

City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2017



Photo taken by Kenni Merritt



City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2017

Finance Director

Brian Henshaw

Prepared by:

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<https://www.cob.org/gov/dept/finance/pages/reports.aspx>

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Finance Department City of Bellingham

June 25, 2018

Mayor Kelli Linville,
The Bellingham City Council, and
Citizens of Bellingham, Washington:

I am pleased to provide the Comprehensive Annual Financial Report of the City of Bellingham for fiscal year ended December 31, 2017. This report is published annually as the official annual financial report and complies with State law (RCW 43.09.230) requiring annual reports for Washington municipal governments to be certified and filed with the Washington State Auditor's Office.

As management for the City, we assume full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Washington State Auditors have issued an unmodified ("clean") opinion on the City of Bellingham's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Bellingham, incorporated in 1903, is in the Western part of the state, which is considered to be one of the top growth areas in both the state and the country. 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 and the City serves as the county seat. It currently occupies 28 square miles and serves a population of 87,574. Bellingham is the 12th largest of the 281 cities in the State of Washington and is empowered to levy a property tax on real property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Bellingham has operated under the mayor-council form of government. Policy-making and legislative authority are vested in the governing council consisting of the mayor and seven other members, all of whom are elected at large. Council members serve four-year terms, with one member elected every two years. The Mayor is elected for a four-year term and one municipal court judge also serves a four-year term. The Mayor, with Council approval, appoints the department heads. All elected members operate under the laws of the State of Washington.

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.

Bellingham has one discrete component unit that is a separate legal entity from the City with its' 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.



Local Economy 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 2017 retail sales have trended higher in large part due to the strong housing and construction industry and our proximity to the Canadian border.

Since the bottom of the recession in 2009, there has been a steady improvement in the City's key revenue sources. Compared to 2016, the City's overall revenues are up \$8.5 million. Efforts of the Mayor, Finance Director, and Department Heads to prioritize programs and expenditures to achieve a sustainable balanced budget are ongoing. The City's general fund has improved significantly since 2008; the 2017 fiscal year end reserve reached \$26.8 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 2017, non-farm employment has surpassed the 2007 high ending at 94,200 jobs.

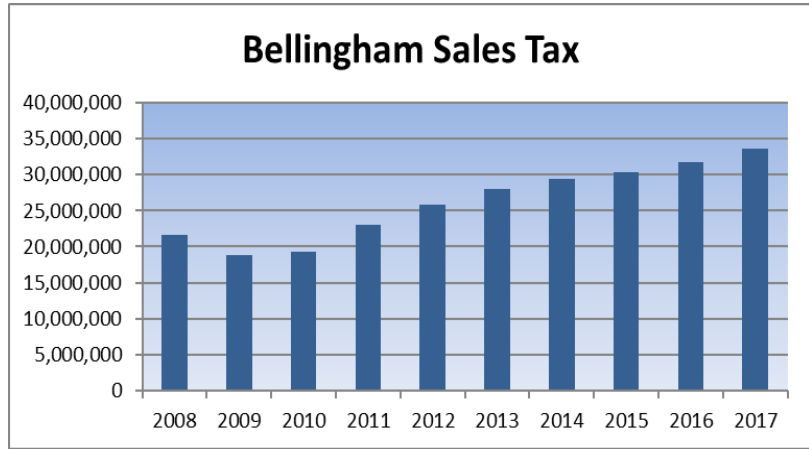
The value of commercial and residential building projects decreased from \$189.1 million in 2016, to \$171.5 million in 2017. New single family dwellings were strong in 2017 with a valuation of \$52.3 million and 219 units versus 2016's valuation of \$45.5 million and 194 new units. Multi family construction increased in 2017 with a valuation of \$32 million and 331 units, compared to \$25 million and 232 units in 2016. New industrial decreased in 2017 to \$2.9 million versus \$13.8 million in 2016. 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 768 total permits issued in 2017, down from 795 in 2016.

The City of Bellingham receives approximately \$2.52 per \$1,000 of assessed property value from property owners within the City limits. In 2017, this generated \$22.6 million government-wide and an additional \$2.1 million for the fire pension and OPEB funds. Property taxes increased \$391 thousand over the prior year. Government-wide property tax revenue was allocated amongst the funds as follows: general fund \$19.5 million, low income housing \$3 million, and waterfront capital construction \$58 thousand. Property tax provides roughly 22% of total general fund revenue.

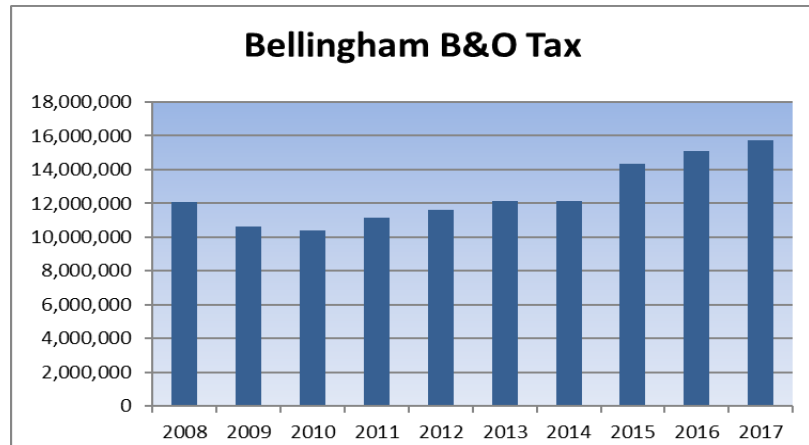
Bellingham's general fund relies heavily on sales tax revenue, which is subject to larger economic swings than most other sources of government revenues. Retail sales have continued to benefit from our proximity to Canada and the strong construction market. In 2017, the City collected over \$33.7 million of

sales tax revenues, an increase of \$1.9 million, a 6.1% rate of growth over 2016, and the highest sales tax revenue to date. Sales tax revenue generates approximately 34% 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 sales tax, and also 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 included in 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 seven years, our economy has shown signs of recovery as is evident in the returning increase in B&O taxes. In 2017, B&O tax revenue hit \$15.7 million surpassing 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 \$588 million in Whatcom County in 2016, 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 32,557 students. St. Joseph Hospital, a 255-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 January 2005, the City of Bellingham partnered with the Port of Bellingham on the redevelopment of 137 acres of heavy industrial property formerly occupied by Georgia-Pacific Corporation (GP). The property’s location, in the heart of Bellingham’s historic waterfront district, makes this an ideal site for redevelopment combining environmental cleanup and urban revitalization.

This is the largest redevelopment project in the history of Whatcom County and is the beginning of an exciting new era for Bellingham's waterfront. Over the next several decades, Bellingham's waterfront will undergo a transformation from an industrial waterfront site into a vibrant new neighborhood featuring breathtaking views, parks and trails, sustainable urban living, and a mix of essential new and traditional jobs.

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.

Bond Issues and Rating

On April 20, 2016, the PFD issued \$9,640,000 in 2016 LTGO refunding bonds with an interest rate of 1.65%. The PFD issued the bonds to advance refund \$9,995,000 of the outstanding PFD's 2007 Limited Sales Tax Obligation bonds with interest rates ranging between 4.0% - 4.2%, and maturity years of 2018-2027. 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 PFD has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$9,995,000 at December 31, 2016. The advanced refunding bond reduced total debt service payment over the next 11 years by \$1,304,781. This results in an economic gain (difference between the present values of the debt service payments on the old and the new debt) of \$1,185,952.

The City's bond rating as assigned by Standard & Poor's Ratings Services (S&P) is 'AA+' and the rating is a long-term rating to the City's series 2016 limited-tax general obligation (GO) refunding bonds. S&P also affirmed their 'AA+' long-term rating on the City's previously issued GO debt.

Financial Management and 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.

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.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bellingham for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2016. This was the 16th 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.

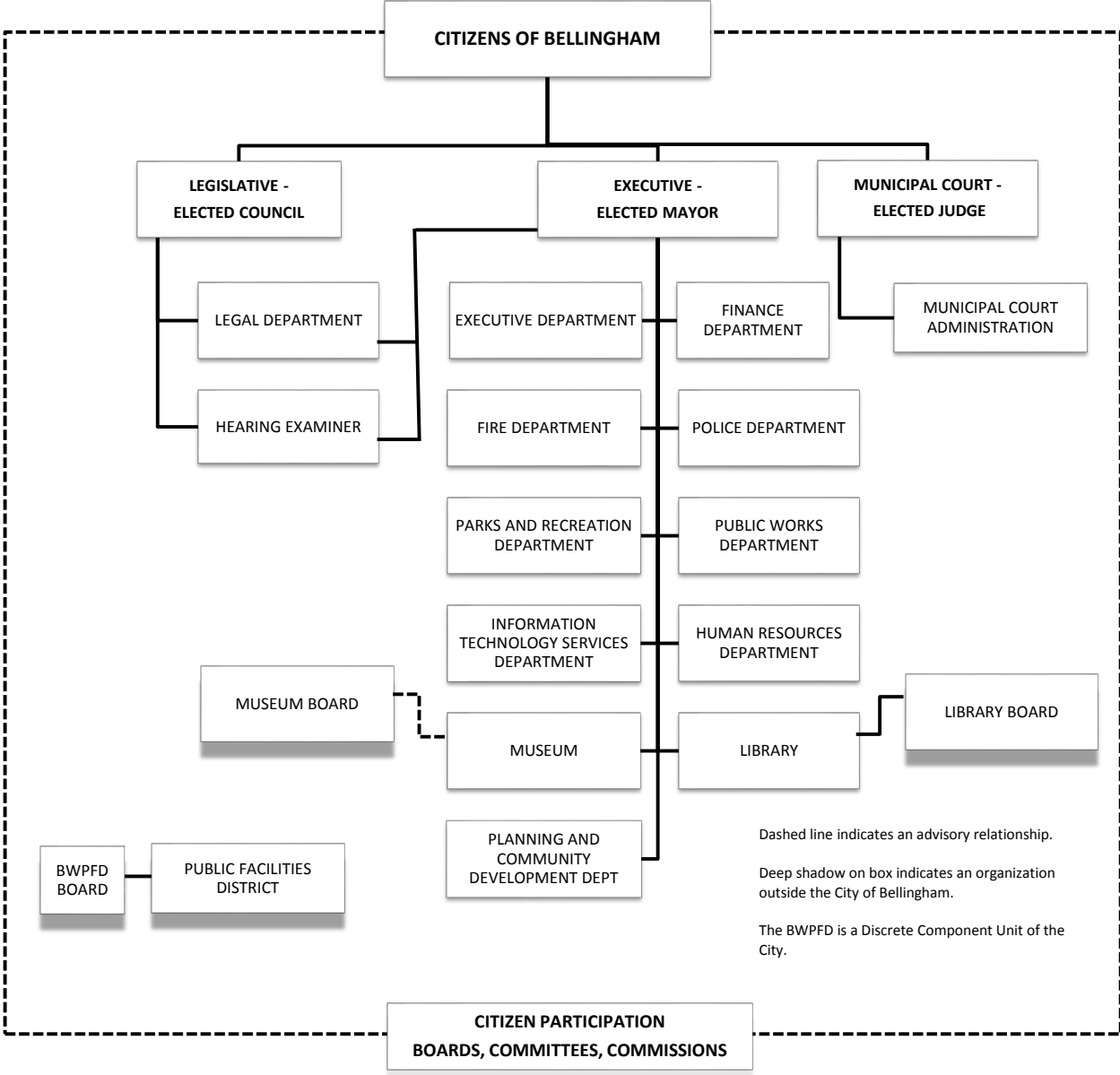
State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official. The 2017 audit of the City has been completed and was performed in conformance with Governmental Auditing Standards (GAS). The financial statements of all City 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.

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,

A handwritten signature in cursive script, reading "Brian Henshaw".

Brian Henshaw
Finance Director



Elected Officials

			Term	Expiration
Mayor		Kelli Linville	4 years	December 31, 2019
Municipal Court Judge		Deborah Lev	4 years	December 31, 2021
1 st Ward	Council Member	April Barker	4 years	December 31, 2019
2 nd Ward	Council Member	Gene Knutson	4 years	December 31, 2021
3 rd Ward	Council Member	Daniel Hammill	4 years	December 31, 2019
4 th Ward	Council Member	Pinky Vargas	4 years	December 31, 2021
5 th Ward	Council Member	Terry Bornemann	4 years	December 31, 2019
6 th Ward	Council Member	Michael Lilliquist	4 years	December 31, 2021
At Large	Council Member	Roxanne Murphy	2 years	December 31, 2019

Appointed Officials

Finance Director	Brian Henshaw
City Attorney	Peter Ruffatto
Hearing Examiner	Sharon Rice
Museum Director	Patricia Leach
Library Director	Nancy Kerr
Human Resources Manager	Kaycee Luxtrum
Judicial Services Director	Darlene Peterson
Director of Information Systems	Marty Mulholland
Director of Parks & Recreation	Leslie Bryson
Director of Planning & Community Development	Richard Sepler
Director of Public Works	Ted Carlson
Fire Chief	Bill Newbold
Police Chief	David Doll



Government Finance Officers Association

**Certificate of
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in Financial
Reporting**

Presented to

**City of Bellingham
Washington**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

June 22, 2018

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellingham, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

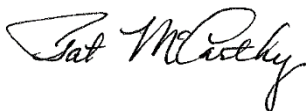
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules are presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 22, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

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

Pat McCarthy

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, 2017. 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 increased in 2017 as compared to 2016. Government-wide net position increased by \$44.7 million, a 6.1% increase. Business-type activities increased \$16.1 million and governmental activities increased \$28.7 million.
- At December 31, 2017, the City's government-wide net position, the amount by which total assets exceed total liabilities, totaled \$779.2 million. Of this amount, \$605.1 million, or 78%, is the net investment in capital assets. Of the remaining net assets, \$46.2 million is unrestricted and may be used to meet the City's ongoing obligations.
- Total governmental activities revenues increased by \$7.4 million, or 6.1%, from 2016. Business-type activity revenues increased by \$1.1 million or 1.4%.
- The governmental activities ending net position increased by \$28.7 million from 2016, ending 2017 at \$478.2 million. Of this amount, \$(2.8) million is unrestricted and not 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 discrete component unit, the Bellingham-Whatcom Public Facility District (PFD). The operations of the PFD are legally separate from the City and governed by interlocal agreements between the City and the PFD. Discussion in the MD&A does not include the revenues, expenses, assets, deferred outflow, liabilities or deferred inflows of this discrete component unit.

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 21 other non-major governmental funds including 11 special revenue funds, seven 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 nine funds: fleet administration, purchasing materials management, facilities administration, technology and telecom, claims and litigation, unemployment compensation, worker's compensation self-insurance, health benefits, and public works administration and engineering services. 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 two agency funds. 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 overall financial analysis

Net position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Bellingham, assets and deferred outflows of resources exceeded liabilities by \$779.2 million, at December 31, 2017. This was an increase of \$44.7 million, or 6.1%, over December 31, 2016.

