving spouses, and medical and long-term care benefits for firefighters hired prior to October 1, 1977. Revenue is derived from property tax, fire insurance premium tax, and general fund contributions. Authorized by City Council July 26, 1909 and by Ordinance 1999-12-083.

613 – Police Officers Pensions

Pension payments for pre March 1, 1970 police officers or surviving spouses, and medical and long-term benefits for police officers hired prior to October 1, 1977. Revenue is derived from general fund contributions and sales of unclaimed property. Authorized by City Council July 26, 1909 and by Ordinances 1489 and 1999-12-083.

Agency**637 – Guaranty Deposit**

Agency fund, serving as a depository for cash collected for outside parties, until its final disposition. Established by Ordinance 2067.

642 – School Impact Fees

School impact fees, as authorized by Ordinance 2006-03-022, are deposited in this fund. The City collects and remits impact fees with interest to the school district.

CITY OF BELLINGHAM
Combining Statement of Net Position
Pension Trust Funds
December 31, 2014

	Firefighters' Pension	Police Officers' Pension	Total Pension Funds
ASSETS			
Cash and cash equivalents	\$ 1,661,531	\$ 1,305,444	\$ 2,966,975
Invested in government securities	6,199,656	4,870,996	11,070,652
Receivables, net	49,457	11,476	60,933
Interfund loans receivable	1,084,959	-	1,084,959
Total assets	8,995,603	6,187,916	15,183,519
LIABILITIES			
Accounts payable	20,854	18,052	38,906
Accrued pension benefits	43,617	9,986	53,603
Other liabilities	33,366	-	33,366
Total liabilities	97,837	28,038	125,875
NET POSITION			
Restricted for pension benefits	6,031,603	3,752,262	9,783,865
Restricted for long-term care	2,866,163	2,407,616	5,273,779
Total net position	\$ 8,897,766	\$ 6,159,878	\$ 15,057,644

CITY OF BELLINGHAM
Combining Statement of Changes in Plan Net Position
Pension Trust Funds
For the Year Ended December 31, 2014

	Firefighters' Pension	Police Officers' Pension	Totals
ADDITIONS			
<i>Contributions:</i>			
Taxes	\$ 2,062,912	\$ -	\$ 2,062,912
Auction proceeds - unclaimed property	-	14,355	14,355
Employer contributions	<u>205,220</u>	<u>1,294,781</u>	<u>1,500,001</u>
Total trust contributions	<u>2,268,132</u>	<u>1,309,136</u>	<u>3,577,268</u>
<i>Investment income:</i>			
Interest	68,853	46,723	115,576
Net incr (decr) in fair value of investments	<u>24,423</u>	<u>21,213</u>	<u>45,636</u>
Net investment income	<u>93,276</u>	<u>67,936</u>	<u>161,212</u>
Total additions	<u>2,361,408</u>	<u>1,377,072</u>	<u>3,738,480</u>
DEDUCTIONS			
Benefits	1,766,931	968,388	2,735,319
Administration expense	<u>36,481</u>	<u>29,246</u>	<u>65,727</u>
Total deductions	<u>1,803,412</u>	<u>997,634</u>	<u>2,801,046</u>
CHANGE IN NET POSITION			
Pension benefits change	332,272	254,632	586,904
Net position pension benefits, January 1, 2014	<u>5,699,331</u>	<u>3,497,630</u>	<u>9,196,961</u>
Net position - restricted for pension benefits, December 31, 2014	<u>6,031,603</u>	<u>3,752,262</u>	<u>9,783,865</u>
Long-term care benefits	225,724	124,806	350,530
Net position long-term care benefits, January 1, 2014	<u>2,640,439</u>	<u>2,282,810</u>	<u>4,923,249</u>
Net position - restricted for long-term care benefits, December 31, 2014	<u>2,866,163</u>	<u>2,407,616</u>	<u>5,273,779</u>
Total net position, December 31, 2014	<u>\$ 8,897,766</u>	<u>\$ 6,159,878</u>	<u>\$ 15,057,644</u>

CITY OF BELLINGHAM
Combining Statement of Net Position
Agency Funds
December 31, 2014

	Guaranty Deposit	School Impact Fees	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 275,672	\$ 52,769	\$ 328,441
Receivables, net	6,260	-	6,260
Total assets	<u>281,932</u>	<u>52,769</u>	<u>334,701</u>
LIABILITIES			
Accounts payable	79,660	52,705	132,365
Other liabilities	202,272	64	202,336
Total liabilities	<u>\$ 281,932</u>	<u>\$ 52,769</u>	<u>\$ 334,701</u>

CITY OF BELLINGHAM
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2014

	Balance December 31, 2013	Additions	Deductions	Balance December 31, 2014
GUARANTY DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 228,217	\$ 47,455	\$ -	\$ 275,672
Accounts receivable	2,804	3,456	-	6,260
Total assets	<u>231,021</u>	<u>50,911</u>	<u>-</u>	<u>281,932</u>
LIABILITIES				
Accounts payable	62,896	16,764	-	79,660
Other liabilities	168,125	34,147	-	202,272
Total liabilities	<u>\$ 231,021</u>	<u>\$ 50,911</u>	<u>\$ -</u>	<u>\$ 281,932</u>
 SCHOOL IMPACT FEES				
ASSETS				
Cash and cash equivalents	\$ 3,718	\$ 49,051	\$ -	\$ 52,769
Total assets	<u>3,718</u>	<u>49,051</u>	<u>-</u>	<u>52,769</u>
LIABILITIES				
Accounts payable	3,718	48,987	-	52,705
Other liabilities	-	64	-	64
Total liabilities	<u>\$ 3,718</u>	<u>\$ 49,051</u>	<u>\$ -</u>	<u>\$ 52,769</u>
 TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 231,935	\$ 96,506	\$ -	\$ 328,441
Accounts receivable	2,804	3,456	-	6,260
Total assets	<u>234,739</u>	<u>99,962</u>	<u>-</u>	<u>334,701</u>
LIABILITIES				
Accounts payable	66,614	65,751	-	132,365
Other liabilities	168,125	34,211	-	202,336
Total liabilities	<u>\$ 234,739</u>	<u>\$ 99,962</u>	<u>\$ -</u>	<u>\$ 334,701</u>



STATISTICAL SECTION

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

Contents	Page
Financial Trends —————	7-2
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity —————	7-9
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity —————	7-13
<i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information —————	7-18
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	
Operating Information —————	7-21
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	

City of Bellingham
Schedule 1
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<i>Governmental activities</i>										
Net investment in capital assets	\$ 200,189,756	\$ 220,101,614	\$ 251,023,811	\$ 275,562,771	\$ 294,335,598	\$ 314,661,962	\$ 324,665,481	\$ 324,871,812	\$ 333,862,114	\$ 342,989,693
Restricted	49,900,468	43,251,138	43,371,259	42,022,692	36,300,224	48,968,976	59,689,364	63,216,204	62,125,404	70,368,152
Unrestricted	<u>49,526,184</u>	<u>56,458,719</u>	<u>57,555,947</u>	<u>55,239,874</u>	<u>46,656,052</u>	<u>26,636,479</u>	<u>3,956,622</u>	<u>10,683,052</u>	<u>23,564,996</u>	<u>27,350,712</u>
Total governmental activities net position	\$ 299,616,408	\$ 319,811,471	\$ 351,951,017	\$ 372,825,337	\$ 377,291,874	\$ 390,267,417	\$ 388,311,467	\$ 398,771,068	\$ 419,552,514	\$ 440,708,557
<i>Business-type activities</i>										
Net investment in capital assets	\$ 158,377,192	\$ 162,349,648	\$ 180,824,082	\$ 184,549,549	\$ 192,943,450	\$ 200,721,924	\$ 202,646,637	\$ 207,441,809	\$ 210,438,253	\$ 215,294,427
Restricted	6,351,590	12,465,769	10,378,265	20,483,281	13,055,191	12,337,425	56,042,820	10,839,307	14,645,165	4,978,708
Unrestricted	<u>27,255,759</u>	<u>24,743,675</u>	<u>20,744,147</u>	<u>16,807,591</u>	<u>14,771,564</u>	<u>7,104,917</u>	<u>(26,780,033)</u>	<u>19,030,468</u>	<u>20,202,114</u>	<u>36,528,460</u>
Total business-type activities net position	\$ 191,984,541	\$ 199,559,092	\$ 211,946,494	\$ 221,840,421	\$ 220,770,205	\$ 220,164,266	\$ 231,909,424	\$ 237,311,584	\$ 245,285,532	\$ 256,801,595
<i>Primary government</i>										
Net investment in capital assets	\$ 358,566,948	\$ 382,451,262	\$ 431,847,893	\$ 460,112,320	\$ 487,279,048	\$ 515,383,886	\$ 527,312,118	\$ 532,313,621	\$ 544,300,367	\$ 558,284,120
Restricted	56,252,058	55,716,907	53,749,524	62,505,973	49,355,415	61,306,401	115,732,184	74,055,511	76,770,569	75,346,860
Unrestricted	<u>76,781,943</u>	<u>81,202,394</u>	<u>78,300,094</u>	<u>72,047,465</u>	<u>61,427,616</u>	<u>33,741,396</u>	<u>(22,823,411)</u>	<u>29,713,520</u>	<u>43,767,110</u>	<u>63,879,172</u>
Total primary government net position	\$ 491,600,949	\$ 519,370,563	\$ 563,897,511	\$ 594,665,758	\$ 598,062,079	\$ 610,431,683	\$ 620,220,891	\$ 636,082,652	\$ 664,838,046	\$ 697,510,152

Source: City of Bellingham, government-wide statement of net position (SNP).