Net position (in thousands)						
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current	\$ 134,475	\$ 116,908	\$ 67,993	\$ 61,012	\$ 202,468	\$ 177,920
Noncurrent	44,409	40,176	19,116	16,502	63,525	56,678
Capital assets (net of depr)	<u>394,617</u>	<u>381,802</u>	<u>313,588</u>	<u>307,060</u>	<u>708,205</u>	<u>688,862</u>
Total assets	<u>573,501</u>	<u>538,886</u>	<u>400,697</u>	<u>384,574</u>	<u>974,198</u>	<u>923,460</u>
Deferred Outflows of Resources	<u>7,705</u>	<u>11,170</u>	<u>1,168</u>	<u>1,675</u>	<u>8,873</u>	<u>12,845</u>
Liabilities						
Current	30,474	35,472	8,989	10,511	39,463	45,983
Current portion long-term	8,252	7,499	5,345	4,868	13,597	12,367
Long-term noncurrent	<u>55,705</u>	<u>56,766</u>	<u>85,717</u>	<u>85,859</u>	<u>141,422</u>	<u>142,625</u>
Total liabilities	<u>94,431</u>	<u>99,737</u>	<u>100,051</u>	<u>101,238</u>	<u>194,482</u>	<u>200,975</u>
Deferred Inflows of Resources	<u>8,560</u>	<u>776</u>	<u>860</u>	<u>112</u>	<u>9,420</u>	<u>888</u>
Net position						
Net investment in capital assets	366,840	362,904	238,300	235,121	605,140	598,025
Restricted	114,199	107,166	13,586	13,914	127,785	121,080
Unrestricted	<u>(2,824)</u>	<u>(20,526)</u>	<u>49,068</u>	<u>35,864</u>	<u>46,244</u>	<u>15,338</u>
Total net position	<u>\$ 478,215</u>	<u>\$ 449,544</u>	<u>\$ 300,954</u>	<u>\$ 284,899</u>	<u>\$ 779,169</u>	<u>\$ 734,443</u>

By far, the largest portion of the City's net position, 77.7%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. During 2017, the net investment in capital assets increased by \$7.1 million.

An additional portion of the City's net position, 16.4%, represents resources that are subject to external restrictions on how they may be used. These restrictions include bond covenants, construction requirements, levy agreements, endowment terms, settlement agreements and the Revised Code of Washington. In 2017, the restricted resources total \$127.5 million.

The remaining balance of \$46.2 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. This is an increase of \$30.9 million from 2016.

At the end of 2017, the City of Bellingham is able to report positive balances in all reported categories of net position for the government as a whole. The same situation held true for the 2016.

Changes in net position

In 2017, government-wide net position increased by \$44.7 million, of which governmental activities increased by \$28.7 million. Governmental activities total revenues increased by \$7.4 million from 2016. Governmental activities program revenues decreased by \$1.5 million, offset by an increase in general revenues of \$9 million.

The business-type activities net position for 2017 increased by \$16.1 million over 2016. Business-type activities charges for services primarily from utility sources increased by 6.6% to total \$72.4 million.

Changes in net position (in thousands)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Program revenues:						
Charges for services	\$ 12,859	\$ 12,666	\$ 72,431	\$ 67,940	\$ 85,290	\$ 80,606
Operating grants and contributions	9,251	7,886	46	71	9,297	7,957
Capital grants and contributions	7,523	10,589	3,318	6,550	10,841	17,139
General revenues:						
Property tax	22,627	22,237	-	-	22,627	22,237
Sales and use tax	33,662	31,722	-	-	33,662	31,722
Real estate excise tax	4,270	3,763	-	-	4,270	3,763
Business tax	32,566	31,249	1,417	1,393	33,983	32,642
Other taxes	1,040	1,081	745	688	1,785	1,769
Investment Income	936	1,293	594	306	1,530	1,599
Miscellaneous revenue	2,400	1,062	2,153	1,398	4,553	2,460
Sale of capital assets	2,600	-	-	-	2,600	-
Total revenues	<u>129,734</u>	<u>123,548</u>	<u>80,704</u>	<u>78,346</u>	<u>210,438</u>	<u>201,894</u>
Program expenses:						
General government	12,121	11,392	-	-	12,121	11,392
Public safety	47,455	46,056	-	-	47,455	46,056
Transportation	16,703	17,293	-	-	16,703	17,293
Natural and economic environment	9,363	7,748	-	-	9,363	7,748
Social services	187	154	-	-	187	154
Culture and recreation	14,537	18,863	-	-	14,537	18,863
Interest on long-term debt	862	970	-	-	862	970
Water	-	-	19,414	21,321	19,414	21,321
Wastewater	-	-	22,460	19,130	22,460	19,130
Surface & stormwater	-	-	8,234	7,597	8,234	7,597
Solid waste	-	-	1,391	557	1,391	557
Medicine	-	-	6,904	7,007	6,904	7,007
Other business type activities	-	-	6,081	5,479	6,081	5,479
Total expenses	<u>101,228</u>	<u>102,476</u>	<u>64,484</u>	<u>61,091</u>	<u>165,712</u>	<u>163,567</u>
Excess or deficiency before any transfers						
or gain (loss) on sale of capital assets	28,506	21,072	16,220	17,255	44,726	38,327
Transfers	165	(1,092)	(165)	1,092	-	-
Change in net position	<u>28,671</u>	<u>19,980</u>	<u>16,055</u>	<u>18,347</u>	<u>44,726</u>	<u>38,327</u>
Net position - beginning	<u>449,544</u>	<u>429,564</u>	<u>284,899</u>	<u>266,552</u>	<u>734,443</u>	<u>696,116</u>
Net position - ending	<u>\$ 478,215</u>	<u>\$ 449,544</u>	<u>\$ 300,954</u>	<u>\$ 284,899</u>	<u>\$ 779,169</u>	<u>\$ 734,443</u>

Revenues and expenses – government-wide

In 2017, overall government-wide revenues increased \$8.5 million, from \$201.9 million to \$210.4 million. There were several elements that led to this \$8.5 million increase in revenues but the bulk of the increase was related to governmental business taxes, retail sales and use tax, and sale of capital assets, and business-type charges for services. Business taxes increased \$1.3 million due to the improving local economy and a new tax on healthcare providers within the past few years. Sales and use tax also increased \$1.9 million due to strong demand for services and products within the local economy. Charges for services for water, wastewater, surface and stormwater, and solid waste increased \$4.5 million in 2017 compared to the prior year due in part to utility rate increases. Governmental revenues increased \$2.6 million due to sales of capital assets.

In 2017, overall government-wide expenses increased by \$2.1 million. Governmental activities experienced a decrease in expenses of \$1.2 million and business-type activities increased \$3.4 million. Of the \$1.2 million decrease in governmental activities expense, \$4.3 million can be attributed to culture and recreation and \$590 thousand to transportation. These decreases were offset by an increase in general government of \$729 thousand, public safety expenses of \$1.4 million, and natural and economic environment of \$1.6 million.

Program revenues and expenses – governmental activities

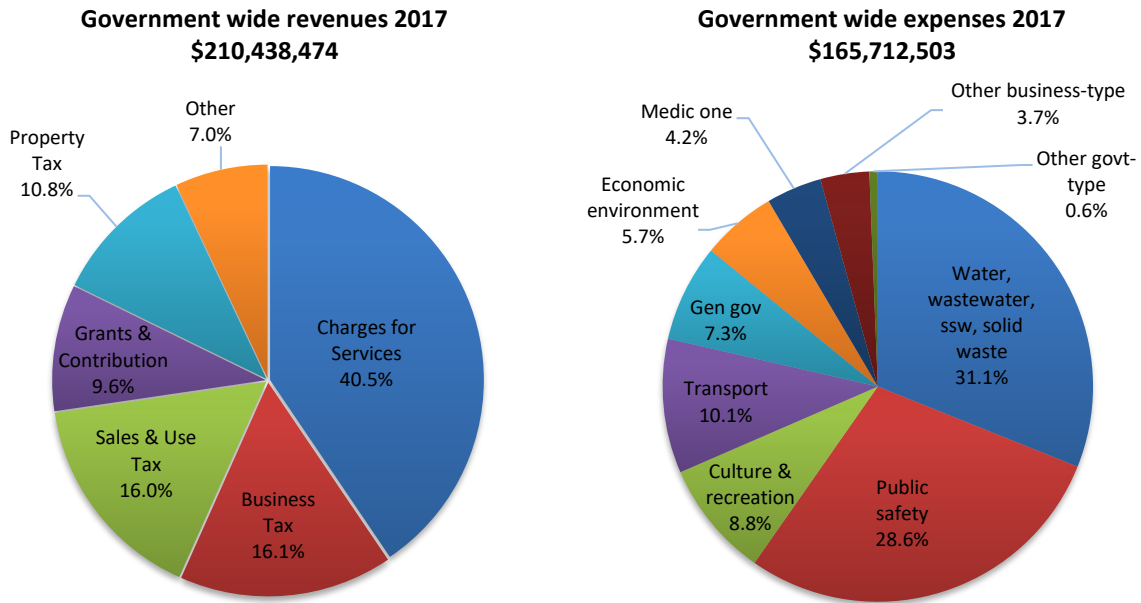
Governmental activities program revenue decreased by \$1.5 million in 2017, from \$31.1 million to \$29.6 million. Of this decrease, \$3.1 million was a decrease in capital grants and contributions offset by a \$1.4 million increase in operating grants and contributions and a \$193 thousand increase in charges for services revenue. Operating grants and contributions have increased mainly from public safety grants increasing from \$4.2 million to \$4.9 million and general government grants increasing from \$1.5 million to 2.4 million in 2017. Capital grants and contributions have decreased mainly from culture and recreation capital grants decreasing from \$3.9 million to \$284 thousand.

In 2017, expenses for governmental activities experienced an overall decrease of 1.3%. Total governmental activity spending was \$101.2 million, a \$1.2 million decrease over 2016 spending of \$102.5 million. Culture and recreation expenses decreased \$4.3 million, offset by an increase in for public safety of \$1.4 million and natural and economic environment of \$1.6 million.

Program revenues and expenses – business-type activities

Business-type activities program revenue increased by \$1.2 million in 2017, from \$74.5 million to \$75.8 million. This increase is mainly attributable to a \$4.5 million increase in charges for services, offset by a decrease in capital grants and contributions of \$3.2 million. Charges for services increased largely due to utility rate increases. Capital grants and contributions decreased because last year we had large projects complete, and do not have as much activity in 2017.

Expenses for business-type activities increased \$3.4 million from the prior year. The largest increase was wastewater expenses at \$3.3 million, with smaller increases in surface and stormwater of \$637 thousand, solid waste of \$834 thousand, parking of \$150 thousand and golf course of \$91 thousand. These increases were offset by a decrease in water expenses of \$1.9 million, cemetery of \$148 thousand, and medic one of \$102 thousand.



Fund level financial analysis

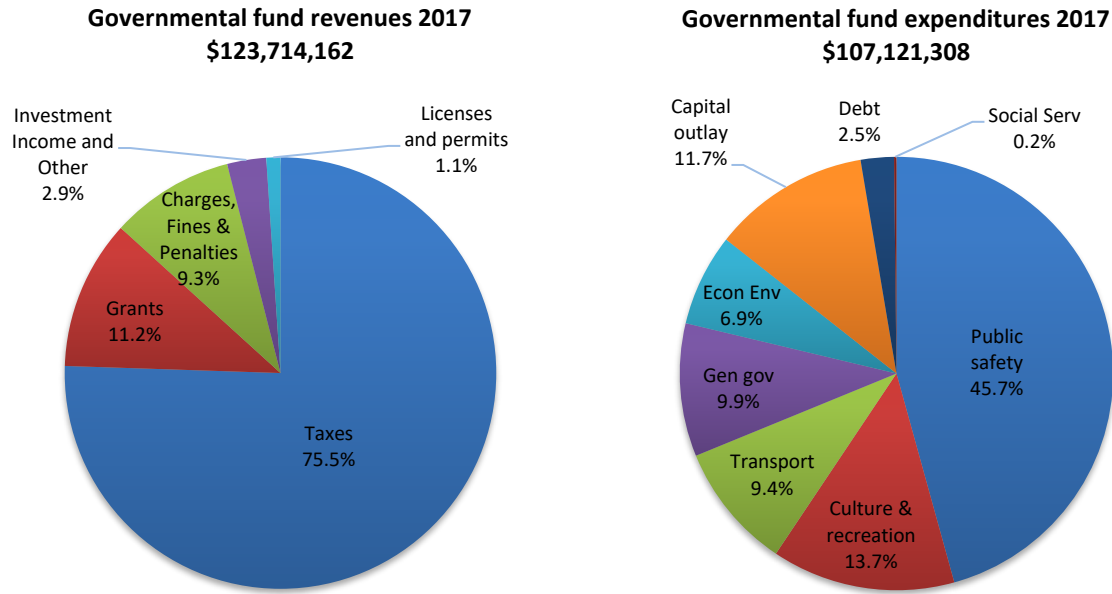
Governmental funds

Revenues

The City of Bellingham uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 additional activities in the general fund that were previously reported in the special revenue funds given the guidance of GASB 54. Currently we have eight special revenue funds reported within the general fund. The presentation and grouping of the 2017 major funds is comparable to the 2016 major funds.

Fund balance in governmental funds increased \$17.4 million in 2017. Of this amount, \$16.6 million is related to excess revenues over expenditures and this is increased by \$812 thousand in net transfers, sale of capital assets, and general long-term debt proceeds, resulting in a final ending fund balance of \$145.5 million. Overall governmental revenues increased to \$123.7 million from \$116.4 million in 2016. The most notable reason for the increase was a significant increase in taxes from \$89.4 million to \$93.4 million.

Tax revenue is the City’s most significant source of governmental revenue, representing 75.5% of total governmental revenue and 80.4% 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. Overall, tax collections increased 4.5% from 2016 to 2017. Within the legally adopted original general fund, sales and use tax had the largest increase, \$1.5 million or 6.3%. Business and occupation taxes showed a similar increase of \$1.3 million or 4.2%. This increase in tax revenue is due to increased business activity within the strong local economy.



Expenditures

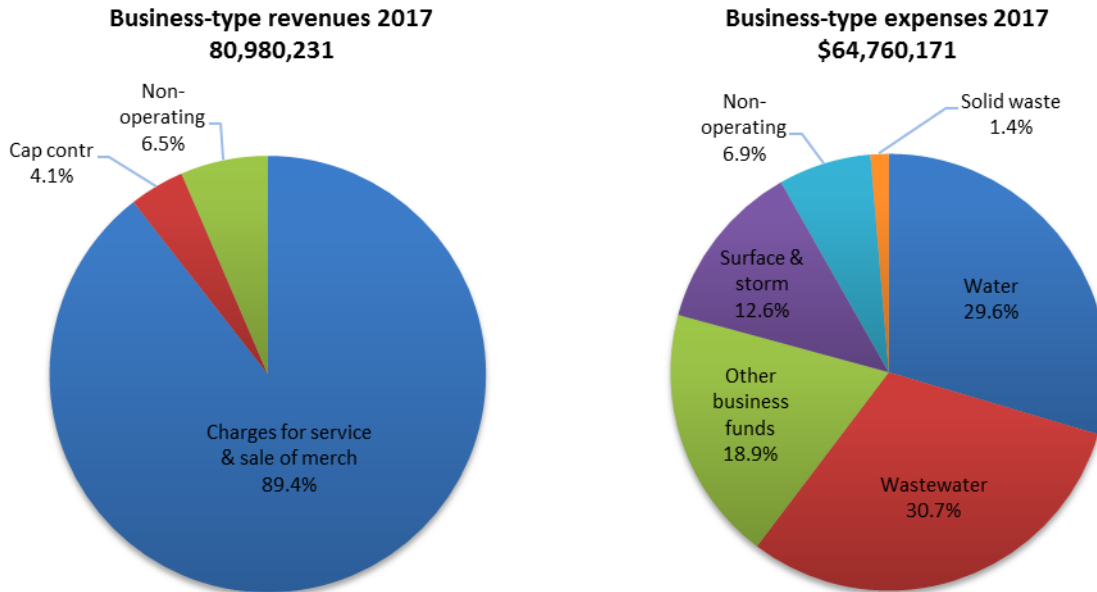
Public safety consisting of fire, police and municipal court accounts for 45.7% of governmental expenditures. Culture and recreation services include most parks and recreation programs, the museum and the library. They represent another 13.7% of governmental expenditures. General government type expenditures are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprise 9.9% of governmental expenditures. Additionally, capital outlay represents 11.7%, natural and economic environment 6.9%, transportation 9.4%, debt expenses represent 2.5%, and social services represent .2% of total governmental expenditures.

Business-type funds

Net position increased by \$16.1 million, for a total of \$301 million in business-type funds. Operating revenues increased by \$4.5 million, or 6.6%, from \$68 million to \$72.4 million. Operating expenses increased by \$4.5 million, or 8.1%, from \$55.8 million to \$60.3 million.

The financial position of the City’s business-type funds is largely influenced by the water and wastewater funds. Together they comprise 70.6% of operating revenues, 64.8% of expenses, and 81.8% of net position of each respective total for the enterprise funds.

The cemetery is a business-type activity that requires support from the general fund. In 2017, the cemetery received \$221 thousand cash operating subsidies. Medic one receives a portion of the voted EMS local sales tax from Whatcom County (see note 15).



Financial analysis of City funds

At the end of 2017, the City has 22 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 \$9.4 million, from \$59.1 in 2016 to \$68.5 in 2017. This is mainly due to excess revenues over expenditures. The largest factors in this increase are a \$4 million dollar increase in tax revenues and a \$1.6 increase in Intergovernmental revenue.

Fund balance for the non-major governmental funds increased by \$8 million in 2017, due in large part to excess revenues over expenditures of \$4.6 million and the sale of a capital asset for \$1.8 million. Revenues increased 3.1% while expenses decreased 4.1% in 2017 as compared to 2016.

The City has nine business-type funds. The four major business-type funds are water, wastewater, surface and stormwater and solid waste. In 2017 these funds all increased their net positions from 2016, by \$8.8 million in water, \$2.7 million in wastewater, \$2.6 million in surface and stormwater, and \$1.4 million in solid waste. Revenues increased due in part to rate increases. Solid waste has a negative ending net position of \$6.8 million (see note 2B). In 2017 pollution remediation liability was reduced by \$1.5 million in the solid waste fund, which helped to improve the negative ending net position of solid waste. 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 \$562 thousand in 2017 compared to 2016.

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 eight 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. In 2015, the City changed the budget cycle to every two years

instead of one year. The adopted general fund budget for expenditures (pre-GASB 54 rollup) was \$152.1 million, the final budget after all amendments was \$153.9 million and the actual expenditures are \$69 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 2016.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

2017 was the first year of a two year budget cycle. 2017 actual revenues are 47.6% of the final two year budget amount. Property tax, sales and use tax, business tax, other taxes, and licenses and permits actual revenues finished the year at 47-53% of the final two year budget. Intergovernmental and miscellaneous revenue came in above budget at 66-67%. These revenues were offset by charges for services, fines and penalties, and investment income which were below estimated budget. Business taxes included both business and occupation taxes (B&O) taxes as well as utility taxes. Both B&O taxes and utility taxes have been strong in 2017 due to increased business activity from the stronger local economy as previously stated above.

Actual expenditures for 2017 are 44.8% of the final two year budgeted amount. This is mainly due to general government expenditures coming in at only 28.1% of budget.

The general fund actual ending fund balance of \$26.9 million is above the projected final ending balance of \$17.3 million, a \$9.5 million difference. The general fund ending balance is above budget due to 2017 being the first year of a two year budget.

Capital asset and debt administration

Capital assets

At December 31, 2017, the City has invested \$686.6 million in a wide range of capital assets throughout governmental and business-type activities, an increase of \$8.8 million from the previous year. This increase is due in part, to the following activity:

- Water pre-treatment plant totaled \$6.3 million
- Water main replacements totaled \$2.9 million
- Whatcom Waterway park totaled \$2.1 million
- Granary Avenue/Bloedel Avenue totaled \$1.9 million
- Dispatch center CAD implementation totaled \$1.1 million

Capital assets (net of depreciation, in thousands)							
	Governmental activities		Business-type activities		Total		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	2017-2016
Land	\$ 83,209	\$ 84,919	\$ 46,154	\$ 45,853	\$129,363	\$130,772	\$ (1,409)
Buildings	25,984	27,524	98,714	101,538	124,698	129,062	(4,364)
Improvements/infrastructure	180,526	179,589	152,668	151,957	333,194	331,546	1,648
Machinery and equipment	14,843	15,367	2,670	2,649	17,513	18,016	(503)
Construction in progress	10,997	6,976	12,590	4,591	23,587	11,567	12,020
Intangible right of ways	56,213	56,167	206	206	56,419	56,373	46
Intangible software	1,831	456	-	-	1,831	456	1,375
Total	<u>\$373,603</u>	<u>\$370,998</u>	<u>\$313,002</u>	<u>\$306,794</u>	<u>\$686,605</u>	<u>\$677,792</u>	<u>\$ 8,813</u>

More detailed information about capital assets is presented in note 6.

In addition to the capital assets shown above the City also has made commitments to fund several parks, streets, water, sewer, surface and storm, and communication projects. Of the current capital commitments, \$23 million has been spent to date with \$21.9 million remaining.

Long-term debt

At December 31, 2017, the City's total outstanding debt was \$111.9 million, a decrease of \$169 thousand from 2016.

Outstanding debt (in thousands)

	Governmental activities		Business-type activities		Total		Increase
	2017	2016	2017	2016	2017	2016	(Decrease)
General obligation bonds	\$ 26,554	\$ 27,992	\$ 4,668	\$ 5,182	\$ 31,222	\$ 33,174	\$ (1,952)
Revenue bonds	-	-	65,548	67,968	65,548	67,968	(2,420)
Government loans	4,727	5,268	10,376	5,620	15,103	10,888	4,215
Notes payable	76	88	-	-	76	88	(12)
Total	\$ 31,357	\$ 33,348	\$ 80,592	\$ 78,770	\$ 111,949	\$ 112,118	\$ (169)

The City's bond rating as assigned by Standard & Poor's Ratings Services (S&P) is 'AA+' and the rating is a long-term rating to the City's series 2016 limited-tax general obligation (GO) refunding bonds.

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 10.

Economic factors and the 2017-2018 biennium budget

Since mid-2010 there has been a good recovery from the recession. During the time period of March 2017 to March 2018, the recovery has resulted in the addition of approximately 2,900 new jobs in Whatcom County Metropolitan Statistical Area (MSA). The improvement in the number of employed has resulted in a downward trend of the unemployment rate, which stood at 5.0% at December 31, 2017, compared to the 2016 rate of 5.8%

- Washington statewide 2017 unemployment rate is 4.8%, down from the 2016 rate of 5.3%
- National unemployment rate for 2017 is 4.4%, down from the 2016 rate of 4.9%

The Seattle MSA is the closest proximity to Bellingham for inflation rate indication. In 2017, the Seattle MSA inflation rate is 3.1%, which is above the national inflation rate of 2.2%.

Over the last 10 years net bonded GO debt per capita has decreased from \$353 to \$316.

The City's assessed value per capita has increased from \$109,245 in 2016 to \$112,692 in 2017. With 87,574 citizens, the ratio of the number of City employees is 10.2 per one thousand of the City's population.

The general fund adopted budget for the 2017-2018 biennium has \$177.6 million of revenues resources (revenues + reserves) available for appropriation. General fund adopted budget expenditures for 2017-2018 are \$154 million. The City's financial condition continues to improve in response to the changing economic, social and environmental requirements impacting the community.

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 discrete component unit is 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total Primary Government	Public Facilities District
ASSETS				
Cash and cash equivalents	\$ 26,343,461	\$ 11,517,908	\$ 37,861,369	\$ 181,539
Investments	105,807,944	53,682,134	159,490,078	846,105
Receivables, net	2,323,863	2,792,536	5,116,399	2,820
<i>Restricted assets:</i>				
Cash and cash equivalents	-	9,339,852	9,339,852	1,048,063
Investments	-	4,557,606	4,557,606	-
Due from other governments	2,427,960	5,190,315	7,618,275	-
Due from component units	16,768,968	-	16,768,968	-
Prepaid items	60,436	20,256	80,692	-
Special assessments receivable	-	8,338	8,338	-
Inventories	572,846	-	572,846	-
Notes and contracts receivable	24,578,685	-	24,578,685	-
<i>Capital assets, non depreciable:</i>				
Land	83,209,112	46,154,351	129,363,463	1,329,860
Improvements	17,614,900	-	17,614,900	-
Construction in progress	10,997,006	12,589,706	23,586,712	-
Intangible assets - right of ways	56,212,651	206,111	56,418,762	-
<i>Capital assets, net of depreciation:</i>				
Buildings	25,984,182	98,713,582	124,697,764	13,542,182
Improvements	162,911,389	152,667,580	315,578,969	6,465,103
Machinery and equipment	14,843,283	2,669,783	17,513,066	-
Intangibles - software	1,830,897	-	1,830,897	-
Net OPEB asset	813,426	-	813,426	-
Net pension asset	20,200,519	586,903	20,787,422	-
Total assets	573,501,528	400,696,961	974,198,489	23,415,672
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refunding	1,437,148	535,537	1,972,685	672,172
Related to pensions	6,267,453	632,536	6,899,989	-
Total deferred outflows of resources	7,704,601	1,168,073	8,872,674	672,172
LIABILITIES				
Accounts payable	4,846,797	3,876,614	8,723,411	48,063
Accrued wages and benefits	3,329,565	647,082	3,976,647	-
Due to other governments	26,044	100,328	126,372	241
Other current liabilities	1,420,438	272,026	1,692,464	-
<i>Noncurrent liabilities:</i>				
Net pension liability	20,850,859	4,092,444	24,943,303	-
Due within one year	8,252,130	5,345,273	13,597,403	769,593
Due in more than one year	55,705,348	85,716,793	141,422,141	15,999,375
Total liabilities	94,431,181	100,050,560	194,481,741	16,817,272

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

CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2017

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Public Facilities District</u>
DEFERRED INFLOWS OF RESOURCES				
Grants received in advance	532,000	-	532,000	-
Related to pensions	8,028,007	859,668	8,887,675	-
Total deferred inflows of resources	8,560,007	859,668	9,419,675	-
NET POSITION				
Net investment in capital assets	366,839,801	238,300,273	605,140,074	4,568,177
Restricted:				
<i>Expendable</i>				
Affordable housing	28,068,431	-	28,068,431	-
Capital improvements	13,894,493	5,160,151	19,054,644	-
Cemetery services	-	287,842	287,842	-
Debt service	-	7,393,838	7,393,838	1,048,063
Environmental remediation	2,137,923	-	2,137,923	-
Government access TV	891,591	-	891,591	-
Library projects	70,169	-	70,169	-
Rental property inspections	-	157,751	157,751	-
OPEB asset	813,426	-	813,426	-
Park improvements	19,522,514	-	19,522,514	-
Pension asset	20,200,519	586,903	20,787,422	-
Public safety dispatch	2,172,074	-	2,172,074	-
Public safety special purpose	514,538	-	514,538	-
Tourism	936,743	-	936,743	-
Transportation improvements	9,861,192	-	9,861,192	-
Waterfront redevelopment	5,226,836	-	5,226,836	-
<i>Nonexpendable</i>				
Permanent funds principal	9,888,814	-	9,888,814	-
Unrestricted	(2,824,122)	49,068,048	46,243,926	1,654,332
Total net position	\$ 478,214,941	\$ 300,954,806	\$ 779,169,747	\$ 7,270,572

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, 2017

Function/Program Activities	Primary Government							Component Unit	
	Program Revenues				Net (Expense) Revenue			Public Facilities District	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government		
Governmental Activities									
General government	\$ 12,120,974	\$ 2,770,294	\$ 2,384,536	\$ 20,000	\$ (6,946,144)	\$ -	\$ (6,946,144)	\$ -	
Public safety	47,454,897	4,778,237	4,913,213	-	(37,763,447)	-	(37,763,447)	-	
Transportation	16,702,711	2,112,891	7,162	6,644,792	(7,937,866)	-	(7,937,866)	-	
Natural and economic environment	9,362,815	130,670	1,351,191	573,615	(7,307,339)	-	(7,307,339)	-	
Social services	186,873	-	-	-	(186,873)	-	(186,873)	-	
Culture and recreation	14,537,391	3,066,500	594,484	284,264	(10,592,143)	-	(10,592,143)	-	
Interest on long-term debt	861,915	-	-	-	(861,915)	-	(861,915)	-	
Total governmental activities	101,227,575	12,858,592	9,250,586	7,522,671	(71,595,726)	-	(71,595,726)	-	
Business-Type Activities									
Water	19,414,055	26,968,245	-	1,473,659	-	9,027,849	9,027,849	-	
Wastewater	22,459,980	24,181,185	3,147	722,597	-	2,446,949	2,446,949	-	
Surface and stormwater	8,234,425	8,734,819	-	1,112,223	-	1,612,617	1,612,617	-	
Solid waste	1,391,372	18,538	4,268	-	-	(1,368,566)	(1,368,566)	-	
Cemetery	475,706	337,474	-	-	-	(138,232)	(138,232)	-	
Golf course	240,901	142,698	-	-	-	(98,203)	(98,203)	-	
Parking	2,523,746	2,233,043	-	-	-	(290,703)	(290,703)	-	
Medic one	6,903,949	6,170,702	26,759	10,000	-	(696,488)	(696,488)	-	
Development services	2,840,794	3,644,024	11,650	-	-	814,880	814,880	-	
Total business-type activities	64,484,928	72,430,728	45,824	3,318,479	-	11,310,103	11,310,103	-	
Total primary government	\$ 165,712,503	\$ 85,289,320	\$ 9,296,410	\$ 10,841,150	\$ (71,595,726)	\$ 11,310,103	\$ (60,285,623)	\$ -	
Component Unit									
Public Facilities District	\$ 1,345,226	\$ 10,916	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,334,310)	
General revenues									
<i>Taxes:</i>									
					22,627,165	-	22,627,165	-	
					33,661,575	-	33,661,575	1,452,011	
					32,565,751	1,417,406	33,983,157	-	
					4,270,238	-	4,270,238	-	
					1,040,408	745,263	1,785,671	-	
					936,410	593,805	1,530,215	17,493	
					2,400,214	2,153,483	4,553,697	1,142	
					2,599,876	-	2,599,876	-	
					164,698	(164,698)	-	-	
					Total general revenues and transfers	100,266,335	4,745,259	105,011,594	1,470,646
						Change in net position	16,055,362	44,725,971	136,336
						Net position - beginning	284,899,444	734,443,776	7,134,236
						Net position - ending	\$ 300,954,806	\$ 779,169,747	\$ 7,270,572