City of Bellingham
Schedule 2
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Page 1 of 3

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities										
General government	\$ 11,089,032	\$ 13,866,795	\$ 14,284,854	\$ 15,976,149	\$ 15,385,834	\$ 15,074,279	\$ 14,476,790	\$ 15,336,663	\$ 12,938,178	\$ 13,330,765
Public safety	29,418,316	30,176,940	35,049,105	37,993,287	36,977,859	37,219,216	40,327,955	39,889,144	40,543,763	41,780,157
Physical environment	3,750,150	4,231,976	4,910,829	6,557,780	6,920,500	5,053,666	5,383,923	6,345,653	5,262,932	-
Transportation	8,643,230	8,895,051	9,335,399	9,853,604	10,571,685	10,669,612	12,136,460	11,838,466	14,739,413	15,313,990
Natural and economic environment	4,015,164	5,358,832	5,645,655	5,495,025	6,015,965	24,403,155	4,340,166	4,207,740	6,935,800	12,398,818
Social services	60,093	60,093	45,929	77,346	47,087	77,989	47,024	77,562	238,327	-
Culture and recreation	12,654,783	13,868,673	13,477,767	15,719,617	15,949,086	24,151,314	15,799,406	14,773,090	13,142,560	13,553,671
Interest & redemption of long term debt	<u>1,454,831</u>	<u>1,302,372</u>	<u>1,192,772</u>	<u>1,146,323</u>	<u>1,076,982</u>	<u>957,318</u>	<u>865,859</u>	<u>619,606</u>	<u>2,277,874</u>	<u>1,929,924</u>
Total governmental activities expenses	<u>\$ 71,085,599</u>	<u>\$ 77,760,732</u>	<u>\$ 83,942,310</u>	<u>\$ 92,819,131</u>	<u>\$ 92,944,998</u>	<u>\$ 117,606,549</u>	<u>\$ 93,377,583</u>	<u>\$ 93,087,924</u>	<u>\$ 96,078,847</u>	<u>\$ 98,307,325</u>
Business-type activities										
Water	\$ 10,872,803	\$ 12,475,713	\$ 13,141,474	\$ 14,190,176	\$ 15,130,789	\$ 14,684,026	\$ 16,338,457	\$ 17,830,958	\$ 18,831,300	\$ 19,497,081
Wastewater	11,524,801	12,748,773	13,418,966	14,394,572	15,354,650	14,896,450	15,474,647	17,715,664	18,726,642	18,840,811
Surface and stormwater	3,740,021	3,964,093	4,121,268	4,565,706	4,769,300	5,109,870	5,192,494	5,550,615	5,887,978	6,470,574
Solid waste	5,452,417	1,741,750	1,865,236	985,055	5,439,399	7,697,454	1,251,060	1,070,494	3,820,556	1,059,053
Cemetery	492,307	540,511	634,208	612,882	590,617	518,100	526,959	534,234	557,285	553,247
Golf course	760,381	736,496	741,103	150,966	127,981	110,473	121,507	124,476	265,759	382,598
Parking	875,404	1,094,941	984,043	1,196,683	1,541,680	1,624,501	1,470,114	1,323,104	1,285,864	2,129,923
Medic one	6,831,349	7,878,728	8,657,338	9,044,577	7,681,681	7,673,790	7,312,579	7,306,912	9,019,331	7,033,307
Development services	<u>2,609,138</u>	<u>2,747,268</u>	<u>2,574,241</u>	<u>2,888,843</u>	<u>1,926,678</u>	<u>1,725,177</u>	<u>1,608,250</u>	<u>1,685,449</u>	<u>1,870,090</u>	<u>1,987,896</u>
Total business-type activities expenses	<u>43,158,621</u>	<u>43,928,273</u>	<u>46,137,877</u>	<u>48,029,460</u>	<u>52,562,775</u>	<u>54,039,841</u>	<u>49,296,067</u>	<u>53,141,906</u>	<u>60,264,805</u>	<u>57,954,490</u>
Total primary government expenses	<u>\$ 114,244,220</u>	<u>\$ 121,689,005</u>	<u>\$ 130,080,187</u>	<u>\$ 140,848,591</u>	<u>\$ 145,507,773</u>	<u>\$ 171,646,390</u>	<u>\$ 142,673,650</u>	<u>\$ 146,229,830</u>	<u>\$ 156,343,652</u>	<u>\$ 156,261,815</u>

Source: City of Bellingham, government-wide statement of activities (SOA).

City of Bellingham
Schedule 2
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Page 2 of 3

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues										
<i>Governmental activities</i>										
Charges for services:										
General government	\$ 6,978,664	\$ 7,378,154	\$ 8,214,128	\$ 7,629,530	\$ 1,846,028	\$ 7,971,785	\$ 7,341,172	\$ 8,609,125	\$ 9,995,525	\$ 10,926,041
Public safety	4,832,625	4,716,786	5,536,189	4,652,808	5,031,673	3,649,014	3,919,904	4,847,396	5,021,635	6,555,208
Physical environment	2,797,346	2,908,572	2,865,241	3,332,454	3,456,750	3,306,542	3,059,867	2,986,750	2,851,207	2,932,433
Transportation	437,267	820,489	982,665	780,990	1,575,309	2,969,540	1,797,675	1,832,860	2,744,691	1,554,120
Natural and economic environment	1,252,248	1,576,664	1,340,234	1,031,818	1,608,883	-	30,159	21,557	13,771	148,321
Culture and recreation	4,015,913	1,579,059	1,658,473	2,957,313	3,368,716	3,492,695	3,235,228	3,348,290	4,136,307	4,049,345
Operating grants and contributions	3,902,310	4,365,394	3,493,504	4,654,983	6,194,611	6,835,919	5,458,395	6,169,221	6,118,748	5,420,055
Capital grants and contributions	5,198,298	8,240,714	11,137,427	8,277,317	9,921,191	19,831,012	3,352,046	3,287,138	9,392,828	7,695,787
Total governmental activities program revenues	\$ 29,414,671	\$ 31,585,832	\$ 35,227,861	\$ 33,317,213	\$ 33,003,161	\$ 48,056,507	\$ 28,194,446	\$ 31,102,337	\$ 40,274,712	\$ 39,281,310
<i>Business-type activities</i>										
Charges for services:										
Water	\$ 12,662,209	\$ 13,715,124	\$ 14,426,124	\$ 14,906,201	\$ 15,252,014	\$ 16,632,474	\$ 17,374,266	\$ 20,657,488	\$ 22,823,773	\$ 23,305,823
Wastewater	14,007,723	14,327,011	15,269,074	17,076,027	15,809,211	16,529,749	17,442,198	18,866,004	19,389,261	20,766,951
Surface and stormwater	3,997,067	4,426,473	4,884,658	4,950,172	4,743,490	4,832,097	5,398,976	5,526,016	6,500,655	7,202,502
Solid waste	197,220	830,445	308,130	233,471	211,874	196,329	220,301	236,780	209,253	236,188
Cemetery	286,095	305,660	366,050	346,156	244,710	326,436	301,334	274,244	275,548	281,712
Golf course	755,881	757,042	729,949	184,297	189,999	189,477	189,450	201,016	224,818	213,790
Parking	969,013	1,106,119	2,375,143	2,285,357	2,351,599	2,377,394	2,229,067	2,173,587	2,085,321	2,189,751
Medic one	5,859,978	5,944,914	7,291,514	8,024,156	6,574,164	6,397,643	6,106,185	2,301,064	6,714,586	5,911,804
Development services	2,622,009	2,644,051	2,866,133	2,360,011	2,208,015	1,815,099	1,912,283	2,123,596	2,607,991	2,896,780
Operating grants and contributions	599,117	49,406	45,593	6,607	3,919	62,035	769,988	3,722,655	1,692,473	420,099
Capital grants and contributions	344,615	3,426,595	1,762,313	2,368,644	1,844,551	1,437,283	1,563,673	1,118,079	1,438,295	2,412,989
Total business-type activities revenues	42,300,927	47,532,840	50,324,681	52,741,099	49,433,546	50,796,016	53,507,721	57,200,529	61,028,977	65,838,389
Total primary government program revenues	\$ 71,715,598	\$ 79,118,672	\$ 85,552,542	\$ 86,058,312	\$ 82,436,707	\$ 98,852,523	\$ 81,702,167	\$ 88,302,866	\$ 101,303,689	\$ 105,119,699
Net revenue (expense)										
Governmental activities	\$ (41,670,928)	\$ (46,174,900)	\$ (48,714,449)	\$ (59,501,918)	\$ (59,941,837)	\$ (69,550,042)	\$ (64,893,478)	\$ (61,985,587)	\$ (55,804,135)	\$ (59,026,015)
Business-type activities	(857,694)	3,604,567	4,186,804	4,711,639	(3,129,229)	(3,243,825)	365,815	4,058,623	764,172	7,883,899
Total primary government net expense	\$ (42,528,622)	\$ (42,570,333)	\$ (44,527,645)	\$ (54,790,279)	\$ (63,071,066)	\$ (72,793,867)	\$ (64,527,663)	\$ (57,926,964)	\$ (55,039,963)	\$ (51,142,116)

Source: City of Bellingham, government-wide statement of activities (SOA).