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

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2017

	General	Nonmajor Governmental Fund Totals	Governmental Funds Total
ASSETS			
Cash and cash equivalents	\$ 13,859,582	\$ 8,520,356	\$ 22,379,938
Investments	61,277,993	26,101,482	87,379,475
Receivables, net	1,869,555	90,382	1,959,937
Due from other funds	323,691	-	323,691
Due from other governments	1,623,128	795,809	2,418,937
Due from component units	-	16,768,968	16,768,968
Interfund loans receivable	-	2,214,393	2,214,393
Prepaid items	1,500	-	1,500
Notes and contracts receivable	326,843	24,251,842	24,578,685
Total assets	79,282,292	78,743,232	158,025,524
LIABILITIES			
Accounts payable	2,764,380	1,166,643	3,931,023
Accrued wages and benefits	2,587,343	228,685	2,816,028
Due to other funds	438,408	323,691	762,099
Interfund loans payable	2,653,960	-	2,653,960
Due to other governments	4,660	-	4,660
Other liabilities	132,738	-	132,738
Unearned revenue - park program fees	151,079	-	151,079
Total liabilities	8,732,568	1,719,019	10,451,587
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - fines	1,216,097	-	1,216,097
Unavailable revenue - property taxes	284,921	44,513	329,434
Grants received in advance	532,000	-	532,000
Total deferred inflows of resources	2,033,018	44,513	2,077,531

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

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2017

	General	Nonmajor Governmental Fund Totals	Governmental Funds Total
FUND BALANCES			
<i>Nonspendable:</i>			
Component unit loan	-	14,750,731	14,750,731
Affordable housing revolving loans	326,843	23,873,294	24,200,137
Permanent funds	-	9,888,814	9,888,814
Prepaid items	1,500	-	1,500
<i>Restricted:</i>			
Affordable housing	-	3,824,589	3,824,589
Capital improvements	13,893,685	-	13,893,685
Debt service	-	4,066,615	4,066,615
Environmental remediation	228,576	1,909,347	2,137,923
Government access TV	-	891,591	891,591
Library projects	-	70,169	70,169
Park maintenance and improvements	19,310,928	140,173	19,451,101
Public safety dispatch	-	2,172,074	2,172,074
Public safety special purpose	-	514,538	514,538
Tourism	-	936,743	936,743
Transportation improvements	1,147,006	8,714,186	9,861,192
Waterfront redevelopment	-	5,226,836	5,226,836
<i>Committed:</i>			
Legal environmental remediation	1,104,499	-	1,104,499
<i>Assigned:</i>			
Public safety donations	4,242	-	4,242
Streets	7,145,293	-	7,145,293
Unassigned	25,354,134	-	25,354,134
Total fund balances	68,516,706	76,979,700	145,496,406
Total liabilities, deferred inflow of resources and fund balances	\$ 79,282,292	\$ 78,743,232	\$ 158,025,524

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, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance of governmental funds		\$ 145,496,406
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		358,986,366
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accrued investment interest	291,271	
Deferred loss on bond refunding	1,437,148	
Net OPEB asset	813,426	
Net pension asset	20,200,519	
Deferred outflows of resources related to pension	5,860,200	
Unearned revenue	1,545,531	
		30,148,094
Internal service funds are used by management to charge the cost of certain functions, goods, and services to other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		25,245,161
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	(65,805)	
Compensated absences	(5,767,884)	
Net pension liability	(17,985,389)	
Deferred inflows of resources related to pension	(7,536,295)	
GASB 49 pollution remediation costs	(25,050,000)	
GO bonds, loans, and notes payable	(23,193,867)	
Premiums on long-term debt	(2,061,847)	
		(81,661,086)
Net position of governmental activities		\$ 478,214,941

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

	General	Nonmajor Governmental Funds	Governmental Funds Total
REVENUES			
Taxes:			
Property	\$ 19,542,405	\$ 3,051,896	\$ 22,594,301
Sales and use	24,767,025	8,196,009	32,963,034
Business	32,565,751	-	32,565,751
Real estate excise	4,270,238	-	4,270,238
Other	1,040,408	-	1,040,408
Licenses and permits	986,762	317,999	1,304,761
Intergovernmental revenue	9,857,220	4,016,434	13,873,654
Charges for services	6,642,568	4,085,190	10,727,758
Fines and penalties	755,587	-	755,587
Investment income	483,012	184,380	667,392
Miscellaneous revenues	1,308,527	1,642,751	2,951,278
Total revenues	102,219,503	21,494,659	123,714,162
EXPENDITURES			
Current:			
General government	10,629,413	-	10,629,413
Public safety	43,149,093	5,805,260	48,954,353
Transportation	9,577,376	515,505	10,092,881
Natural and economic environment	3,456,350	3,911,181	7,367,531
Social services	190,909	-	190,909
Cultural and recreation	14,586,457	76,667	14,663,124
Debt service:			
Principal	-	1,786,400	1,786,400
Interest and related charges	33,029	835,129	868,158
Capital outlay	8,604,109	3,964,430	12,568,539
Total expenditures	90,226,736	16,894,572	107,121,308
Revenues over (under) expenditures	11,992,767	4,600,087	16,592,854
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	765,000	1,834,876	2,599,876
Transfers in	640,000	2,195,136	2,835,136
Transfers out	(3,982,830)	(640,000)	(4,622,830)
Total other financing sources and (uses)	(2,577,830)	3,390,012	812,182
Net change in fund balances	9,414,937	7,990,099	17,405,036
Fund balances - beginning	59,101,769	68,989,601	128,091,370
Fund balances - ending	\$ 68,516,706	\$ 76,979,700	\$ 145,496,406

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, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 17,405,036

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense in the current period.

Purchases	12,568,539	
Contributions donated	2,062,807	
Abandonments	(118,906)	
Depreciation	(10,468,529)	
Retirements	(2,041,711)	
Depreciation on retirements	94,951	2,097,151

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Accrued investment interest	119,465	
Net OPEB asset	688,446	
Net pension asset	4,676,936	
Deferred loss on bond refunding	68,456	
Unearned revenue	(38,834)	5,514,469

Internal service funds are used by management to charge the cost of certain functions, goods, and services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 2,377,244

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	6,243	
Compensated absences	(520,544)	
GASB 49 pollution remediation costs	(1,443,563)	
GASB 62 debt contingency reduction	1,448,173	
GO bonds, loans, and notes payable	1,786,400	1,276,709

Change in net position of governmental activities \$ 28,670,609

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Wastewater	Surface and Stormwater	Solid Waste	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 2,912,924	\$ 4,655,978	\$ 1,058,659	\$ 1,219,965	\$ 1,670,382	\$ 11,517,908	\$ 3,953,967
Investments	13,576,419	21,700,372	4,934,148	5,685,955	7,785,240	53,682,134	18,428,469
Receivables, net	907,316	1,001,525	329,843	18,954	534,898	2,792,536	72,655
Due from other funds	-	-	-	-	-	-	438,408
Due from other governments	3,592,059	3,455	109,411	374	1,485,016	5,190,315	9,023
Inventory	-	-	-	-	-	-	572,846
Prepaid items	2,637	-	-	17,619	-	20,256	58,936
Restricted cash and cash equivalents	843,582	2,418,525	-	51,968	-	3,314,075	9,556
Restricted investments	852,493	-	-	-	-	852,493	-
Total current assets	22,687,430	29,779,855	6,432,061	6,994,835	11,475,536	77,369,717	23,543,860
Noncurrent assets:							
Restricted cash and cash equivalents	742,375	5,217,082	-	-	66,320	6,025,777	-
Restricted investments	815,072	2,580,939	-	-	309,102	3,705,113	-
Special assessments receivable	-	8,338	-	-	-	8,338	-
Capital assets, nondepreciable:							
Land	36,010,238	3,925,297	4,697,181	-	1,521,635	46,154,351	40,102
Construction in progress	11,756,704	140,322	692,680	-	-	12,589,706	751,716
Intangibles - right of ways	-	118,769	87,342	-	-	206,111	-
Capital assets, net of depreciation:							
Buildings	6,085,676	89,807,762	-	-	2,820,144	98,713,582	1,121,546
Improvements	60,911,511	51,922,573	38,978,349	293,881	561,266	152,667,580	-
Machinery and equipment	464,930	1,250,523	138,361	86,147	729,822	2,669,783	12,450,225
Intangibles - software	-	-	-	-	-	-	253,465
Net pension asset	-	-	-	-	586,903	586,903	-
Total noncurrent assets	116,786,506	154,971,605	44,593,913	380,028	6,595,192	323,327,244	14,617,054
Total assets	139,473,936	184,751,460	51,025,974	7,374,863	18,070,728	400,696,961	38,160,914
DEFERRED OUTFLOWS OF RESOURCES							
Loss on refunding	307,605	-	-	227,932	-	535,537	-
Related to pensions	173,432	164,102	77,890	7,319	209,793	632,536	407,253
Total deferred outflows of resources	481,037	164,102	77,890	235,251	209,793	1,168,073	407,253
LIABILITIES							
Current liabilities:							
Accounts payable	1,343,024	1,662,257	210,673	221,368	439,292	3,876,614	915,774
Accrued wages and benefits	178,516	194,938	86,354	7,649	179,625	647,082	513,537
Due to other governments	54,048	27,850	4,824	-	13,606	100,328	21,384
Other current liabilities	20,892	105,100	24,102	-	121,932	272,026	631,249
Current portion of noncurrent liabilities:							
Bonds payable, net	1,393,000	945,000	-	490,000	-	2,828,000	-
Compensated absences	238,991	262,479	77,926	9,646	273,560	862,602	521,688
Intergovernmental loans	253,946	-	341,498	-	-	595,444	-
Claims and judgments payable	-	-	-	-	-	-	870,767
Pollution remediation obligation	-	-	-	1,059,227	-	1,059,227	-
Total current liabilities	3,482,417	3,197,624	745,377	1,787,890	1,028,015	10,241,323	3,474,399

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

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2017

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Wastewater	Surface and Stormwater	Solid Waste	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
Noncurrent liabilities:							
Bonds payable, net	5,510,553	57,699,891	-	4,177,770	-	67,388,214	6,100,000
Compensated absences	26,830	10,279	9,159	998	102,730	149,996	96,425
Intergovernmental loans	6,254,636	-	3,526,097	-	-	9,780,733	-
Claims and judgments payable	-	-	-	-	-	-	295,000
Pollution remediation obligation	-	-	-	8,397,850	-	8,397,850	-
Net pension liability	1,220,279	1,154,636	548,040	51,500	1,117,989	4,092,444	2,865,470
Total noncurrent liabilities	13,012,298	58,864,806	4,083,296	12,628,118	1,220,719	89,809,237	9,356,895
Total liabilities	16,494,715	62,062,430	4,828,673	14,416,008	2,248,734	100,050,560	12,831,294
DEFERRED INFLOWS OF RESOURCES							
Related to pensions	209,399	198,135	94,043	8,837	349,254	859,668	491,712
Total deferred inflows of resources	209,399	198,135	94,043	8,837	349,254	859,668	491,712
NET POSITION							-
Net investment in capital assets	102,124,529	89,436,531	40,726,318	380,028	5,632,867	238,300,273	14,617,054
Restricted:							-
Debt service	1,228,168	6,165,670	-	-	-	7,393,838	-
Capital improvements	2,025,353	3,134,798	-	-	-	5,160,151	-
Cemetery endowment / preneed	-	-	-	-	287,842	287,842	-
Pension asset	-	-	-	-	586,903	586,903	-
Rental property inspections	-	-	-	-	157,751	157,751	-
Unrestricted	17,872,809	23,917,998	5,454,830	(7,194,759)	9,017,170	49,068,048	10,628,107
Total net position	\$ 123,250,859	\$ 122,654,997	\$ 46,181,148	\$ (6,814,731)	\$ 15,682,533	\$ 300,954,806	\$ 25,245,161

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

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Wastewater	Surface and Stormwater	Solid Waste	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
Operating revenues:							
Sales of merchandise	\$ -	\$ -	\$ -	\$ -	\$ 36,386	\$ 36,386	\$ 2,472,315
Less: Cost of goods sold	-	-	-	-	(34,440)	(34,440)	(870,157)
Charges for services	26,968,245	24,181,185	8,734,819	18,538	12,525,995	72,428,782	18,237,270
Insurance premium contributions	-	-	-	-	-	-	14,924,460
Total operating revenues	26,968,245	24,181,185	8,734,819	18,538	12,527,941	72,430,728	34,763,888
Operating expenses:							
Labor	4,336,990	4,133,700	1,928,239	207,768	7,610,024	18,216,721	9,647,401
Supplies	1,511,888	1,446,887	258,301	7,830	804,053	4,028,959	2,389,280
Services	5,164,447	6,843,893	3,632,058	639,362	3,490,235	19,769,995	7,243,440
Depreciation	2,459,938	4,262,206	1,240,574	18,725	283,217	8,264,660	1,967,260
Taxes	5,593,855	3,151,985	1,045,849	-	7,190	9,798,879	1,075
Insurance	95,181	65,996	24,285	1,376	45,114	231,952	13,792,921
Claims	-	-	-	-	-	-	242,139
Total operating expenses	19,162,299	19,904,667	8,129,306	875,061	12,239,833	60,311,166	35,283,516
Operating income (loss)	7,805,946	4,276,518	605,513	(856,523)	288,108	12,119,562	(519,628)
Nonoperating revenues (expenses):							
External operating grants and subsidies	-	3,147	-	4,268	38,409	45,824	240,345
Operating assessments and tax levies	-	-	-	1,417,406	745,263	2,162,669	698,541
Investment interest	219,454	384,258	63,955	80,337	121,044	869,048	228,936
Net incr (decr) in fair value of investments	(59,863)	(133,417)	(35,739)	(20,375)	(25,849)	(275,243)	(79,383)
Interest expense and related charges	(251,756)	(2,555,313)	(105,119)	(138,771)	-	(3,050,959)	(331,530)
Gain (loss) on sale of capital assets	-	-	-	-	10,000	10,000	65,594
Other nonoperating revenues	164,205	100,913	18,652	1,858,485	11,228	2,153,483	121,977
Other nonoperating expenses	-	-	-	(377,540)	(745,263)	(1,122,803)	-
Total nonoperating revenues (expenses)	72,040	(2,200,412)	(58,251)	2,823,810	154,832	792,019	944,480
Income (loss) before contributions and transfers	7,877,986	2,076,106	547,262	1,967,287	442,940	12,911,581	424,852
Capital grants and contributions	1,473,659	722,597	1,112,223	-	-	3,308,479	-
Transfers in	575,000	-	1,000,000	-	221,480	1,796,480	2,517,626
Transfers out	(1,123,522)	(60,000)	(60,000)	(615,000)	(102,656)	(1,961,178)	(565,234)
Change in net position	8,803,123	2,738,703	2,599,485	1,352,287	561,764	16,055,362	2,377,244
Total net position - beginning	114,447,736	119,916,294	43,581,663	(8,167,018)	15,120,769	284,899,444	22,867,917
Total net position - ending	\$ 123,250,859	\$ 122,654,997	\$ 46,181,148	\$ (6,814,731)	\$ 15,682,533	\$ 300,954,806	\$ 25,245,161

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, 2017

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Water	Wastewater	Surface and Stormwater	Solid Waste	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers	\$ 26,765,790	\$ 24,073,199	\$ 8,687,380	\$ 18,538	\$ 11,530,997	\$ 71,075,904	\$ 164,970
Receipts from interfund charges for services	-	-	-	-	-	-	35,470,944
Payments for merchandise	-	-	-	-	(34,440)	(34,440)	(932,303)
Payments for wages and benefits	(4,514,380)	(4,236,642)	(2,006,243)	(186,146)	(7,760,794)	(18,704,205)	(10,089,070)
Payments for other operating expenses	(12,697,047)	(11,230,999)	(4,880,392)	(443,601)	(4,585,715)	(33,837,754)	(24,282,750)
Other receipts	158,749	100,387	18,652	-	11,228	289,016	121,977
Other payments	-	-	-	(5,812)	-	(5,812)	-
Net cash from operating activities	9,713,112	8,705,945	1,819,397	(617,021)	(838,724)	18,782,709	453,768
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	575,000	-	-	-	221,480	796,480	2,244,268
Transfers out to other funds	(1,060,000)	(60,000)	(60,000)	(615,000)	(15,000)	(1,810,000)	(565,234)
Operating grants and loans	-	2,932	-	5,623	5,450	14,005	231,797
Principal payments on operating debt	-	-	-	(485,000)	-	(485,000)	-
Interest payments on operating debt	-	-	-	(140,525)	-	(140,525)	(331,530)
Excise tax receipts	-	-	-	1,417,406	745,263	2,162,669	698,541
Taxes passed to other governments	-	-	-	-	(745,263)	(745,263)	-
Net cash from noncapital financing activities	(485,000)	(57,068)	(60,000)	182,504	211,930	(207,634)	2,277,842
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES							
Transfers in from other funds	-	-	1,000,000	-	-	1,000,000	-
Local improvement district proceeds	-	2,568	-	-	-	2,568	-
Capital grants and loans	3,075,854	-	411,186	-	-	3,487,040	-
Principal payments on capital debt	(1,601,947)	(915,000)	(339,116)	-	-	(2,856,063)	-
Interest payments on capital debt	(254,078)	(2,697,837)	(105,119)	-	-	(3,057,034)	-
Purchases of capital assets	(10,846,744)	(179,161)	(428,420)	-	(474,804)	(11,929,129)	(2,394,201)
Sale of capital assets	-	-	-	-	10,000	10,000	258,494
Net cash from capital financing activities	(9,626,915)	(3,789,430)	538,531	-	(464,804)	(13,342,618)	(2,135,707)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sales and maturity of investments	5,840,508	6,440,010	2,831,734	282,265	2,529,484	17,924,001	4,503,480
Purchase of investments	(5,719,764)	(10,870,535)	(4,779,879)	-	(1,744,357)	(23,114,535)	(5,209,311)
Interest and dividends received	209,673	349,413	54,478	75,196	114,602	803,362	208,569
Net cash from investment activities	330,417	(4,081,112)	(1,893,667)	357,461	899,729	(4,387,172)	(497,262)
Net increase (decrease) in cash and equivalents	(68,386)	778,335	404,261	(77,056)	(191,869)	845,285	98,641
Cash and cash equivalents - beginning of year	4,567,267	11,513,250	654,398	1,348,989	1,928,571	20,012,475	3,864,882
Cash and cash equivalents - end of year	\$ 4,498,881	\$ 12,291,585	\$ 1,058,659	\$ 1,271,933	\$ 1,736,702	\$ 20,857,760	\$ 3,963,523

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, 2017

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Water	Wastewater	Surface and Stormwater	Solid Waste	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities:							
Operating income (loss)	\$ 7,805,946	\$ 4,276,518	\$ 605,513	\$ (856,523)	288,108	\$ 12,119,562	\$ (519,628)
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities:</i>							
Depreciation	2,459,938	4,262,206	1,240,574	18,725	283,217	8,264,660	1,967,260
Pension expense	(181,795)	(139,113)	(89,766)	15,645	(205,521)	(600,550)	(467,408)
Miscellaneous income	158,749	100,387	18,652	-	11,228	289,016	121,977
Miscellaneous expenses	-	-	-	(5,812)	-	(5,812)	-
(Increase) decrease in accounts receivable	(202,455)	(107,986)	(47,439)	-	40,546	(317,334)	28,553
(Increase) decrease in due from other funds	-	-	-	-	10,000	10,000	(438,408)
(Increase) decrease in due from other governments	-	-	-	-	(1,068,317)	(1,068,317)	3,316
(Increase) decrease in inventories	-	-	-	-	-	-	(62,146)
(Increase) decrease in prepaid items	-	-	-	-	-	-	(408)
Increase (decrease) in accounts payable	(171,562)	173,042	56,381	204,967	(238,579)	24,249	17,167
Increase (decrease) in wages and benefits payable	5,217	139,807	9,627	5,617	(31,831)	128,437	35,515
Increase (decrease) in revenues collected in advance	-	-	-	-	(13,609)	(13,609)	(30,000)
Increase (decrease) in due to other funds	-	-	-	-	-	-	(11,867)
Increase (decrease) in due to other governments	-	-	-	-	-	-	20,632
Increase (decrease) in other current liabilities	(150,667)	-	24,102	-	560	(126,005)	62,239
Increase (decrease) in other fees and taxes	(9,448)	1,620	(382)	-	(1,110)	(9,320)	69
Increase (decrease) in other long-term liabilities	(811)	(536)	2,135	360	86,584	87,732	(273,095)
Total Adjustments	1,907,166	4,429,427	1,213,884	239,502	(1,126,832)	6,663,147	973,396
Net cash from operating activities	\$ 9,713,112	\$ 8,705,945	\$ 1,819,397	\$ (617,021)	\$ (838,724)	\$ 18,782,709	\$ 453,768
Schedule of noncash activities:							
Net change in fair value of investments	(59,863)	(133,417)	(35,739)	(20,375)	(25,849)	(275,243)	(79,383)
Contributions from developers	1,007,287	722,597	963,759	-	-	2,693,643	-
Fleet donations	(63,522)	-	-	-	(87,656)	(151,178)	273,358

CITY OF BELLINGHAM
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Pension and OPEB Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,416,617	\$ 802,617
Invested in government securities	15,779,643	-
Receivables, net	84,244	1,158
Interfund loans receivable	439,567	-
Total assets	19,720,071	803,775
LIABILITIES		
Accounts payable	20,920	58,288
Due to other governments	-	52,672
Accrued pension benefits	55,240	-
Unearned revenue	30,663	-
Other liabilities	-	692,815
Total liabilities	\$ 106,823	\$ 803,775
NET POSITION		
Restricted	19,613,248	-
Total net position	\$ 19,613,248	\$ -

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, 2017

	Pension and OPEB Trust Funds
ADDITIONS	
<i>Contributions:</i>	
Employer contributions	\$ 3,671,404
Nonemployer contributions	139,499
Total trust contributions	3,810,903
<i>Investment income:</i>	
Interest	210,209
Net incr (decr) in fair value of investments	(74,878)
Net investment income	135,331
Total additions	3,946,234
 DEDUCTIONS	
Benefit payments	1,301,309
Medical insurance	1,070,674
Administrative expenses	99,981
Total deductions	2,471,964
 Change in net position	1,474,270
Total net position - beginning	18,138,978
Total net position - ending	\$ 19,613,248

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



CITY OF BELLINGHAM
Notes to the Basic Financial Statements
December 31, 2017
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1. 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.

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 City's discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City and does not meet the criteria for blending as laid out in paragraph eight of GASB No. 61.

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 which were refunded in 2012 by the City to achieve debt savings. The PFD issued bonds in 2007 and these bonds were advance refunded and defeased in 2016 by the City also to achieve debt savings. The City issued the 2016 refunding bonds on behalf of the PFD. Payments for both bonds issued by the City on behalf of the PFD are expected to be made from

PFD tax revenues. The PFD is obligated under interlocal agreement 2016-0268 to repay the City for both of these bonds.

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, the PFD qualifies as a discrete component unit.

As a discrete component unit, the PFD is reported in its own column in the government-wide basic financial statements.

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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. 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. Our policy is to allocate indirect costs to a specific function or segment. *Program revenues* include 1) charges to customers or applicants 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. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charge of services that are also offered to the general public. 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 expense.

Separate fund 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 City reports the following major governmental funds:

The *General fund* is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. Beginning in 2011, street maintenance was added as part of the *General fund* presented in the CAFR. In 2012, 11 additional former special revenue funds were reported in the *General fund* to comply with GASB Statement No. 54. As of 2017, there are a total of eight funds in addition to the originally budgeted general fund that roll up as part of the combined *General fund* presented in the CAFR. 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. See RSI for the composition of the *General fund*.

The City 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 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 City 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, technology and telecommunications, claims and litigation, employee benefits, and PW administration and engineering. 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.

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.

C. Measurement focus, basis of accounting

Government-Wide

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, similar to 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.

Governmental Funds

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. The City considers property taxes as available if they are collected within 60 days after year end. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated within 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.

Proprietary Funds

The proprietary fund statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

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.

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
- Drake note
- Governmental debt service
- Guaranty deposit
- Accounts payable
- Payroll clearing

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. Any 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 acquisition 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. All depreciable assets are depreciated using the straight line method.

Asset category	Asset threshold	Useful life (years)
Land	Any amount	No limit
Buildings	\$ 50,000	20-50
Equipment:		
Fleet replacement	5,000	3-25
Machinery and equipment	10,000	3-25
Network IT/electronics /communications	25,000	3-25
Intangible Software	50,000	7
Improvements:		
Infrastructure	50,000	20-50
Leasehold	50,000	10
Other	50,000	5-50

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 and so will not be recognized as an expenditure until consumed.

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 and so will *not* be recognized as a revenue until acquired.

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. Unused vacation is payable upon termination of employment. Upon retiring, contractual limitations have been imposed on PERS I employees to limit vacation payout to a maximum of 240 hours. Currently, certain bargaining groups (by individual contracts) are also eligible for an annual vacation leave cash out program. Employees with accumulated banks of at least 88 hours on October 15 of each of year, have the option of cashing out a minimum of 8 hours to a maximum of 40 hours of vacation leave accumulated. Employee banks will be reduced by the number of hours cashed out and balance of at least 80 hours of accrued vacation leave must remain in the bank when the transaction is complete. 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 approximately. This number varies based upon which union you are in. Unused sick leave is payable upon termination only to LEOFF II employees. LEOFF II employees may cash out up to 150-300 hours of their accumulated sick leave balance upon retirement depending upon whether they are fire or police employees. 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 annual optional sick leave cash out program. Employees with accumulated banks of at least 480 hours on December 15 of each year, have the option of cashing out 25 percent of sick leave hours accumulated and not used in the prior twelve-months. Employees with 720 hours, have the option of cashing out 50 percent, and employees with 960 hours receive automatic compensation of 48 hours with no leave bank reduction.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Bellingham Firefighters', City of Bellingham Police Officers', and the Washington State Department of Retirement Systems and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other post-employment benefits (OPEB)

Lifetime full medical and long-term care coverage is provided to uniformed Police and Fire personnel who became members of the Law Enforcement Officers and Fire Fighters (LEOFF 1) retirement system prior to October 1, 1977. An asset for OPEB is reported in the government-wide statements. The actual health costs are reported as expenditures in the fiduciary pension funds.

Long-term obligations

In the government-wide financial statements and proprietary 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, must take the formal action of passing an ordinance

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.

Unassigned – the residual balance for the general fund is unassigned. The general fund is the only fund that can report a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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:

<https://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.

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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Biennial appropriated budgets are adopted for the general, special revenue and debt service funds on a basis consistent with generally accepted accounting principles (GAAP). 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.

Biennial appropriated budgets are adopted at the fund level and legal budgetary control is established at the fund level. Legal budgets are adopted for the eight 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 the end of every even year.

The City's budget procedures were created in accordance with RCW 35.34. On or before November 1, every even number year, the Mayor submits a proposed budget to the City Council for the following odd and even number years. 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 Finance Director, designated by the Mayor, authorizes transfers of 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 simple majority, after first holding public meetings providing the public the opportunity to speak.

In the middle of the two year budget cycle, the City may prepare a proposed mid-biennial budget modification. Public hearings on the proposed budget modification are held and the mid-biennium budget modification is presented in an ordinance for adoption by the City Council during this period.

At the end of each two year budget cycle, the City may re-appropriate budget for outstanding encumbrances at December 31, into the following budget cycle. Encumbrances are committed amounts for goods and services ordered or contracted.

B. Deficit fund equity

As of December 31, 2017, the following funds reported deficits in fund balance or fund equity:

Fund 125 - The Federal Building fund has a deficit fund balance of \$90,064. The deficit is due to building renovation spending in anticipation of a 2018 transfer of \$450,000 from other public works user funds.

Fund 440 – The Solid Waste fund has a deficit net position of \$6.8 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 *Solid Waste fund* has a bond payable liability of \$4.7 million at December 31, 2017. 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 \$9.4 million at December 31, 2017. 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. See note 14 for further discussion on pollution remediation.

Fund 530 – The Facilities Administration fund has a deficit net position of \$4.9 million. This deficit is largely 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. The *facilities administration fund* has a long-term bond payable liability of \$6.1 million at December 31, 2017.

Fund 570 – The Public Works Admin and Engineering fund has a deficit net position of \$1.1 million. As an internal service fund, this fund provides services to other funds within the government and is reimbursed based on an allocation for these costs. In 2015, the recovery costs charged to the funds that received labor and benefits from fund 570 was an estimate of the actual costs incurred and the estimate was too low to recover all costs incurred. In 2016 and 2017, this deficit issue has improved and should continue to improve in the future due to allocating the actual costs incurred in fund 570 amongst the funds receiving the benefits. Additionally, there is a deficit in this fund because of the net pension liability of \$1.4 million. This liability is a result of GASB 68's implementation and has been allocated to this fund based on the employees home-funded here.

C. Excess of expenditures over appropriations

As of December 31, 2017, there has been no material violation of finance related legal or contractual provisions in any City governmental fund.

3. 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 in excess of \$250,000.

Investments

The City invests excess and inactive funds, in accordance with City Investment Policy and Washington State statute, RCW 35A.40.060. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investments are valued at fair value as of December 31, 2017 and investments with a purchase life of less than one year are reported at cost.

The City invests with the Washington State Local Government Investment Pool (LGIP), administered by the Office of the State Treasurer, authorized under RCW Chapter 43.250. The LGIP operates in a manner consistent with the SEC Rule 2a-7. The LGIP's investment objectives are, in priority order: safety of principal, maintaining adequate liquidity to meet cash flows, and providing a competitive interest rate relative to other comparable investment alternatives. The LGIP offers 100% liquidity to its participants. The fair value of the position in the LGIP is the purchase price and is reported on the balance sheet as *cash and cash equivalents*.