City of Bellingham
Schedule 2
Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Page 3 of 3

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenues and Other Changes in Net Assets										
Taxes										
Property taxes	\$ 12,744,306	\$ 13,092,773	\$ 15,905,123	\$ 16,560,804	\$ 16,683,534	\$ 16,998,700	\$ 17,351,542	\$ 17,628,836	\$ 20,986,967	\$ 21,420,754
Retail sales and use taxes	19,974,866	22,136,372	21,854,574	21,603,021	18,763,691	19,297,747	22,978,303	25,823,907	28,021,708	29,355,254
Business taxes	20,983,307	22,784,022	24,736,677	25,230,199	24,712,580	23,501,582	25,305,263	26,097,370	27,109,401	27,648,814
Other taxes	4,534,052	4,522,487	4,085,034	3,330,446	2,912,563	2,559,299	2,466,211	3,081,317	3,275,785	3,507,729
Investment income	2,160,842	3,878,646	4,776,518	4,274,577	1,436,128	1,551,747	1,366,413	1,134,224	176,643	1,556,628
Miscellaneous sources (uses)	-	-	7,207,497	1,140,391	119,800	12,010	-	-	-	143,134
Contributions	1,489,229	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	(278,942)	-	-	-	-	-	338,277	-	-	(17,701)
Transfers	(321,902)	(44,337)	(202,204)	(480,030)	(219,922)	(687,592)	(1,455,455)	(1,411,894)	(2,763,834)	(1,304,553)
Total governmental activities	\$ 61,285,758	\$ 66,369,963	\$ 78,363,219	\$ 71,659,408	\$ 64,408,374	\$ 63,233,493	\$ 68,350,554	\$ 72,353,760	\$ 76,806,670	\$ 82,310,059
<i>Business-type activities</i>										
Business taxes	\$ 883,843	\$ 1,163,203	\$ 1,256,117	\$ 1,271,585	\$ 1,186,561	\$ 1,352,583	\$ 1,252,349	\$ 1,244,127	\$ 1,274,696	\$ 1,330,240
Retail sales and use taxes	-	350,465	595,633	-	-	-	-	-	-	636,485
Investment income	1,125,536	2,075,081	2,709,735	2,843,893	783,800	597,811	773,678	774,753	(211,280)	775,424
Miscellaneous sources (uses)	-	-	1,000,000	-	-	-	(1,535,605)	-	-	457,998
Contributions	1,348,323	-	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	20,557	336,898	34,734	586,780	(3,767)	(100)	-	-	54,548	(3,000)
Transfers	321,902	44,337	202,204	480,030	219,922	687,592	1,455,455	1,411,894	2,763,834	1,304,553
Special items	-	-	-	-	-	-	-	-	1,176,877	(869,536)
Total business-type activities	3,700,161	3,969,984	5,798,423	5,182,288	2,186,516	2,637,886	1,945,877	3,430,774	7,991,672	3,632,164
Total primary government	\$ 64,985,919	\$ 70,339,947	\$ 84,161,642	\$ 76,841,696	\$ 66,594,890	\$ 65,871,379	\$ 70,296,431	\$ 75,784,534	\$ 84,798,342	\$ 85,942,223
Change in net position										
Governmental activities	\$ 19,614,830	\$ 20,195,063	\$ 29,648,770	\$ 12,157,490	\$ 4,466,537	\$ (6,316,549)	\$ 3,167,417	\$ 10,368,173	\$ 21,002,535	\$ 23,284,044
Business-type activities	2,842,467	7,574,551	9,985,227	9,893,927	(942,713)	(605,939)	6,157,531	7,489,397	8,755,844	11,516,063
Prior period adjustments	-	-	18,452,702	8,716,830	(127,503)	19,292,092	464,252	(1,995,809)	-	-
Change in accounting principles	-	-	-	-	-	-	-	-	(1,002,979)	(2,128,001)
Total primary government	\$ 22,457,297	\$ 27,769,614	\$ 58,086,699	\$ 30,768,247	\$ 3,396,321	\$ 12,369,604	\$ 9,789,200	\$ 15,861,761	\$ 28,755,400	\$ 32,672,106

Source: City of Bellingham, government-wide statement of activities (SOA).

City of Bellingham
Schedule 3
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 1,682	\$ 1,637,368	\$ 1,453,257	\$ 1,261,782	\$ 1,062,649	\$ 855,551	\$ -	\$ -	\$ -	\$ -
Unreserved	10,438,803	12,573,654	24,242,434	14,489,331	12,787,288	12,549,757	-	-	-	-
Nonspendable	-	-	-	-	-	-	640,985	744,750	185,207	3,500
Restricted	-	-	-	-	-	-	853,834	13,410,236	17,658,044	21,273,248
Committed	-	-	-	-	-	-	9,156,556	11,125,469	10,967,686	10,864,827
Assigned	-	-	-	-	-	-	150,409	8,210,509	8,429	11,159
Unassigned	-	-	-	-	-	-	4,708,440	4,663,166	14,508,167	16,246,739
Total general fund	\$ 10,440,485	\$ 14,211,022	\$ 25,695,691	\$ 15,751,113	\$ 13,849,937	\$ 13,405,308	\$ 15,510,224	\$ 38,154,130	\$ 43,327,533	\$ 48,399,473
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000	\$ 2,000	\$ 11,447,677	\$ -	\$ -	\$ -	\$ -
Debt service funds	816,143	758,584	475,591	496,110	587,923	9,360,229	-	-	-	-
Permanent funds	2,450,000	5,982,770	6,372,896	6,673,126	7,076,747	7,458,448	-	-	-	-
Unreserved, reported in:										
Special revenue funds	41,122,938	40,125,731	40,496,481	37,748,500	30,188,799	31,602,827	-	-	-	-
Capital project funds	7,289,560	1,771,842	828,930	139,972	-	-	-	-	-	-
Permanent funds	3,641,024	523,616	747,704	757,342	857,725	688,451	-	-	-	-
Nonspendable	-	-	-	-	-	-	7,880,845	20,836,763	8,766,712	9,096,202
Restricted	-	-	-	-	-	-	47,246,996	17,844,025	35,051,972	39,889,984
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	1,019,540	-	-
Unassigned	-	-	-	-	-	-	(635,116)	(463)	-	-
Total all other governmental funds	\$ 55,320,665	\$ 49,163,543	\$ 48,922,602	\$ 45,817,050	\$ 38,713,194	\$ 60,557,632	\$ 54,492,725	\$ 39,699,865	\$ 43,818,684	\$ 48,986,186
Total governmental funds	\$ 65,761,150	\$ 63,374,565	\$ 74,618,293	\$ 61,568,163	\$ 52,563,131	\$ 73,962,940	\$ 70,002,949	\$ 77,853,995	\$ 87,146,217	\$ 97,385,659

Source: City of Bellingham, governmental fund balance sheet.

Note: In 2011, GASB statement no. 54 changed the classification of fund balances and the definition of special revenue funds. As a result of the revised definition of special revenue funds, several funds have been merged into the General Fund for reporting purposes: In 2011, the Street fund, In 2012 an additional eleven former special revenue funds, in 2014, the Federal Building fund. In 2013, it was determined that a rainy day fund within the General Fund, previously reported as restricted fund balance, should be reported as unassigned.

City of Bellingham
Schedule 4
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Revenues	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxes (see schedule 5)	\$ 58,334,861	\$ 62,517,853	\$ 66,477,096	\$ 66,787,714	\$ 63,051,228	\$ 62,306,696	\$ 68,113,285	\$ 72,662,684	\$ 79,457,191	\$ 81,933,762
Licenses and permits	748,160	839,561	917,718	962,989	966,937	1,070,280	1,078,032	1,232,642	1,300,553	1,258,008
Intergovernmental revenue	9,352,256	10,839,504	11,980,989	12,338,995	17,625,391	17,238,533	9,972,732	10,624,466	11,452,576	11,508,745
Charges for services	13,635,249	15,282,851	18,728,092	15,205,392	15,971,339	16,269,473	16,086,214	18,196,715	21,243,000	21,838,838
Fines and penalties	1,531,297	1,757,922	1,153,695	1,136,335	1,245,620	1,219,571	1,224,859	1,172,060	1,159,922	1,072,066
Miscellaneous revenues	5,835,324	5,390,953	13,121,564	6,393,108	2,937,560	3,641,048	2,828,548	2,595,705	1,952,598	2,839,951
Total revenues	89,437,147	96,628,644	112,379,154	102,824,533	101,798,075	101,745,601	99,303,670	106,484,272	116,565,840	120,451,370
Expenditures										
General government services	11,299,397	14,188,145	14,081,146	16,141,149	15,507,332	15,167,326	13,923,871	14,913,851	12,416,812	13,278,942
Public safety	29,226,910	31,616,600	33,044,238	37,662,623	36,575,103	36,378,223	37,962,289	39,354,251	40,200,861	41,363,417
Physical environment	4,013,739	4,374,785	4,938,868	6,752,365	7,391,028	5,390,396	5,476,279	6,638,368	54,331	-
Transportation	4,963,151	4,975,443	5,234,218	5,904,387	5,767,047	5,541,435	5,698,525	5,992,118	14,472,294	15,052,977
Natural and economic environment	4,066,829	5,494,392	4,976,102	5,398,503	5,939,617	4,715,403	3,863,451	3,831,392	6,798,451	7,197,542
Social services	60,093	60,093	45,929	77,346	47,087	77,989	47,024	77,562	238,327	-
Cultural and recreation	11,825,657	12,896,367	12,880,007	14,727,561	15,015,039	13,668,315	12,921,869	13,573,330	13,008,471	13,170,826
Debt service:										
Redemption of general long-term debt	2,611,031	2,633,025	2,519,893	2,664,430	2,219,918	2,180,422	1,810,964	1,721,544	1,375,686	1,386,839
Interest and other debt service cost	1,479,864	1,316,975	1,207,355	1,162,285	1,091,742	972,391	871,130	637,312	553,657	545,172
Capital outlay	8,728,506	21,129,218	15,820,342	23,252,908	20,521,065	14,859,164	17,739,732	9,469,488	13,663,061	16,346,125
Total expenditures	78,275,177	98,685,043	94,748,098	113,743,557	110,074,978	98,951,064	100,315,134	96,209,216	102,781,951	108,341,840
Excess (deficiency) of revenues over (under) expenditures	11,161,970	(2,056,399)	17,631,056	(10,919,024)	(8,276,903)	2,794,537	(1,011,464)	10,275,056	13,783,889	12,109,530
Other Financing Sources (Uses)										
General long-term debt	148,750	-	-	-	-	-	-	508,824	-	1,010,336
Gain (loss) on sale of capital assets	-	-	-	-	-	-	338,277	-	-	-
Insurance recoveries	-	-	-	1,008,046	119,800	12,010	-	-	-	-
Transfers in	5,588,838	9,896,036	4,901,560	3,549,291	3,203,500	3,507,589	2,950,709	3,497,509	2,202,093	1,662,223
Transfers out	(5,809,108)	(10,226,222)	(6,527,547)	(6,688,446)	(4,051,436)	(4,206,417)	(4,967,928)	(6,756,819)	(6,693,764)	(4,542,647)
Total other financing sources and (uses)	(71,520)	(330,186)	(1,625,987)	(2,131,109)	(728,136)	(686,818)	(1,678,942)	(2,750,486)	(4,491,671)	(1,870,088)
Prior period adjustments	-	-	-	-	-	19,292,090	(1,269,587)	326,483	-	-
Net change in fund balances	\$ 11,090,450	\$ (2,386,585)	\$ 16,005,069	\$ (13,050,133)	\$ (9,005,039)	\$ 2,107,719	\$ (2,690,406)	\$ 7,524,570	\$ 9,292,218	\$ 10,239,442
Debt service as a % of non-capital expenditures	5.9%	5.1%	4.7%	4.2%	3.7%	3.7%	3.2%	2.7%	2.2%	2.1%

Source: City of Bellingham, governmental fund statement of revenues, expenditures, and changes in fund balances.

City of Bellingham
Schedule 5
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years

Fiscal year	Property	Sales & use	Business & occupation	Real estate excise	Other	Total
2005	\$ 12,841,875	\$ 19,974,866	\$ 21,066,289	\$ 3,828,078	\$ 623,753	\$ 58,334,861
2006	13,074,970	22,136,373	22,841,160	3,858,362	606,988	62,517,853
2007	15,800,811	21,854,573	24,788,213	3,419,608	613,891	66,477,096
2008	16,620,768	21,603,021	25,381,336	2,540,771	641,818	66,787,714
2009	16,417,702	18,763,691	25,081,500	1,878,291	910,044	63,051,228
2010	16,943,851	19,297,746	23,553,576	1,707,980	803,543	62,306,696
2011	17,355,250	22,978,302	25,365,107	1,729,100	685,526	68,113,285
2012	17,660,090	25,823,907	26,097,371	2,296,408	784,908	72,662,684
2013	21,050,298	28,021,705	26,731,259	2,337,770	732,950	78,873,982
2014	21,421,965	29,355,254	27,648,814	2,529,869	977,860	81,933,762
Change 2005-2014	66.81%	46.96%	31.25%	-33.91%	56.77%	40.45%

Source: City of Bellingham, governmental fund statement of revenues, expenditures, and changes in fund balances.

**City of Bellingham
Schedule 6
Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal year	Real property	Personal property	Total all property	Total direct tax rate
2005	\$ -	\$ -	\$ 5,348,485,164	2.62756
2006	6,229,382,888	405,622,601	6,635,005,489	2.20442
2007	6,443,574,163	425,074,376	6,868,648,539	2.53663
2008	6,615,264,144	455,422,134	7,070,686,278	2.56107
2009	7,619,785,052	459,771,470	8,079,556,522	2.28112
2010	8,059,113,899	537,883,799	8,596,997,698	2.22117
2011	8,011,858,018	404,941,014	8,416,799,032	2.30346
2012	7,926,656,654	400,634,706	8,327,291,360	2.34812
2013	7,948,478,438	400,149,623	8,348,628,061	2.49580
2014	8,134,585,561	419,461,150	8,554,046,711	2.50157

Source: Whatcom County Assessor's Office, annual tax book 2014.

Note: The breakdown of real and personal property values are not available prior to 2006. The estimated actual value of taxable property, otherwise known as the fair market value, is the same as the property values listed above. According to the Whatcom County Assessor's website, "State law requires the Assessor's Office to value property at 100% of its true and fair market value, according to the highest and best use of the property. The Assessor must take into consideration any situation or circumstance that would affect the negotiations between a willing buyer and a willing seller. Market value is the amount of money that a willing and unobligated buyer is willing to pay a willing and unobligated seller. The Assessor values real property using one or more of the professionally recognized appraisal methodologies. These are the market or sales comparison approach, the cost approach, the income capitalization approach, or any combination of the three approaches."

City of Bellingham
Schedule 7
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(per \$1,000 of assessed value)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City of Bellingham										
General fund	2.04020	1.68297	1.68677	1.70899	1.49912	1.45770	1.52788	1.58776	1.60885	1.61634
Whatcom RDA LIFT	-	-	-	0.00018	0.00021	0.00018	0.00226	0.00302	0.00293	0.00384
Fire pension	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22499
Sub-total nonvoted levy	2.26520	1.90797	1.91177	1.93417	1.72433	1.68288	1.75514	1.81578	1.83678	1.84518
Greenways	0.29748	0.24761	0.57000	0.57493	0.51163	0.49651	0.51645	0.53235	0.53942	0.53949
Affordable housing	-	-	-	-	-	-	-	-	0.11978	0.11690
Voted excess levies	0.06488	0.04884	0.05486	0.05197	0.04516	0.04178	0.03187	-	-	-
Sub-total voted levy	0.36236	0.29645	0.62486	0.62690	0.55679	0.53829	0.54832	0.53235	0.65920	0.65639
Total City of Bellingham levy	<u>2.62756</u>	<u>2.20442</u>	<u>2.53663</u>	<u>2.56107</u>	<u>2.28112</u>	<u>2.22117</u>	<u>2.30346</u>	<u>2.34813</u>	<u>2.49598</u>	<u>2.50157</u>
Overlapping districts										
State schools	3.21948	2.97937	2.69846	2.42701	2.21902	2.19787	2.45657	2.50814	2.67073	2.61643
County levy	1.46589	1.32537	1.14785	1.08884	1.01676	1.02054	1.11230	1.13438	1.15453	1.16469
Conservation futures	0.05694	0.05148	0.04453	0.04229	0.03949	0.01714	0.04125	0.04205	0.04279	0.04313
Flood control	0.18345	0.16582	0.14354	0.13625	0.16598	0.16299	0.13243	0.13512	0.13755	0.13883
Port of Bellingham	0.38258	0.38320	0.34220	0.32465	0.30593	0.29601	0.29719	0.28899	0.28610	0.28871
Bellingham School District	3.45964	2.97790	3.27693	3.26299	2.98677	3.02022	3.41363	3.60646	3.87995	4.48506
Total City & overlapping levy	<u>11.39554</u>	<u>10.08756</u>	<u>10.19014</u>	<u>9.84310</u>	<u>9.01507</u>	<u>8.93594</u>	<u>9.75683</u>	<u>10.06327</u>	<u>10.66763</u>	<u>11.23842</u>

Source: Whatcom County Assessor's Office, annual tax book 2014.

Note: A portion of the City of Bellingham lies within the Meridian School District. The 2012 levy rate for Meridian is 5.11266.

**City of Bellingham
Schedule 8
Principal Property Tax Payers
Current Year and Nine Years Prior**

Taxpayer	2014			2005		
	Taxable assessed value	Rank	Percentage of total city taxable assessed value	Taxable assessed value	Rank	Percentage of total city taxable assessed value
Puget Sound Energy	\$ 132,108,286	1	1.54%	\$ -	-	0.00%
Bellis Fair Partners	41,556,253	2	0.49%	27,238,745	9	0.51%
PKII Sunset Square LLC	34,260,531	3	0.40%	-	-	0.00%
Bellwether Gate LLC	18,702,761	4	0.22%	-	-	0.00%
Sisters of St Joseph of PeaceHealth	18,570,953	5	0.22%	-	-	0.00%
PAX Medical Holdings	17,573,030	6	0.21%	-	-	0.00%
Barkley Lifestyle LLC	16,809,659	7	0.20%	-	-	0.00%
Fred Meyer	16,321,043	8	0.19%	-	-	0.00%
KIR Bellingham LP	16,164,509	9	0.00%	-	-	0.00%
Metropolitan Life Insurance	15,992,582	10	0.19%	-	-	0.00%
BP West Coast Products LLC	-	-	0.00%	528,485,775	1	9.88%
Conoco Phillips Company	-	-	0.00%	267,646,080	2	5.00%
Puget Sound Energy TCA-0100	-	-	0.00%	139,233,232	3	2.60%
Intalco	-	-	0.00%	84,993,205	4	1.59%
Sumas Cogeneration Co.	-	-	0.00%	63,525,805	5	1.19%
Tenaska Washington Partners LP	-	-	0.00%	58,750,000	6	1.10%
Puget Sound Energy TCA-3020	-	-	0.00%	38,094,842	7	0.71%
Qwest (US West)	-	-	0.00%	28,782,868	8	0.54%
IKO Pacific Inc	-	-	0.00%	20,350,435	10	0.38%
Total top ten principal taxpayers	<u>328,059,607</u>		<u>3.65%</u>	<u>1,257,100,987</u>		<u>23.50%</u>
Total all taxpayers	<u>\$ 8,554,046,711</u>		<u>100.00%</u>	<u>\$ 5,348,485,164</u>		<u>100.00%</u>

Source: Whatcom County Assessor's Office.

Note: In 2005, the principal taxpayers listed included entities for the area of the Bellingham, WA MSA, while 2014 includes taxpayers within city limits.