Interest rate risk

Interest rate risk is the risk that changes in interest rates over time may adversely affect the fair value of an investment. To minimize risk of loss arising from interest rate fluctuations, the City purchases a combination of short and longer term investments, normally not to exceed five years, and staggers their maturities. The City intends to hold securities, bonds and certificates of deposits until maturity.

Credit risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City invests primarily in U.S. government debt securities which are considered the safest fixed-income investments available, and Municipal Bonds that hold one of the three highest credit ratings of a nationally recognized rating agency as directed by, and in compliance with, state law. The U.S. government debt securities include treasury notes with explicitly guaranteed federal government backing and government sponsored agency securities with implicitly guaranteed federal government backing.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Per the City's Investment Policy, the City diversifies its investments by security type and institution with no more than 50% of the City's total investment portfolio invested in a single security type or with a single financial institution. At year-end the City holds investment securities exceeding 5% of the City's total investment portfolio, in the following five implicitly guaranteed federal government sponsored agencies; FMAC, FHLB, FNMA, FHLMC, and FFCB.

Foreign currency risk

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

Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the City will not be able to recover the value of the investment or collateral securities. For this reason, per the City's Investment Policy, all security transactions, including collateral for repurchase agreements, entered into by the City of Bellingham are conducted on a delivery-versus-payment (DVP) basis and are held in Safekeeping with U.S. Bank. All of the City's investments are insured or registered in the name of the City, or held by the City or its agent in the City's name.

Fair value of deposits and investments at December 31, 2017						
Deposit and investment type / issuer	Fair value	Maturity period			% of total	Moody's rating
		≥ 3 months	4-12 months	1-5 years		
Cash and cash equivalents						
Local Government Investment Pool (LGIP)	\$ 25,344,984	\$ 25,344,984	\$ -	\$ -		unrated
Deposits	27,305,073	27,305,073	-	-		
Total cash and cash equivalents	52,650,057	52,650,057	-	-		
Investments at fair value						
U.S. Government Sponsored Agency Securities (implicitly guaranteed):						
Farmer MAC (FMAC)	16,006,010	-	1,990,520	14,015,490	8.86%	Aaa
Federal Farm Credit Bank (FFCB)	9,287,179	-	9,287,179	-	5.14%	Aaa
Federal Home Loan Bank (FHLB)	34,078,146	-	-	34,078,146	18.86%	Aaa
Federal Home Loan Mortgage Corp. (FHLMC)	40,357,460	-	-	40,357,460	22.34%	Aaa
Federal National Mortgage Association (FNMA)	70,125,262	4,997,255	14,968,155	50,159,852	38.81%	Aaa
Municipal Bonds:						
Oregon State GO	496,895	-	-	496,895	0.28%	Aa1
Oregon State School Boards Association	2,816,430	-	-	2,816,430	1.56%	Aa1
Travis County Texas GO LTD	2,640,551	-	-	2,640,551	1.46%	Aaa
Washington State GO	4,865,500	-	-	4,865,500	2.69%	Aa1
Total investments at fair value	180,673,432	4,997,255	26,245,854	149,430,323		
Total deposits and investments	\$ 233,323,489	\$ 57,647,312	\$ 26,245,854	\$ 149,430,323	100.00%	
<i>Less:</i>						
Fiduciary fund deposits and investments	(19,998,877)					
Statement of net position total	\$ 213,324,612					

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

Public Facilities District	
Cash and cash equivalents	
Local Government Investment Pool (LGIP)	\$ 591,913
Deposits	637,689
Total cash and cash equivalents	1,229,602
Investments at fair value	
U.S. Government Sponsored Agency Securities	795,437
Municipal Bonds	50,668
Total investments	846,105
Total deposits and investments	\$ 2,075,707

Fair value hierarchy

The City measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1 inputs: quoted prices in an active market for identical assets.
- Level 2 inputs: significant other observable inputs.
- Level 3 inputs: significant unobservable inputs.

Fair value hierarchy at December 31, 2017
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Investments by fair value level	Quoted prices level 1	Significant observable inputs level 2	Significant unobservable inputs level 3	Totals
U.S. Government Sponsored Agency Securities	\$ -	\$ 169,854,057	\$ -	\$ 169,854,057
Municipal Bonds	-	10,819,376	-	10,819,376
Local Government Investment Pool (LGIP) *	-	-	-	25,344,984
Total investments by fair value level	\$ -	\$ 180,673,432	\$ -	\$ 206,018,416

* 2A-7 like external investment pool, not subject to fair value measurement

4. 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, 2017
--

Governmental funds	Nonmajor governmental	
	General	governmental
Taxes	\$ 213,509	\$ 44,513
Accounts	14,455,275	45,869
Gross receivables	14,668,784	90,382
Less: allow. for uncollect.	(12,799,229)	-
Total governmental	\$ 1,869,555	\$ 90,382

Proprietary funds	Water	Waste water	Surface & stormwater	Solid waste	Nonmajor enterprise	Internal service
Interest	\$ 50,814	\$ 80,939	\$ 16,447	\$ 18,954	\$ 26,981	\$ 61,428
Accounts	856,502	920,586	313,396	-	1,954,043	11,227
Gross receivables	907,316	1,001,525	329,843	18,954	1,981,024	72,655
Less: allow. for uncollect.	-	-	-	-	(1,446,126)	-
Total business-type	\$ 907,316	\$ 1,001,525	\$ 329,843	\$ 18,954	\$ 534,898	\$ 72,655

Fiduciary funds	Guaranty	
	Pension	Deposit
Interest	\$ 52,598	\$ -
Taxes	30,663	-
Accounts	983	1,158
Total fiduciary	\$ 84,244	\$ 1,158

5. Property taxes

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. Annually, the Assessor establishes assessed values at 100% of fair market value. Properties listed on the County tax rolls as of May 31 are included in the annual tax levy the following January 1.

Taxes are levied and become an enforceable lien against properties on January 1 of year. Tax bills are mailed on February 14 and taxes are due in two equal installments on April 30, and October 31.

Property tax revenues are recognized in the year levied. At year-end, property tax revenues are recognized for collections to be distributed by the County Treasurer within 60 days and an adjustment to taxes receivable and deferred inflows of resources to account for delinquent taxes. No allowance for uncollectible taxes is established because delinquent taxes are considered fully collectible.

The City may levy up to \$3.375 per \$1,000 of assessed valuation for general governmental services. An additional amount, up to .225, may be levied as a contribution to the fire pension fund. This levy is subject to the same limitation as the levy for general government services. The City maintains a fire pension fund, thus the limit is \$3.60. This amount may be reduced for any of the following reasons:

- *The One Percent Constitutional Limit:* The Washington State Constitution limits total regular (non-voted) combined property tax rate 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.
- *Initiative 747:* 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. On November 8, 2007, the State Supreme Court ruled Initiative 747 unconstitutional. On November 29, 2001, the Legislature approved a bill reinstating the 101% property tax limit factor approved by the voters under Initiative 747. The levy limit applies to a taxing district's levy amount, 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 1% 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 annual levy increase may be the lesser of 101% or 100% plus inflation.

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 are used to match state money, which are distributed through a local sales/use tax that is credited against the state's sales/use tax.

Special levies

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 City has the following special levies:

- In November 2012, City of Bellingham voters approved a seven year property tax levy lid lift for Low Income Housing Initiatives. In 2013, the levy began providing \$3 million a year, and will continue through 2019.
- In November 2016, voters approved Greenways IV, a seven year property tax levy lid lift for greenways, open space, parks, park facilities and trails.

Property tax levies 2017

For 2017, the City levied the following property taxes on an assessed value of \$9,868,874,883. The special levies identified in the table were approved by the voters are not subject to the limitations above.

Purpose of Levy	Type	Rate/\$1,000	Tax
General fund	regular levy	\$ 1.488	\$ 14,686,080
Fire pension	regular levy	0.214	2,113,726
New What RDA LIFT	regular levy	0.005	51,005
Total regular levy		1.707	16,850,811
Affordable Housing	special levy	0.304	3,000,000
Greenways III - parks	special levy	0.500	4,934,437
Total special levy		0.804	7,934,437
Total Levy		\$ 2.511	\$ 24,785,248.00

6. Capital assets

Capital asset activity for the year ended December 31, 2017, is summarized as follows:

Primary government				
Governmental activities	Beginning balance 1/1/2017	Additions	Reductions	Ending balance 12/31/2017
Capital assets not being depreciated:				
Land	\$ 84,918,744	\$ 97,855	\$ (1,807,487)	\$ 83,209,112
Improvements	17,614,900	-	-	17,614,900
Construction in progress	6,975,594	7,258,464	(3,237,052)	10,997,006
Intangibles - right of ways	56,167,187	45,464	-	56,212,651
Total capital assets, not being depreciated	165,676,425	7,401,783	(5,044,539)	168,033,669
Capital assets being depreciated/amortized:				
Buildings	46,946,323	219,887	(141,350)	47,024,860
Improvements other than buildings	280,381,886	9,177,515	-	289,559,401
Machinery and equipment	29,946,794	2,073,888	(1,452,468)	30,568,214
Intangibles - software	4,158,740	1,543,978	-	5,702,718
Total capital assets being depreciated/amortized	361,433,743	13,015,268	(1,593,818)	372,855,193
Less accumulated depreciation/amortization for:				
Buildings	(19,422,122)	(1,626,802)	8,246	(21,040,678)
Improvements other than buildings	(118,407,422)	(8,240,590)	-	(126,648,012)
Machinery and equipment	(14,579,441)	(2,398,893)	1,253,403	(15,724,931)
Intangibles - software	(3,702,317)	(169,504)	-	(3,871,821)
Total accumulated depreciation/amortization	(156,111,302)	(12,435,789)	1,261,649	(167,285,442)
Total capital assets, being depreciated/amortized, net	205,322,441	579,479	(332,169)	205,569,751
Governmental activities capital assets, net	<u>\$ 370,998,866</u>	<u>\$ 7,981,262</u>	<u>\$ (5,376,708)</u>	<u>\$ 373,603,420</u>

Business-type activities	Beginning balance 1/1/2017	Additions	Reductions	Ending balance 12/31/2017
Capital assets not depreciated/amortized:				
Land	\$ 45,852,989	\$ 301,362	\$ -	\$ 46,154,351
Construction in progress	4,590,945	8,076,623	(77,862)	12,589,706
Intangibles - right of ways	206,111	-	-	206,111
Total capital assets, not being depreciated/amortized	50,650,045	8,377,985	(77,862)	58,950,168
Capital assets depreciated/amortized:				
Buildings	156,370,996	8,320	-	156,379,316
Improvements other than buildings	253,790,304	5,744,049	(17,060)	259,517,293
Machinery and equipment	6,352,173	419,104	(252,506)	6,518,771
Intangibles - software	534,878	-	(51,292)	483,586
Total capital assets, being depreciated/amortized	417,048,351	6,171,473	(320,858)	422,898,966
Less accumulated depreciation/amortization for:				
Buildings	(54,832,717)	(2,833,017)	-	(57,665,734)
Improvements other than buildings	(101,833,571)	(5,033,202)	17,060	(106,849,713)
Machinery and equipment	(3,703,053)	(398,441)	252,506	(3,848,988)
Intangibles - software	(534,878)	-	51,292	(483,586)
Total accumulated depreciation/amortization	(160,904,219)	(8,264,660)	320,858	(168,848,021)
Total capital assets, being depreciated/amortized, net	256,144,132	(2,093,187)	-	254,050,945
Business-type activities capital assets, net	<u>\$ 306,794,177</u>	<u>\$ 6,284,798</u>	<u>\$ (77,862)</u>	<u>\$ 313,001,113</u>

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

Governmental activities	
General governmental	\$ 959,801
Public safety	878,727
Transportation	6,628,289
Cultural and recreational	1,935,726
Economic environment	65,986
Internal service fund capital assets are charged to various functions based on the usage of the assets	1,967,260
Total depreciation expense - governmental activities	<u>\$ 12,435,789</u>
Business-type activities	
Cemetery	\$ 2,940
Water	2,459,938
Wastewater	4,262,206
Storm and surface water	1,240,574
Solid waste	18,725
Golf	33,101
Parking	123,738
Medic one	123,438
Total depreciation expense - business-type activities	<u>\$ 8,264,660</u>

Capital asset activity for the year ended December 31, 2017, is summarized as follows:

Discretely presented component unit				
Bellingham-Whatcom Public Facility District	Beginning Balance 1/1/2017	Additions	Reductions	Ending Balance 12/31/2017
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	(5,210,380)	(342,048)	-	(5,552,428)
Improvements other than buildings	(2,328,121)	(276,854)	-	(2,604,975)
Total accumulated depreciation	(7,538,501)	(618,902)	-	(8,157,403)
Total capital assets being depreciated, net	20,626,187	(618,902)	-	20,007,285
Public Facilities District capital assets, net	<u>\$ 21,956,047</u>	<u>\$ (618,902)</u>	<u>\$ -</u>	<u>\$ 21,337,145</u>

7. 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, 2017

	Interfund loans receivable	Interfund loans payable	Due from other funds	Due to other funds
General	\$ -	\$ 2,653,960	\$ 323,691	\$ 438,408
Nonmajor governmental	2,214,393	-	-	323,691
Internal service	-	-	438,408	-
Fiduciary	439,567	-	-	-
Total government-wide	<u>\$ 2,653,960</u>	<u>\$ 2,653,960</u>	<u>\$ 762,099</u>	<u>\$ 762,099</u>

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 \$439,567 remaining on this loan at year-end, and of that amount \$221,068 will not be repaid in 2018.

Greenways endowment fund made a \$3,232,022 loan to the Greenways III fund in 2011 for a land purchase. 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 per thousand dollars of assessed valuation to repay the Greenways endowment fund for this land purchase. The loan is scheduled to be repaid over ten years, beginning in 2014. 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. There is \$2,214,393 remaining on this loan at year-end, and of that amount an estimated \$1,800,765 will not be repaid in 2018.

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, 2017

	Transfers In	Transfers Out							
		General	Nonmajor governmental	Water	Wastewater	Surface & stormwater	Solid waste	Nonmajor enterprise	Internal service
General	\$ 640,000	\$ -	\$ (640,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental	2,195,136	(1,595,136)	-	-	-	-	(600,000)	-	-
Water	575,000	(575,000)	-	-	-	-	-	-	-
Surface & storm	1,000,000	-	-	(1,000,000)	-	-	-	-	-
Nonmajor enterprise	221,480	(221,480)	-	-	-	-	-	-	-
Internal service	2,517,626	(1,591,214)	-	(123,522)	(60,000)	(60,000)	(15,000)	(102,656)	(565,234)
Total	\$ 7,149,242	\$ (3,982,830)	\$ (640,000)	\$ (1,123,522)	\$ (60,000)	\$ (60,000)	\$ (615,000)	\$ (102,656)	\$ (565,234)

8. Operating leases

The City leases four radio towers, one off-site data servicing facility, one building, two office spaces, four storage units, 53 copiers, two fiber optics 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 2017 were \$500,722. The future minimum lease payments for non-cancelable leases are as follows:

Future minimum lease payments at December 31, 2017

2018	\$ 282,255
2019	72,453
2020	49,905
2021	34,201
2022	14,211
Total	<u>\$ 453,025</u>

9. 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, 2017		
	Spent to date	Remaining commitment
Parks projects	\$ 3,347,163	\$ 2,952,862
Street projects	6,898,127	10,006,760
Water projects	11,756,704	7,201,430
Wastewater projects	140,322	858,085
Stormwater projects	692,679	545,202
Communication project	175,708	335,854
	<u>\$ 23,010,703</u>	<u>\$ 21,900,193</u>

Parks projects are financed through REET revenue, greenway levies, park impact fees and grants. Street projects are financed through sales tax revenue, transportation impact fees and grants. Water, wastewater and stormwater projects are financed through utility revenues, bonds, loans (EDI, DOE) and grants. The communication project is financed through sales tax and user fees.