**City of Bellingham
Schedule 9
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal year	Taxes levied for the fiscal year	Collected within 1st year of the levy	Percentage collected in 1st year	Levy Adjustments	Collections in Subsequent Years	Total collections to date	Tax balance due	Total Percentage of levy collected
2005	\$ 14,050,825	\$ 13,767,756	97.9854%	n/a	\$ 283,069	\$ 14,050,825	\$ -	100.0000%
2006	14,623,252	14,371,570	98.2789%	n/a	251,682	14,623,252	-	100.0000%
2007	17,419,207	17,161,069	98.5181%	n/a	258,138	17,419,207	-	100.0000%
2008	18,104,429	17,976,878	99.2955%	-	127,371	18,104,249	180	99.9990%
2009	18,426,728	18,187,142	98.6998%	-	237,417	18,424,559	2,169	99.9882%
2010	19,091,521	18,682,177	97.8559%	164	406,287	19,088,464	3,221	99.9848%
2011	19,384,545	19,048,860	98.2683%	(6,097)	324,276	19,373,136	5,312	99.9097%
2012	19,553,465	19,253,132	98.4640%	(8,411)	258,079	19,511,211	33,843	99.7409%
2013	22,841,687	22,549,616	98.6274%	(29,165)	180,804	22,730,420	82,102	99.3852%
2014	23,403,537	23,111,156	98.6601%	(21,208)	-	23,111,156	271,173	98.6601%

Source: Whatcom County Treasurer's Office.

Note: In 2014, began splitting levy adjustments and subsequent year collections into two columns. Tax balances older than 5 years are written off.

**City of Bellingham
Schedule 10
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal year	Governmental activities				Business-type activities				Primary government		
	General obligation bonds	Special assessment bonds	Notes payable	Government loans payable	Revenue bonds (net)*	General obligation bonds (net)	Notes payable	Government loans payable	Total primary government	Percentage of personal income**	Per capita
2005	\$ 26,755,000	\$ 1,865,000	\$ 178,275	\$ 3,325,188	\$ 16,072,872	\$ 9,383,724	\$ 2,500,000	\$ 2,004,515	\$ 62,084,574	2.84%	\$ 858
2006	25,045,000	1,295,000	172,612	2,977,826	25,512,805	9,024,038	2,000,000	2,527,532	68,554,813	2.86%	933
2007	23,255,000	925,000	166,539	2,624,007	23,006,084	8,654,352	1,500,000	2,370,545	62,501,527	2.34%	831
2008	21,542,912	514,485	160,027	2,211,089	26,435,000	8,245,098	1,000,000	2,177,772	62,286,383	2.17%	822
2009	19,716,556	286,110	153,045	2,053,154	23,660,000	7,850,585	-	1,985,000	55,704,450	2.04%	732
2010	17,775,200	212,735	145,558	1,895,219	20,055,000	7,415,688	-	1,823,479	49,322,879	1.67%	610
2011	22,691,244	84,361	137,529	1,737,284	61,989,516	6,980,607	-	1,661,959	95,282,500	3.09%	1,175
2012	22,478,634	45,986	128,920	1,929,349	60,091,269	6,505,921	2,700,000	1,022,833	94,902,912	2.90%	1,153
2013	21,424,160	-	119,689	1,722,894	74,537,514	6,181,280	2,700,000	959,904	107,645,441	3.18%	1,308
2014	19,812,874	-	109,790	2,383,462	72,382,472	6,155,606	2,700,000	861,850	104,406,054	**	1,261

Source: City of Bellingham Note IV-H long term debt, US Census Bureau for population estimate, and Fred Economic Data for per capita personal income.

Notes: ** See Schedule 15 for per capita personal income and population data. Current year information is not available at the time of this report.

City of Bellingham
Schedule 11
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	General obligation bonds	Assets available for repayment of debt	Net general obligation bonds	Debt as a % of taxable value of property	Total general bonded debt per capita
2005	\$ 36,245,000	\$ 184,183	\$ 36,060,817	0.54%	\$ 499
2006	34,170,000	172,173	33,997,827	0.49%	463
2007	32,005,000	163,426	31,841,574	0.45%	423
2008	29,720,000	191,001	29,528,999	0.37%	390
2009	27,490,000	207,564	27,282,436	0.32%	358
2010	25,120,000	214,706	24,905,294	0.30%	308
2011	29,635,000	311,540	29,323,460	0.35%	362
2012	28,150,000	902,492	27,247,508	0.33%	335
2013	26,700,000	1,328,937	25,371,063	0.30%	308
2014	\$ 24,795,000	\$ 1,671,726	\$ 23,123,274	0.26%	\$ 279

Source: City of Bellingham Schedule 10 Limitation of Indebtedness, and US Censes Bureau for population estimate.

City of Bellingham
Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2014

Governmental unit	Debt outstanding	Estimated percentage applicable	Estimated share of direct and overlapping debt
Overlapping debt:			
Bellingham School District #501	\$ 124,595,000	76.86%	\$ 95,769,840
Port of Bellingham	10,000,000	36.54%	3,654,190
Meridian School Dist #505	15,785,000	22.51%	3,552,923
Whatcom County	3,350,000	36.54%	1,224,154
Whatcom County Fire District #4	1,195,000	11.45%	136,869
Ferndale School District #502	25,425,000	0.05%	<u>13,073</u>
Subtotal, overlapping debt			104,351,048
Direct debt:			
City of Bellingham		100.00%	<u>22,306,126</u>
Total direct and overlapping debt			<u>\$ 126,657,174</u>

Sources: Assessed value data used to estimate applicable percentages is obtained from the Whatcom County Assessor's Office. Outstanding debt data is obtained from the Whatcom County Treasurer and the Port of Bellingham Finance Director.

Notes: Estimates: The estimated percentage is calculated by dividing the assessed value of the portion of the overlapping unit that falls within the City of Bellingham by the total assessed valuation of the overlapping unit.

**City of Bellingham
Schedule 13
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2014

Total assessed value	8,881,187,639
Debt limit:	
Non-voted debt limit (1.5% of assessed value)	133,217,815
Voted debt limit (1.0% of assessed value)	88,811,876
Total debt limit	222,029,691
Debt applicable to limit:	
General obligation bonds	24,795,000
Other debt	1,229,772
Less: assets available for repayment of debt	<u>(1,671,726)</u>
Total debt applicable to limit	<u>24,353,046</u>
Legal debt margin	<u>\$ 197,676,645</u>

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total assessed valuation	\$ 6,635,005,489	\$ 6,868,648,539	\$ 7,070,686,278	\$ 8,079,556,522	\$ 8,596,997,698	\$ 8,416,799,032	\$ 8,327,291,360	\$8,348,628,061	\$8,554,046,711	\$8,881,187,639
Legal debt limit	165,875,137	171,716,213	176,767,157	201,988,913	214,924,942	210,419,975	208,182,284	208,715,702	213,851,168	222,029,691
Outstanding indebtedness	<u>36,239,090</u>	<u>34,170,337</u>	<u>32,008,113</u>	<u>29,689,026</u>	<u>27,435,481</u>	<u>25,050,852</u>	<u>29,460,989</u>	<u>27,726,428</u>	<u>25,792,232</u>	<u>24,353,046</u>
Legal debt margin	<u>\$ 129,636,047</u>	<u>\$ 137,545,876</u>	<u>\$ 144,759,044</u>	<u>\$ 172,299,887</u>	<u>\$ 187,489,461</u>	<u>\$ 185,369,123</u>	<u>\$ 178,721,295</u>	<u>\$ 180,989,274</u>	<u>\$ 188,058,936</u>	<u>\$ 197,676,645</u>
% of outstanding debt by legal debt limit	21.8%	19.9%	18.1%	14.7%	12.8%	11.9%	14.2%	13.3%	12.1%	11.0%

Source: City of Bellingham Schedule 10 Limitation of Indebtedness, and Whatcom County Assessor's Office for assessed valuation.

Note: The legal general purposes debt limit of 2.5% is authorized by RCW 39.36.020.

**City of Bellingham
Schedule 14
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal year	Water-Sewer revenue bonds					Special assessment (LID) bonds			
	Operating revenue	Operating expense	Nonoperating income(expense)	Net available revenue	Principal & interest payments	Debt service coverage ratio	Collections	Principal & interest payments	Debt service coverage ratio
2005	\$ 27,017,598	\$ 13,705,025	\$ (726,474)	\$ 12,586,099	\$ 2,555,794	4.92	\$ 695,305	\$ 684,818	1.02
2006	28,229,737	15,834,064	(784,787)	11,610,886	2,529,589	4.59	702,709	690,993	1.02
2007	29,424,882	16,815,998	1,129,949	13,738,833	3,383,748	4.06	453,028	453,213	1.00
2008	31,747,477	18,378,832	841,369	14,210,014	3,682,566	3.86	410,967	413,925	0.99
2009	30,779,714	20,147,012	(82,392)	10,550,310	3,815,881	2.76	355,519	270,223	1.32
2010	31,367,418	19,012,485	1,157,920	13,512,853	4,526,558	2.99	130,023	100,100	1.30
2011	32,855,741	19,535,924	2,291,162	15,610,979	4,596,396	3.40	135,889	150,300	0.90
2012	36,658,554	21,256,791	3,258,296	18,660,059	4,596,396	4.06	98,618	52,200	1.89
2013	40,295,129	21,952,315	1,233,129	19,575,943	4,473,226	4.38	113,012	79,500	1.42
2014	\$ 42,363,233	\$ 22,463,509	\$ 1,409,273	\$ 21,308,997	\$ 5,188,632	4.11	\$ -	\$ -	0.00

Source: City of Bellingham, Proprietary Funds, Statement of Revenues, Expenses and Changes of Net Position.

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses are exclusive of depreciation.

**City of Bellingham
Schedule 15
Demographic and Economic Statistics
Last Ten Calendar Years**

Calendar year	Bellingham, WA, Population	Local Personal income (in \$1,000's)	Whatcom County, per capita personal income	WA State, per capita personal income	US, per capita personal income	Whatcom County, median age	Whatcom County, college enrollment	Seattle, WA, CPI % change	US, CPI % change	Bellingham, WA MSA, unemployment rate	WA State, unemployment rate	US, unemployment rate
2005	73,963	\$ 2,308,977	\$ 31,218	\$ 37,638	\$ 34,424	30.10	19,837	2.8%	3.4%	5.3%	5.6%	5.1%
2006	75,562	2,518,255	33,327	40,127	35,458	30.70	20,942	3.7%	3.2%	4.9%	5.0%	4.6%
2007	77,948	2,823,900	36,228	42,829	35,866	29.70	24,352	3.9%	2.8%	4.7%	4.7%	4.6%
2008	78,739	2,976,492	37,802	44,143	36,078	30.30	21,353	4.2%	3.8%	5.3%	5.4%	5.8%
2009	79,383	2,891,446	36,424	42,137	35,616	30.70	25,002	0.6%	-0.4%	8.5%	9.2%	9.3%
2010	80,885	2,981,583	36,862	42,547	35,684	36.52	23,348	0.3%	1.6%	9.5%	10.0%	9.6%
2011	81,070	3,096,874	38,200	44,565	36,298	36.73	23,534	2.7%	3.2%	8.9%	9.2%	8.9%
2012	81,360	3,277,262	40,281	47,055	37,126	36.94	22,566	2.5%	2.1%	7.9%	8.1%	8.1%
2013	82,310	3,380,966	41,076	47,717	36,772	37.21	25,078	1.2%	1.5%	7.3%	7.0%	7.4%
2014	82,810	***	***	***	\$ 37,407	37.54	***	1.8%	1.6%	6.6%	6.2%	6.2%

Sources: Population and school enrollment - US Census Bureau, Per capita, per capita personal income - Federal Reserve Economic Data FRED

Unemployment rates and CPI - U.S. Department of Labor, Bureau of Labor Statistics

Note: *** Information was not available at the time this schedule was prepared.

**City of Bellingham
Schedule 16
Principal Employers
Current Year and Nine Years Prior**

Employer	2014			2005		
	Full time employees	Rank	Percentage of total city employment	Full time equivalent employees	Rank	Percentage of total city employment
PeaceHealth St. Joseph's Medical Center	2,750	1	2.89%	1,757	2	1.81%
Western Washington University	1,072	2	1.13%	2,235	1	2.30%
Bellingham Public Schools	946	3	0.99%	1,651	3	1.70%
City of Bellingham	813	4	0.85%	858	6	0.88%
BP Cherry Point Refinery	779	5	0.82%	-	-	0.00%
Whatcom County	774	6	0.81%	930	4	0.96%
Lummi Nation	760	7	0.80%	-	-	0.00%
Aramark (formerly Sodexo)	620	8	0.65%	648	8	0.67%
Zodiac Interiors (formerly Heath Techna, Inc.)	600	9	0.63%	613	10	0.63%
Alcoa Intalco Works	579	10	0.61%	-	-	0.00%
Ferndale School District	306	-	0.32%	910	5	0.94%
Haggen Inc.	262	-	0.28%	843	7	0.87%
The Market's LLC (formerly Brown & Cole)	225	-	0.24%	634	9	0.65%
Total employed by the top 10 employers	<u>10,486</u>		<u>11.03%</u>	<u>11,079</u>		<u>11.41%</u>
Total city employment	<u>95,103</u>			<u>97,125</u>		

Sources: Western Washington University College of Business and Economics, Economics and Business Research for 2014 employer data.

City of Bellingham 2005 CAFR for 2005 employer data.

Notes: The city employment figures reported for both years are derived from the Bellingham, WA Metropolitan Statistical Area (MSA).

City of Bellingham
Schedule 17
Full-time Equivalent City Government Employees by Groups
Last Ten Fiscal Years

Employee groups	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Elected Mayor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Elected City Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Elected Municipal Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Non-Represented Employee Group	78.1	80.9	84.9	90.8	87.0	80.1	76.9	79.6	77.1	79.3
Supervisors & Professionals	104.9	103.4	108.6	107.8	106.0	100.0	97.5	97.0	96.0	100.5
Professional Librarians	8.0	8.0	8.0	8.0	8.0	6.3	7.0	6.7	7.0	7.5
Emergency Med Svcs Dispatch	12.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Fire Supervisors	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Firefighters	122.5	126.0	132.0	135.0	133.0	129.0	133.0	133.0	127.5	123.5
Police	95.1	100.0	102.0	102.0	106.0	99.7	101.0	102.0	106.0	109.0
WHAT COMM Dispatch	23.0	23.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Non-Uniformed	<u>323.5</u>	<u>327.3</u>	<u>336.5</u>	<u>352.1</u>	<u>351.6</u>	<u>319.8</u>	<u>310.2</u>	<u>314.9</u>	<u>313.7</u>	<u>325.0</u>
Total regular workforce	783.1	797.6	827.0	851.7	847.6	790.9	781.6	789.2	783.3	799.8
Temporary labor	<u>59.2</u>	<u>62.2</u>	<u>66.6</u>	<u>64.6</u>	<u>62.6</u>	<u>62.0</u>	<u>60.6</u>	<u>60.2</u>	<u>62.5</u>	<u>62.0</u>
Total paid workforce	<u>842.3</u>	<u>859.8</u>	<u>893.6</u>	<u>916.3</u>	<u>910.2</u>	<u>852.9</u>	<u>842.2</u>	<u>849.4</u>	<u>845.8</u>	<u>861.8</u>

Source: City of Bellingham 2005-2014 adopted budget reports.

City of Bellingham
Schedule 18
Operating Indicators by Function/Performance Measures
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Governmental Services										
Judicial										
Caseload per Public Defender	***	***	***	486	392	436	399	378	403	368
Infractions filed	***	***	***	9,304	8,910	8,614	7,483	7,213	7,048	6,898
Misdemeanors filed	***	***	***	4,089	3,665	3,844	3,576	3,442	3,606	3,131
Parking citations filed	***	***	***	53,023	50,967	54,186	44,966	43,681	35,475	30,657
Hearings	***	***	***	21,752	20,022	20,015	19,216	23,918	19,404	18,638
Finance										
GO bonded debt (millions of \$)	36.2	34.2	32.0	29.7	27.5	25.1	29.6	28.2	26.7	24.8
GO bonded debt per capita	499	463	423	390	358	308	362	335	308	279
Human Resources and Payroll										
Benefit costs as a % of wages	31.90%	33.79%	36.17%	37.73%	40.20%	34.16%	36.29%	38.22%	38.15%	38.64%
Turnover rate	7.10%	6.25%	7.25%	5.92%	8.61%	7.30%	5.55%	4.44%	6.39%	7.63%
Citywide overtime as a % of base wage	5.04%	5.57%	5.23%	4.38%	4.13%	3.35%	2.82%	2.43%	3.02%	3.86%
Information Technology										
Ave. # of unique website visitors/month	***	35,164	41,465	44,437	45,442	53,450	50,282	53,991	59,447	64,528
Gigabytes of data stored	***	3,200	5,000	6,930	10,500	15,183	16,422	24,331	33,500	37,500
Legal										
Criminal filings	3,552	3,809	4,138	3,860	4,138	3,844	3,576	3,442	3,631	2,972
Claims filed	54	46	62	60	79	48	58	48	35	52
Amount paid out for claims	132,100	523,700	105,800	352,600	622,300	48,700	139,600	463,700	113,000	121,700
Police										
Total dispatch incidents/CAD	126,709	128,089	128,665	129,048	128,416	128,734	127,248	124,480	134,300	140,200
Incidents per dispatcher	5,509	5,569	5,594	5,611	5,583	4,951	5,533	5,081	5,839	6,096
Physical Environment										
Water										
Million of gallons water treated/day	9.79	10.47	10.78	9.70	9.37	8.92	8.82	8.54	8.18	9.57
Feet of water main replaced	3,679	-	740	1,024	4,628	1,685	18,188	6,264	4,148	3,057
Wastewater										
Million of gallons wastewater/day	11.80	12.48	12.00	11.64	12.80	12.17	12.17	12.70	11.72	12.45
Feet of wastewater main replaced	8,181	39	12,148	1,373	22,787	23,598	27,964	5,586	27,192	2,265
Transportation										
Miles of streets resurfaced	4.90	0.53	6.74	1.77	2.44	5.91	5.05	4.65	5.73	2.65
Economic Environment										
Hearing Examiner										
Cases heard	76	55	54	33	32	24	34	26	37	39
Planning										
Subdivision/short plats	99	61	40	31	37	25	36	32	33	32
New lots created	130	284	231	81	72	72	26	79	22	99
Development Services (Building Services)										
Plans reviewed	2,146	2,123	1,738	1,553	2,070	1,393	1,506	1,792	1,966	1,729
Total permits issued	4,846	4,198	4,372	3,681	3,111	3,472	3,615	3,602	4,112	4,417
Culture and Recreation										
Library										
Circulation per capita	16.5	16.4	17.0	18.7	20.9	20.9	20.3	20.1	20.1	19.7
Persons visiting (in thousands)	702.2	744.9	744.3	894.0	924.3	836.7	862.3	842.2	825.8	830.9
Museum										
Total attendance	111,705	106,001	103,656	90,700	50,445	70,879	64,977	72,400	73,800	73,100
Parks										
Park acreage	-	3,218	3,272	3,334	3,440	3,446	3,561	3,574	3,580	3,587
Trail miles	-	64.1	64.6	65.8	67.2	67.9	68.0	68.2	68.6	68.7
Greenway levy acres	510	511	525	598	696	697	812	824	830	837