10. Long-term debt

General obligation bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The City has issued general obligation bonds to finance improvements in over 20 City buildings to reduce energy consumption, acquisition of the Sportsplex building, improvements to the Civic Field Stadium, construction of the Whatcom Art and Children's Museum, renovations to Mount Baker Theater, pollution remediation activities, and refunding of previously issued bonds. General obligation bonds have been issued for both governmental and business-type activities and are being repaid from the applicable resources. The 2011 QEC bond is being repaid by the Facilities fund. The City's portion of the 2012 LTGO Refunding bond is being repaid by general governmental revenue sources and the PFD is repaying its portion of the bond, per the Financing Agreement. The PFD is also repaying the 2016 LTGO Refunding bonds. The 2014 LTGO bonds are being repaid by the Solid Waste fund.

General obligation bonds outstanding December 31, 2017					
Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
11 LTGO QEC Energy Conservation Improv	\$ 6,480,000	04/27/11	12/01/25	5.43%	\$ 6,100,000
12 LTGO Rfdg of 04 Civic Fld/Sportsplex/PFD	14,370,000	03/29/12	12/01/28	2.00 - 4.00%	9,265,000
16 LTGO Rfdg of 07 PFD bond A Museum/Theater	8,815,000	04/20/16	12/01/27	.60 - 4.00%	8,815,000
16 LTGO Rfdg of 07 PFD bond B Museum/Theater	825,000	04/20/16	12/01/19	.60 - 4.00%	675,000
Total governmental activities	30,490,000				24,855,000
Business-type activities					
14 LTGO Solid Waste Rfdg A Pollution Remediation	3,170,000	12/17/14	12/01/25	3.00 - 4.00%	3,170,000
14 LTGO Solid Waste Rfdg B Pollution Remediation	2,280,000	12/17/14	12/01/20	.40 - 2.35%	1,260,000
Total business-type activities	5,450,000				4,430,000
Total general obligation bonds outstanding	<u>\$ 35,940,000</u>				<u>\$ 29,285,000</u>

General obligation bond annual debt service requirements to maturity						
Year ending	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
December 31						
2018	\$ 1,565,000	\$ 936,893	\$ 2,501,893	\$ 490,000	\$ 133,620	\$ 623,620
2019	1,350,000	907,055	2,257,055	495,000	124,555	619,555
2020	1,460,000	878,755	2,338,755	520,000	113,913	633,913
2021	1,595,000	828,055	2,423,055	560,000	100,100	660,100
2022	1,730,000	772,055	2,502,055	575,000	83,300	658,300
2023-2027	16,865,000	2,140,190	19,005,190	1,790,000	140,650	1,930,650
2028	290,000	8,700	298,700	-	-	-
Total	<u>\$ 24,855,000</u>	<u>\$ 6,471,703</u>	<u>\$ 31,326,703</u>	<u>\$ 4,430,000</u>	<u>\$ 696,138</u>	<u>\$ 5,126,138</u>

As of December 31, 2017, the City has \$3,414,565 available in debt service funds and \$9,556 in the facilities fund to service the general bonded debt.

Revenue bonds

The City has issued revenue bonds to finance the acquisition and construction of improvements to capital assets relating to improving the water/wastewater system, and also the refunding of previously issued revenue bonds. These assets include real property purchased in the Lake Whatcom Watershed in order to preserve water quality, improvements to the City's water supply/distribution system and wastewater collection/disposal system, expansion of and improvements to Post Point Wastewater Plant, construction of a 3.5 million gallon reservoir with offsite piping, and pipeline replacements. When issuing revenue bonds, the City pledges future income derived from the acquired or constructed assets to pay the debt service.

Revenue bonds outstanding December 31, 2017

Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Business-type activities					
08 Water/Sewer Watershed property purchases	\$ 6,040,000	08/21/08	08/01/18	3.00 - 4.25%	\$ 740,000
11 Water/Sewer system improvements	42,655,000	09/27/11	08/01/41	2.00 - 5.00%	39,910,000
12 Water/Sewer Rfdg 04 bond system imprvmts	3,275,000	03/29/12	08/01/24	2.00 - 4.00%	2,405,000
13 Water/Sewer system improvements	15,785,000	08/27/13	08/01/43	4.25 - 5.00%	15,785,000
15 Water/Sewer Rfdg 06 bond system imprvmts	4,035,000	11/10/15	08/01/26	2.17%	3,602,000
Total revenue bonds outstanding	<u>\$ 71,790,000</u>				<u>\$ 62,442,000</u>

Revenue bond annual debt service requirements to maturity

Year ending December 31	Business-type activities		
	Principal	Interest	Total requirements
2018	\$ 2,338,000	\$ 2,853,250	\$ 5,191,250
2019	1,368,000	2,767,464	4,135,464
2020	1,417,000	2,720,420	4,137,420
2021	1,466,000	2,671,781	4,137,781
2022	1,523,000	2,617,946	4,140,946
2023-2027	8,525,000	12,203,762	20,728,762
2028-2032	10,805,000	10,066,213	20,871,213
2033-2037	13,655,000	7,213,723	20,868,723
2038-2042	17,365,000	3,501,438	20,866,438
2043	3,980,000	193,028	4,173,028
Total	<u>\$ 62,442,000</u>	<u>\$ 46,809,025</u>	<u>\$ 109,251,025</u>

The revenue bonds listed above will be repaid solely from water/wastewater system net income and are payable through 2043. The total principal and interest remaining to be paid on the bonds is \$109,251,025. Principal and interest expense for the current year and total net available income were \$5,162,023 and \$26,241,816 respectively.

To service revenue bond debt, \$5,230,818 is available in the reserve accounts of the Water and Wastewater enterprise funds as of December 31, 2017 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 5.05%. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all debt covenants.

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset 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.

Notes payable

The City is liable for a note that was entered into for the purchase the Big Rock Garden Nursery property. This note is considered an obligation of the general government and is being repaid from general governmental revenue sources.

Notes payable debt outstanding December 31, 2017					
Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
Big Rock Garden property purchase	\$ 225,000	12/31/92	12/31/22	7.00%	\$ 75,591
Total notes payable outstanding	<u>\$ 225,000</u>				<u>\$ 75,591</u>

Notes payable annual debt service requirements to maturity			
Year ending December 31	Governmental activities		
	Principal	Interest	Total requirement
2018	\$ 13,087	\$ 4,877	\$ 17,964
2019	14,033	3,931	17,964
2020	15,047	2,916	17,963
2021	16,135	1,829	17,964
2022	17,289	662	17,951
Total	<u>\$ 75,591</u>	<u>\$ 14,215</u>	<u>\$ 89,806</u>

Government loans

The City has received government loans to provide for construction of capital projects. The City's current loan agreements are with the Public Works Trust Fund (PWTF) through Washington State Department of Community Development, Economic Development Investment (EDI) program through Whatcom County, Washington State Water Pollution Control Revolving Fund through the Department of Ecology (DOE) and the Washington State Certificate of Participation (COP) program.

The governmental activity loans are obligations of the general government and will be paid with general governmental revenue sources. The business-type activity loans will be paid from the applicable

proprietary fund. The business-type PWTF loans are being repaid from the Water fund and the Surface and stormwater fund is repaying the DOE and EDI loans.

Government loan debt outstanding December 31, 2017					
Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
PWTF - Street Resurfacing	\$ 2,975,000	07/25/02	07/01/22	0.50%	\$ 789,675
EDI - West Bakerview Overpass	350,000	03/29/12	03/29/19	1.00%	102,500
2014 WA State COP - Six Ambulances	867,507	08/28/14	06/01/24	2.13%	651,102
2015 WA State COP - LED Lights	3,205,000	09/24/15	12/01/27	2.70%	2,820,000
Total governmental activities	7,397,507				4,363,277
Business-type activities					
PWTF Water Main Replacement	1,938,000	07/25/02	07/01/22	0.50%	511,417
PWTF Water Pre-treatment Plant	5,997,166	05/27/15	10/01/34	1.50%	5,997,166
DOE L1200033 Padden Creek Daylighting	1,426,000	05/10/13	12/31/36	2.60%	1,345,181
DOE L1400025 Texas/Columbia Storm Mains	200,670	12/31/14	12/31/23	1.10%	200,670
DOE L1300017 Squalicum Crk Reroute Ph I	528,632	07/01/15	12/31/36	2.70%	514,027
DOE L1400010 Squalicum Crk Reroute Ph II	543,536	07/01/15	12/31/36	2.30%	534,368
DOE EL160594 Squalicum Crk Reroute Ph III	65,074	11/09/16	12/31/38	2.40%	65,074
EDI North End Regional Stormwater Facility	1,675,000	12/18/15	12/18/22	1.00%	1,208,274
Total business-type activities	12,374,078				10,376,177
Total governmental loans outstanding	<u>\$ 19,771,585</u>				<u>\$ 14,739,454</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
2018	\$ 518,587	\$ 156,043	\$ 674,630	\$ 595,444	\$ 152,831	\$ 748,275
2019	533,182	139,159	672,341	832,040	165,436	997,476
2020	495,971	121,560	617,531	844,019	150,222	994,241
2021	515,486	103,755	619,241	854,598	138,640	993,238
2022	530,232	84,969	615,201	865,360	126,878	992,238
2023-2027	1,769,819	185,453	1,955,272	2,438,516	489,570	2,928,086
2028-2032	-	-	-	2,631,450	266,356	2,897,806
2033-2036	-	-	-	1,314,750	63,850	1,378,600
Total	<u>\$ 4,363,277</u>	<u>\$ 790,939</u>	<u>\$ 5,154,216</u>	<u>\$ 10,376,177</u>	<u>\$ 1,553,783</u>	<u>\$ 11,929,960</u>

The following table is a summary of the changes in long-term liabilities for the year ending December 31, 2017. 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.

Summary of changes in long-term liabilities for the year ending December 31, 2017

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due in ≤ 1 year	Due in > 1 year
Governmental activities						
Bonds payable						
General obligation bonds	\$ 20,030,000	\$ -	\$ (1,275,000)	\$ 18,755,000	\$ 1,565,000	\$ 17,190,000
Premium	1,862,153	-	(163,619)	1,698,534	-	1,698,534
Taxable energy conservation bon	6,100,000	-	-	6,100,000	-	6,100,000
Total bonds payable	27,992,153	-	(1,438,619)	26,553,534	1,565,000	24,988,534
Government loans	4,862,473	-	(499,196)	4,363,277	518,587	3,844,690
Premium	405,119	-	(41,807)	363,312	-	363,312
Total government loans	5,267,592	-	(541,003)	4,726,589	518,587	4,208,002
Notes payable	87,795	-	(12,204)	75,591	13,087	62,504
Claims and litigation	1,415,559	-	(249,792)	1,165,767	870,767	295,000
Pollution remediation obligation	23,606,437	1,443,563	-	25,050,000	-	25,050,000
Net pension liability	27,093,581	-	(6,242,722)	20,850,859	-	20,850,859
Compensated absences	5,895,521	573,132	(82,656)	6,385,997	5,284,692	1,101,305
Governmental activities long-term liabilities	\$ 91,358,638	\$ 2,016,695	\$ (8,566,996)	\$ 84,808,337	\$ 8,252,133	\$ 76,556,204
Business-type activities						
Bonds payable						
Revenue bonds	\$ 64,705,000	\$ -	\$ (2,263,000)	\$ 62,442,000	\$ 2,338,000	\$ 60,104,000
Premium	3,262,895	-	(156,451)	3,106,444	-	3,106,444
Total revenue bonds	67,967,895	-	(2,419,451)	65,548,444	2,338,000	63,210,444
General obligation bonds	4,915,000	-	(485,000)	4,430,000	490,000	3,940,000
Premium	267,491	-	(29,721)	237,770	-	237,770
Total general obligation bonds	5,182,491	-	(514,721)	4,667,770	490,000	4,177,770
Total bonds payable	73,150,386	-	(2,934,172)	70,216,214	2,828,000	67,388,214
Government loans	5,619,716	5,349,523	(593,062)	10,376,177	595,444	9,780,733
Pollution remediation obligation	11,037,992	-	(1,580,915)	9,457,077	1,059,227	8,397,850
Net pension liability	5,589,403	-	(1,496,959)	4,092,444	-	4,092,444
Compensated absences	919,215	141,863	(48,480)	1,012,598	862,602	149,996
Total business-type activities long-term liabilities	\$ 96,316,712	\$ 5,491,386	\$ (6,653,588)	\$ 95,154,510	\$ 5,345,273	\$ 89,809,237

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 \$96,425 and short-term liabilities of \$521,688 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 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 Art and Children's Museum. In 2012 the City of Bellingham advanced refunded the 2004 LTGO bond with the issuance of the 2012 LTGO Refunding bond. 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 contingent loan commitment established in contract 2007-0552 was superseded with interlocal financing agreement 2016-0268 between the City and the PFD in 2016.

The PFD entered into an agreement with the City of Bellingham in 2008 to borrow \$2,800,000 for the purpose of funding the construction of the Whatcom Art and Children's Museum. This loan had a of 10 year term with interest only payments 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.

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. On April 20, 2016 these bonds were refunded by the City of Bellingham and reissued as LTGO debt of the City of Bellingham with a new interlocal bond agreement between the City and the PFD establishing new repayment terms. These bonds are financed by state sales tax rebate revenue and will mature in 2027.

Bonds outstanding December 31, 2017

Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
12 LTGO Rfdg Museum/Theater	\$ 9,370,000	11/9/04	12/1/28	2.00 - 4.00%	\$ 5,912,781
08 Museum Construction	2,800,000	12/31/08	12/31/27	3.25%	1,366,187
16 LTGO Rfdg Museum/Theater	9,640,000	04/20/16	12/01/27	.60 - 4.00%	9,490,000
Total bonds outstanding	<u>\$ 21,810,000</u>				<u>\$ 16,768,968</u>

Limited sales tax annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2018	\$ 769,593	\$ 619,415	\$ 1,389,008
2019	1,251,769	565,321	1,817,090
2020	1,363,886	529,455	1,893,341
2021	1,501,322	472,318	1,973,640
2022	1,633,518	417,522	2,051,040
2023-2027	10,248,880	1,018,059	11,266,939
Total	<u>\$ 16,768,968</u>	<u>\$ 3,622,090</u>	<u>\$ 20,391,058</u>

Summary of changes in long-term liabilities for the year ending December 31, 2017

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due in ≤ 1 year	Due in > 1 year
Bonds	\$ 17,301,318	\$ -	\$ (532,350)	\$ 16,768,968	\$ 769,593	\$ 15,999,375
Total long-term liabilities	\$ 17,301,318	\$ -	\$ (532,350)	\$ 16,768,968	\$ 769,593	\$ 15,999,375

In the prior years a contingency was reported related to the PFD's ability to make its debt payments; however, this contingency is no longer necessary. During 2017 the Washington State Legislature passed a bill that revised RCW 82.14.390 extending the time frame allowed for the PFD to collect tax for the repayment of debt an additional fifteen years. This change enables the PFD to fully pay its debt obligation over time.