Source: City of Bellingham 2014 adopted budget book

*** Statistical figures were not available at the time of this report compilation.

City of Bellingham
Schedule 19
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Governmental Services										
City Hall	1	1	1	1	1	1	1	1	1	1
Municipal Courts building	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Police vehicles	45	40	36	39	34	39	44	46	49	51
Police motorcycles	***	***	***	***	***	***	***	7	9	7
Armored unit	-	-	-	1	1	1	1	1	1	1
Mobile precinct	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	6	6	6	6	6	6	6	6	6	6
Fire trucks	13	13	13	13	12	10	10	10	10	10
Command vehicle	-	-	-	1	1	1	1	1	1	1
Ambulances	10	11	13	13	13	13	13	13	13	13
Physical Environment										
Public Works										
Operations facility complex (Pacific St.)	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	386	387	392	395	390	393	396	413	414	416
Sewer mains (miles)	319	316	316	316	316	316	314	315	314	314
Storm mains (miles)	212	297	322	328	311	311	311	311	263	263
Fire hydrants (total)	3,050	3,099	3,119	3,149	3,154	3,199	3,245	3,286	3,286	3,496
Transportation										
Parking										
Parking garage	2	2	2	2	2	2	2	2	2	2
Surface parking lots	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	286	289	280	297	297	297	297	297	301	301
Sidewalks (miles)	110	110	143	143	149	199	291	291	291	296
Traffic signals maintained	***	***	***	***	***	***	199	203	205	205
Culture and Recreation										
Library										
Libraries (buildings)	2	2	2	2	2	2	2	2	2	2
Museum										
Museums (buildings)	2	2	2	2	2	2	2	2	2	2
Parks Department										
Parks / open space	37	37	37	37	37	45	45	52	52	70
Community gardens	3	3	3	3	3	3	3	3	3	3
Fish hatcheries	2	2	2	2	2	2	2	2	2	2
Trail Corridors	13	13	13	13	13	13	13	13	13	13
Softball fields	4	4	4	4	4	4	4	4	4	6
Overwater dock/walking trail	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Football stadium	1	1	1	1	1	1	1	1	1	1
Ice arena	1	1	1	1	1	1	1	1	1	1
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Aquatic Center - swimming pools	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Cemetery	1	1	1	1	1	1	1	1	1	1
Public Facilities District (PFD)										
Theater	1	1	1	1	1	1	1	1	1	1
Museum	-	-	-	-	1	1	1	1	1	1

Source: City of Bellingham, Public Works and Parks departments.

*** Statistical figures were not available at the time of this report compilation.

City of Bellingham
Schedule 20
Utility Rates and Customer Numbers
Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Water customers										
Residential	18,395	18,587	18,914	19,664	19,259	19,093	18,828	19,311	19,569	19,773
Commercial/multi-residential	4,910	5,005	5,113	4,713	5,224	5,489	5,940	5,867	6,009	4,862
Total customers	23,305	23,592	24,027	24,377	24,483	24,582	24,768	25,178	25,578	24,635
Water monthly rates										
Single family & irrigation										
Unmetered base rate	18.00	18.00	19.40	21.18	23.23	25.47	27.72	29.96	32.66	35.27
Metered 5/8" base rate	7.84	7.84	8.46	9.23	10.11	10.61	11.11	11.61	13.10	14.21
Transitional metered 5/8" base rate*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	17.90
Metered 3/4" base rate	11.09	11.09	11.96	13.04	14.31	14.86	15.42	15.97	18.02	19.55
Transitional metered 3/4" base rate*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24.62
Metered 1" base rate	17.58	17.58	18.95	20.68	22.68	23.35	24.02	24.69	27.85	30.23
Metered 1 1/2" base rate	33.80	33.81	36.45	39.77	43.62	44.58	45.55	46.51	52.47	56.94
Metered 2" base rate	53.27	53.28	57.44	62.68	68.75	70.06	71.37	72.68	82.00	88.98
Metered 3" base rate	105.19	105.21	113.42	123.77	135.78	138.02	140.25	142.49	160.76	174.44
Metered 4" base rate	163.60	163.63	176.40	192.50	211.17	214.45	217.74	221.02	249.35	270.57
Metered 6" base rate	325.85	325.90	351.33	383.41	420.60	426.79	432.97	439.16	495.45	537.62
Volume rate per 1 CCF all size meters	0.95	0.95	1.02	1.12	1.22	1.32	1.43	1.53	1.58	1.63
Duplex unmetered base rate	36.00	36.00	38.80	42.36	42.36	50.95	55.43	59.92	65.32	70.54
Non-single family (NSF) & irrigation										
Metered 5/8" base rate	6.08	10.28	11.09	12.10	13.27	15.35	17.43	19.51	21.00	21.75
Metered 3/4" base rate	8.45	14.75	15.90	17.35	19.03	21.96	24.89	27.82	29.95	31.01
Metered 1" base rate	13.18	23.68	25.53	27.85	30.56	35.19	39.82	44.45	44.45	49.55
Metered 1 1/2" base rate	25.00	46.00	49.59	54.12	59.36	68.24	77.13	86.01	92.59	95.88
Metered 2" base rate	39.19	72.79	78.47	85.64	93.94	107.92	121.91	135.89	146.28	151.49
Metered 3" base rate	77.03	144.23	155.49	169.68	186.14	213.73	241.31	268.90	289.46	299.76
Metered 4" base rate	119.60	224.60	242.12	264.23	289.86	332.75	375.65	418.54	450.54	466.57
Metered 6" base rate	237.85	447.85	482.79	526.88	577.98	663.39	748.80	834.21	898.00	929.95
Metered 8" base rate	379.75	715.75	771.59	842.05	923.73	1,060.15	1,196.58	1,333.00	2,240.24	1,485.99
Metered 10" base rate	592.60	1,117.60	1,204.78	1,314.81	1,442.35	1,655.30	1,868.25	2,081.20	3,045.74	2,319.94
Metered 12" base rate	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,154.11
NSF volume rate per 1 CCF all size meters	0.95	0.95	1.02	1.12	1.22	1.32	1.43	1.53	1.63	1.77
Irrigation volume rate per 1 CCF all size meters	1.50	1.56	1.68	1.84	2.01	2.11	2.20	2.30	2.35	2.40
Wastewater/Sewer customers										
Residential	17,895	18,360	18,556	19,664	19,259	19,093	18,828	19,311	19,569	19,784
Commercial/multi-residential	3,707	4,095	4,156	4,713	5,224	5,489	5,940	5,867	6,009	4,860
Total customers	21,602	22,455	22,712	24,377	24,483	24,582	24,768	25,178	25,578	24,644
Wastewater/Sewer monthly rates										
Single family (rate class 1)										
Duplex	24.25	24.25	24.25	25.83	27.51	29.30	31.20	33.23	33.97	35.07
Multiple dwelling units										
Base rate (rate class 2-4)	24.25	24.25	24.25	25.83	27.51	29.30	31.20	33.23	33.97	35.07
Volume rate per 1 CCF > 8 CCF	2.54	2.54	2.54	2.71	2.89	3.08	3.28	3.49	4.09	4.66
Commercial, institutional, and industrial (rate class 5 in 2013 onward)										
Base rate	24.25	24.25	24.25	23.78	25.32	29.96	31.90	33.97	33.97	44.35
Volume rate per 1 CCF > 8 CCF	2.54	2.54	2.54	2.97	3.16	3.37	3.59	3.82	4.09	6.09
Stormwater monthly rates										
Small footprint base rate only < 1K sq. ft.	3.30 (1/1-6/30/05); 3.60 (7/1-12/31/05)	3.60 (1/1-6/30/06); 3.90 (7/1-12/31/06)	3.90 (1/1-6/30/07); 4.20 (7/1-12/31/07)	4.20	4.20	4.20	4.20	4.20	5.08	5.39
Medium footprint base rate only 1,001 - 2,999 sq. ft.	5.50 (1/1-6/30/05); 6.00 (7/1-12/31/05)	6.00 (1/1-6/30/06); 6.50 (7/1-12/31/06)	6.50 (1/1-6/30/07); 7.00 (7/1-12/31/07)	7.00	7.00	7.00	7.00	7.00	8.47	8.98
Large footprint - per sq. ft. volume rate only > 3K sq. ft.	0.001883 (1/1-6/30/05); 0.002 (7/1-12/31/05)	0.002000 (1/1-6/30/05); 0.002167 (7/1-12/31/05)	0.002167 (1/1-6/30/05); 0.002333 (7/1-12/31/05)	0.002333	0.002333	0.002333	0.002333	0.002333	0.00282	0.00299
Watershed monthly rates										
Single family base rate only	5.00	5.00	5.00	5.00	5.00	5.00	5.00	12.00	12.33	12.41
Duplex base rate only	10.00	10.00	10.00	10.00	10.00	10.00	10.00	24.00	24.66	24.81
Non-single family & Irrigation										
Base rate	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.14	5.17
Volume rate per 1 CCF above 11 CCF	0.27	0.27	0.27	0.27	0.27	0.27	0.27	0.64	0.66	0.66

All rates shown are for inside city limits
1 CCF (100 cubic feet) = 748 gallons
*2014-2017 metering project water customers

**City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
CDBG - Entitlement Grants Cluster							
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53- 0010	-	759,098	759,098	PI
Total CDBG - Entitlement Grants Cluster:				-	759,098	759,098	
Highway Planning and Construction Cluster							
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	BHM-9937 (004)/LA 8216	549,610	-	549,610	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	BRM-5511 (001)/LA7052	1,422,574	-	1,422,574	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	HPP-0080 (016)/LA 6713	55,312	-	55,312	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	HPP-5552 (001)/LA 7505	79,236	-	79,236	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	HSIP-5501 (004)/LA8353	33,671	-	33,671	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	HSIP-5510 (006)/LA7797	140,664	-	140,664	

The accompanying notes are an integral part of this statement.

**City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	SRTS-0080 (018)/LA 8346	52,672	-	52,672	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPD-5508 (003)/LA7831	183,426	-	183,426	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUS 5511 (002)/ LA7470	75,376	-	75,376	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUS-5550 (002)/LA 7953	155,736	-	155,736	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUS-5559 (001)/LA 8229	186,631	-	186,631	
Federal Highway Administration (fhwa), Department Of Transportation (via WSDOT)	Highway Planning and Construction	20.205	STPUS-5564 (001)/LA 8387	5,488	-	5,488	
Total Highway Planning and Construction Cluster:				2,940,396	-	2,940,396	
Highway Safety Cluster							
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WASPC)	State and Community Highway Safety	20.600	Safety Equipment	2,987	-	2,987	

The accompanying notes are an integral part of this statement.

**City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	State and Community Highway Safety	20.600	Distracted Driving	1,568	-	1,568	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	State and Community Highway Safety	20.600	Impaired Driving	540	-	540	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	State and Community Highway Safety	20.600	Law Enforcement Liaison	595	-	595	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	State and Community Highway Safety	20.600	Law Enforcement Liaison	1,258	-	1,258	
Total CFDA 20.600:				6,948	-	6,948	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Impaired Driving	2,452	-	2,452	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	Occupant Protection Incentive Grants	20.602	Seat Belts	1,371	-	1,371	
Total Highway Safety Cluster:				10,771	-	10,771	

The accompanying notes are an integral part of this statement.

**City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
JAG Program Cluster							
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX- 0711	-	31,374	31,374	
Bureau Of Justice Assistance, Department Of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX- 0288	-	25,834	25,834	
Total JAG Program Cluster:				-	57,208	57,208	
Other Programs							
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M14-MC-53- 0204	-	613,739	613,739	PI
National Park Service, Department Of The Interior (via WS Archaeology & Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	FY14-61014- 007	13,000	-	13,000	
Department of the Interior (NPS)	Federal Building Restoration	15.999	Consolidated Appropri Act, 2004 (H.R.2673)	-	281,568	281,568	PI
Violence Against Women Office, Department Of Justice (via WS Dept. of Commerce)	Violence Against Women Formula Grants	16.588	2013-WF-AX- 0055	7,829	-	7,829	

The accompanying notes are an integral part of this statement.

**City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Violence Against Women Office, Department Of Justice (via WS Dept. of Commerce)	Violence Against Women Formula Grants	16.588	2013-WF-AX- 0055	18,867	-	18,867	
			Total CFDA 16.588:	26,696	-	26,696	
Violence Against Women Office, Department Of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2011-WE-AX- 0025	-	102,017	102,017	
National Highway Traffic Safety Administration (nhtsa), Department Of Transportation (via WTSC)	National Priority Safety Programs	20.616	M1*CP15-01	6,907	-	6,907	
Region 10, Environmental Protection Agency (via Puget Sound Partnership)	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	PT-00J17601	12,621	-	12,621	
Region 10, Environmental Protection Agency (via WSDOE)	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300088	30,541	-	30,541	
Office Of Water, Environmental Protection Agency (via WSDOE)	Nonpoint Source Implementation Grants	66.460	G1400398	67,177	-	67,177	

The accompanying notes are an integral part of this statement.

City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Note
				From Pass- Through Awards	From Direct Awards	Total	
Office Of Federal Student Aid, Department Of Education (via WCC)	Federal Work-Study Program	84.033	Work Study - Intern	1,039	-	1,039	
Office Of Federal Student Aid, Department Of Education (via WWU)	Federal Work-Study Program	84.033	Work Study - Intern	5,345	-	5,345	
			Total CFDA 84.033:	6,384	-	6,384	
Department Of Homeland Security (via WS Military)	Emergency Management Performance Grants	97.042	EMW-2014- EP-00033- S01	27,900	-	27,900	
Department Of Homeland Security (via WS Military)	Emergency Management Performance Grants	97.042	EMW-2013- EP-00050- S01	35,642	-	35,642	
			Total CFDA 97.042:	63,542	-	63,542	
Department Of Homeland Security	Port Security Grant Program	97.056	EMW-2013- PU-00165- S01	-	439,607	439,607	
Department Of Homeland Security (via WS Military / City of Seattle)	Port Security Grant Program	97.056	PSGP12/U1# 600454	13,275	-	13,275	
			Total CFDA 97.056:	13,275	439,607	452,882	
Department Of Homeland Security (via WS Military / Snohomish Cnty / Whatcom Cnty)	Homeland Security Grant Program	97.067	EMW-2012- SS-00115- S01	8,811	-	8,811	

The accompanying notes are an integral part of this statement.

City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

<u>Federal Agency (Pass-Through Agency)</u>	<u>Federal Program</u>	<u>CFDA Number</u>	<u>Other Award Number</u>	<u>Expenditures</u>			<u>Note</u>
				<u>From Pass- Through Awards</u>	<u>From Direct Awards</u>	<u>Total</u>	
Total Federal Awards Expended:				3,200,121	2,253,237	5,453,358	

The accompanying notes are an integral part of this statement.

City/Town

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2014

Grantor	Program Title	Identificaton Number	Amount
3340120 - State Direct/Indirect Grant from Other Judicial Agencies			
	Public Defense	GRT14196	90,250
			Sub-total: 90,250
3340270 - State Direct/Indirect Grant from Recreation and Conservation Office			
	Aquatic Lands Enhancement	12-1172C	125,553
	Aquatic Lands Enhancement	12-1545A	290,386
	Youth Athletic Facility	13-1492D	777,455
			Sub-total: 1,193,394
3340310 - State Direct/Indirect Grant from Department of Ecology			
	Remedial Action	G0900207	19,125
	Centennial Clean Water	G1100171	22,892
	Stormwater Retrofit	G1100173	222,558
	Remedial Action	G1100188	268,380

Grantor	Program Title	Identificaton Number	Amount
	Remedial Action	G1100200	23,791
	Centennial Clean Water	G1200476	588
	Stormwater	G1200579	66,717
	Stormwater	G1200580	11,203
	Stormwater	G1200581	220,434
	Stormwater	G1200583	238,000
	Stormwater	G1200584	454,321
	Centennial Clean Water	G1300080	66,258
	Stormwater Capacity	G1400239	75,998
	Offset Cycle Coordinated Prevention	G1500003	15,457
Sub-total:			1,705,722
3340380 - State Direct/Indirect Grant from Transportation Improvement Board (TIB)			
	Urban Arterial Program	8-2-156(040)-1	2,524
	Urban Sidewalk Program	P-W-156(P05)-1	2,137
	West Bakerview Road	9-W-156(004)-1	47,590
	James Street	8-2-156(039)-1	122,091
Sub-total:			174,342
3340420 - State Direct/Indirect Grant from Department of Commerce			
	Brownfield Grant	S-12-9600-001	117,187
Sub-total:			117,187

Grantor	Program Title	Identificaton Number	Amount
3340490 - State Direct/Indirect Grant from Department of Health			
	Trauma Care	2014	1,473
			Sub-total: 1,473
3340540 - State Direct/Indirect Grant from Universities and Four-Year Colleges			
	Work Study	Rule 9 Intern	4,032
			Sub-total: 4,032
3340570 - State Direct/Indirect Grant from State Library			
	Continuing Education	14-CE-006	2,010
	Continuing Education	14-CE-035	900
			Sub-total: 2,910
3340690 - State Direct/Indirect Grant from Other State Agencies			
	Auto Theft Prevention	13-15 WATPA 002	29,601
			Sub-total: 29,601
			Grand total: 3,318,911

City of Bellingham
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2014

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Bellingham's financial statements. The City uses the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant and program income (when applicable), portions of the program costs. Entire program costs, including the City's portion may be more than shown.

NOTE 3 - REVOLVING LOAN PROGRAMS

The City administers revolving loan programs, using Federal Housing and Urban Development funding, with the Community Development Block Grant (CDBG) and the Home Investment Partnership Program Grant (HOME) for low income housing acquisitions, development, and rehabilitation. Under these federal programs, repayments to the City are considered program income and loans of such funds are considered expenditures. The amount of loan funds disbursed to program participants for the year from the CDBG Grant and program income was \$426,012 and the HOME Grant was \$54,963 and are included in the expenditures figures in the schedule. The amount of principal and interest received in loan payments for the year for CDBG loans was \$270,269 and for HOME loans was \$181,160.

NOTE 4 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amounts expended for this program are amounts that were passed through to a subrecipient(s) that administered its own project.

NOTE 5 - FEDERAL BUILDING

In 2004, the city received a Federal building donation along with a \$2.6 million cash award to be used for repair and restoration of the building. The expenditures funded by the original \$2.6 million and the interest earnings on these funds will continue to be reported until the cash award has been fully expended. The amount expended this year on Federal building repair and restoration was \$281,568, of this amount \$2,155 came from interest earnings and is considered to be program income. The amount of original award remaining is \$153,118.

NOTE 6 - NONCASH AWARDS - EQUIPMENT

The City received equipment that was purchased with Federal Homeland Security funds, passed-through to the State of Washington Military Department, and the City of Seattle Fire Department. The amount reported in the schedule is the value of the property on the date it was received and priced by the City of Seattle.