11. Restricted component of net position

The government-wide statement of net position reports \$127,785,747 of restricted component of net position, of which \$72,195,220 is restricted by enabling legislation.

12. Risk management

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has established four risk management internal service funds to account for and finance general liability, property damage, and risks to employee health and welfare. The City's four funds are *Claims and Litigation*, *Unemployment Compensation*, *Workers' Compensation*, and *Health Benefits*.

The risk management internal service funds are funded by charges to the City's other funds, and are based primarily upon the contributing funds' claims experience. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include amounts for claims that have been incurred but not reported. The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as, inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expense regardless of whether allocated to specific claims.

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. During the current and preceding two years, no City property losses exceeded the City's insurance coverage.

The City purchases excess liability insurance with a \$1 million retained self-insurance limit 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 Unemployment Compensation fund is the source for collecting contributions and making payments to reimburse the State of Washington Employment Security Department, on a quarterly basis, for unemployment compensation claims paid to former employees. State statutes mandate that most other employers pay a tax on employed compensation to support the unemployment insurance system. The City budgets contribution rates to each department based upon past experience and expected future claims.

The Worker's Compensation fund is the source for collecting contributions and making payments towards employee injury claims and other related costs. The City's workers compensation program is self-insured and follows specific guidelines established by the State of Washington. Claims are administered by a third party and the 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 based on an internal formula derived from Washington State standard rates and are revised annually to generate revenues sufficient to cover anticipated expenditures and provide a reserve for incurred but unreported future expenses.

The Health Benefits fund is the source for collecting contributions and paying premiums for employee medical, dental, and vision insurance. Both the City and employee contribute to the cost of medical insurance premiums. The City alone contributes towards dental and vision insurance for full time employees. City departments are charged composite rates to cover the cost of insurance premiums for each employee. Insurance for employees is purchased through employee unions and the Association of Washington City's Employee Benefit Trust.

Health and Welfare

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, 2017, 261 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 Group Health, 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 contract to remain the AWC HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The 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.

Changes in estimated claims liabilities

	Claims and Litigation		Unemployment Comp		Workers' Comp	
	2016	2017	2016	2017	2016	2017
Beginning liability	\$ 455,767	\$ 705,559	\$ 160,000	\$ 160,000	\$ 550,000	\$ 550,000
Claims incurred	404,121	(302,485)	102,847	74,182	399,158	186,249
Claims paid	(154,329)	52,693	(102,847)	(74,182)	(399,158)	(186,249)
Ending liability	\$ 705,559	\$ 455,767	\$ 160,000	\$ 160,000	\$ 550,000	\$ 550,000

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

13. Contingencies

Cleanup contingencies - The City of Bellingham (the City) has been named as a potentially liable person (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 investigation to post-construction monitoring and maintenance, 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, or plans to be 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. See note 14 for additional detail about the current estimated costs.

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.

14. 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 and accordingly the estimates of the future pollution remediation obligation costs are not reduced by the anticipated grant amounts.

As remedial investigation and feasibility study (RI/FS) reports are completed and become available and/or when the City receives updated cost-forecast estimates from consultants for the South State Street Manufactured Gas Plant site or for the Port-City shared Central Waterfront and Cornwall sites, the estimated pollution remediation obligation balances are updated to reflect the revised estimates. The pollution remediation obligation is an estimate subject to changes resulting from price increases or reductions, technology, and changes in applicable laws and regulations.

This schedule reflects the estimated pollution remediation obligations for the five named sites as of December 31, 2017:

Estimated pollution remediation obligations

Site	Governmental activities	Business-type activities
S. State St Man. Gas Plant (f.k.a Boulevard Park)	\$ 9,330,000	\$ -
Cornwall Ave Landfill Site	-	6,737,633
RG Haley Site	15,720,000	-
Eldridge Municipal Landfill	-	161,258
Central Waterfront	-	2,558,185
Total	\$ 25,050,000	\$ 9,457,076

In 2005, the City and the Port of Bellingham ('the Port') entered into an agreement to clean up the Central Waterfront and Cornwall sites and the City prefunded its share of that original estimate by paying the Port \$3.7 million upfront. Of this \$3.7 million prepayment, \$1.44 million was allocated to Cornwall and \$2.26 million was allocated to Central Waterfront. Of the total prepayment, the net remaining balance as of December 31, 2017, was \$17,618.

This schedule shows the composition of the residual prepaid asset as of December 31, 2017:

Estimated pollution remediation prepaid assets

Site	Business-type activities
Cornwall Ave Landfill Site	\$ 186,396
Central Waterfront	(168,778)
Total	\$ 17,618

South State Street Manufactured Gas Plant site (SSMGP) – 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 \$9.3 million based on a draft feasibility study prepared by GeoEngineers. The City is negotiating for financial contributions from other potentially liable persons. An RI/FS work plan was issued in August 2010 but a completed RI/FS has not been published as of year-end.

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. 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 dictates the cleanup that will be constructed. Anchor QEA consulting provided the City (and the Port, another PLP) with a revised report of the estimated cost-forecasts as of December 31, 2017. The Cornwall Ave Landfill site estimated costs have increased since the issuance of the RI/FS in 2013 after taking into account an escalation rate inflator and adding additional project contingency costs. The balance of the City's pollution remediation obligation related to the Cornwall Ave Landfill site is \$6.7 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. A final RI/FS was prepared and issued for RG Haley on February 1, 2016. The estimated pollution remediation obligation for the RG Haley site was updated based on the published RI/FS. The RI/FS estimated a pollution remediation obligation of \$15.7 million for RG Haley.

Eldridge Avenue Municipal Landfill – Remediation was required to cleanup contamination from the use of this site as a landfill for garbage. Construction of the cleanup is complete. Monitoring and maintenance activities pursuant to the Consent Decree are the remaining remediation obligations. The year-end estimate for those activities as of December 31, 2017, is \$161,258.

Central Waterfront – Remediation is required to cleanup contamination from the use of this area as a landfill for solid waste, as well as other contaminants from adjoining sites, which were consolidated with the City's Roeder Avenue Landfill Site by Ecology. The Central Waterfront pollution remediation obligation was decreased compared to the prior year estimate due to the identified preferred alternative selected in the RI/FS for site cleanup in the upland region. Updated cost estimates are based on forecasts prepared by Anchor QEA consulting as of December 31, 2017. The pollution remediation obligation estimate is \$2.6 million for Central Waterfront.

15. 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. The City of Bellingham has a contract with the County to provide ambulance service in certain areas of the county.

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 2017, the City contributed \$1,213,688 to the Public Safety Dispatch fund as its share of operations, approximately 22% 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 (LWWSD) 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 LWWS, Whatcom County, the City, and program fees. The City contributed \$141,339 towards the AIS program in 2017, LWWSD contributed \$50,000, and the County contributed \$123,000. 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 LWWSD 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 LWWSD over the next five years.

Fire District #8

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

In 2016, Whatcom County Fire Protection District No. 8 and the City of Bellingham entered into a new interlocal agreement, 2016-0336, for the provision of fire and emergency medical services (EMS). The parties have a long-term relationship for providing mutual and automatic aid in the delivery of fire and EMS and wish to evaluate consolidation options, and if appropriate, plan for a longer-term consolidation, including consideration of a Regional Fire Authority.

In 2017, Fire District #8 paid the City \$1,379,224 for providing these services.

16. 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 persons (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. As of December 31, 2017, the City has a \$186,396 prepayment remaining for Cornwall and owes \$168,778 on Central Waterfront.

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 District has levied a \$0.28 per thousand dollars of assessed valuation to repay the Greenways Endowment fund for this land purchase. The Park District made principal payments of \$413,628 in 2017. As of December 31, 2017, the loan balance is \$2,214,392.

17. Pension plans**Aggregate pension amounts for state and local pension plans as of 12/31/2017**

Pension liabilities	\$	24,943,303
Pension assets	\$	20,787,422
Deferred outflows of resources	\$	6,899,989
Deferred inflows of resources	\$	8,887,675
Pension expense/expenditures	\$	1,948,683

A. State Sponsored 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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

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

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

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

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

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

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

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

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon

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

Contributions

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

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	11.18%	6.12%
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0,18%	
Employee PERS Plan 3		Varies
Total	12.70%	7.38%

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

The city’s actual PERS plan contributions were \$1,741,572 to PERS Plan 1 and \$2,342,747 to PERS Plan 2/3 for the year ended December 31, 2017.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of

the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

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

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

Contributions

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

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

The city's actual contributions to the plan were \$1,483,840 for the year ended December 31, 2017.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This

special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$62,155,262 to LEOFF Plan 2. The amount recognized by the city as its proportionate share of this amount is \$941,698.

Actuarial Assumptions

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

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

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

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

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

Estimated Rates of Return by Asset Class

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

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

Sensitivity of the Net Pension Liability/(Asset)

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

Plan	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	\$ 15,960,816	\$ 13,102,062	\$ 10,625,769
PERS 2/3	\$ 31,901,541	\$ 11,841,240	\$ (4,595,200)
LEOFF 1	\$ (2,979,462)	\$ (4,016,719)	\$ (4,907,485)
LEOFF 2	\$ 2,759,530	\$ (12,752,076)	\$ (25,390,285)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the City reported a proportionate share of net pension liabilities and assets as follows:

Plan	Liability (Asset)
PERS 1	\$ 13,102,062
PERS 2/3	11,841,240
TOTAL LIABILITY	\$ 24,943,302
LEOFF 1	\$ (4,016,719)
LEOFF 2	(12,752,076)
TOTAL ASSET	\$ (16,768,795)

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

	LEOFF 2 Asset
LEOFF 2 - employer's proportionate share	\$ (12,752,076)
LEOFF 2 - State's proportionate share of the net pension asset associated with the employer	(8,272,034)
TOTAL	\$ (21,024,110)

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

Plan	% of Proportionate Share 6/30/16	% of Proportionate Share 6/30/17	Change in Proportion %
PERS 1	0.283775%	0.276119%	-0.007656%
PERS 2/3	0.346439%	0.340802%	-0.005637%
LEOFF 1	0.263337%	0.264742%	0.001405%
LEOFF 2	0.828452%	0.918952%	0.090500%

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

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

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

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

Pension Expense

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

Plan	Pension Expense
PERS 1	\$ 395,582
PERS 2/3	1,561,630
LEOFF 1	(654,563)
LEOFF 2	376,967
TOTAL	\$ 1,679,616

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 488,932
Contributions subsequent to the measurement date	902,727	-
TOTAL	\$ 902,727	\$ 488,932
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,199,797	\$ 389,438
Net difference between projected and actual investment earnings on pension plan investments	-	3,156,590
Changes of assumptions	125,776	-
Changes in proportion and differences between contributions and proportionate share of contributions	28,634	245,290
Contributions subsequent to the measurement date	1,288,129	-
TOTAL	\$ 2,642,338	\$ 3,791,318

LEOFF 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 373,247
TOTAL	\$ -	\$ 373,247
LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 560,478	\$ 483,580
Net difference between projected and actual investment earnings on pension plan investments	-	2,862,931
Changes of assumptions	15,356	-
Changes in proportion and differences between contributions and proportionate share of contributions	118,452	777,657
Contributions subsequent to the measurement date	760,001	-
TOTAL	\$ 1,454,287	\$ 4,124,168
TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,760,275	\$ 873,018
Net difference between projected and actual investment earnings on pension plan investments	-	6,881,699
Changes of assumptions	141,132	-
Changes in proportion and differences between contributions and proportionate share of contributions	147,087	1,022,947
Contributions subsequent to the measurement date	2,950,857	-
TOTAL	\$ 4,999,351	\$ 8,777,665

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PERS 1	PERS 2/3	LEOFF 1	LEOFF 2	TOTAL
2018	\$ (330,487)	\$ (1,304,663)	\$ (234,244)	\$ (1,376,140)	\$ (3,245,534)
2019	104,340	305,207	63,175	236,952	709,674
2020	(24,227)	(304,754)	(25,227)	(257,408)	(611,616)
2021	(238,559)	(1,302,523)	(176,951)	(1,334,011)	(3,052,043)
2022	-	73,748	-	(124,871)	(51,122)
Thereafter	-	95,873	-	(574,404)	(478,531)
Total	\$ (488,932)	\$ (2,437,110)	\$ (373,247)	\$ (3,429,882)	\$ (6,729,171)

B. Local Sponsored Pension Plans***City of Bellingham Firefighters' (FFP) and Police Officers' Pension (POP) Plans****Plan description*

The City administers two closed single-employer defined benefit pension plans for retired and disabled firefighters' and police officers'. The FFP and POP provide retirement, disability, and death benefits to plan members and their beneficiaries. The plans are governed by the firefighters' and police officers' pension boards which are responsible for the management of the plan assets. Both systems were established and are administered in accordance with state laws RCW 41.18 and 41.20. Financial reporting for both of these plans are contained in the basic and individual fund statements of this report.

Board membership

The FFP is administered by a fire pension board comprised of the city council finance committee chairperson, the mayor, the finance director, two regularly employed or retired firefighters elected by secret ballot of the employed and retired firefighters, and an alternate firefighter.

The POP is administered by a police pension board comprised of the president of the city council, the mayor, the finance director, and three active or retired members of the police department elected by active and retired members of the police department.

Summary of significant accounting and funding policies

Employer contributions, determined during the biennial budget process using actuarially determined amounts, are recognized as revenues in the period in which they are budgeted and paid. Non-employer State collected and distributed fire insurance premium taxes, of \$139,499 in 2017, are recognized in the FFP when received. The plans are both closed to new participants and are no longer receiving employee contributions. Benefits and refunds are recorded when due and payable in accordance with the terms of each plan.

Plan benefits

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 employee pay rates including cost of living adjustments. 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.

FFP 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.

POP 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.

Membership participation

	FFP 12/31/17	POP 12/31/17
Active employees	1	0
Retirees	25	14
Beneficiaries	18	8
Total Participants	44	22
Receiving Benefits	38	13

Investments

The FFP and POP Boards have designated daily operations, internal controls, and investment decisions to the City's finance director. The finance director follows the City's investment policy using an investment strategy that emphasizes prudent and professional standards. The primary investment requirements, in order of priority, are: safety, compliance, liquidity, and return on investment. Details of plan investments are included in Note 3. *Deposits and Investments*. The City's *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. No significant investment policy changes were made during the reporting year. Fair value of investments is determined by the quoted market prices.

Investment concentration

	FFP 12/31/2017	POP 12/31/2017	%	Moody's Rating
Investments at fair value				
U.S. Government Sponsored Agency Securities:				
Farmer MAC (FMAC)	\$ 486,319	\$ 315,342	8.86%	
Federal Farm Credit Bank (FFCB)	282,177	182,971	5.14%	
Federal Home Loan Bank (FHLB)	1,035,414	671,389	18.86%	
Federal Home Loan Mortgage Corp. (FHLMC)	1,226,201	795,101	22.34%	
Federal National Mortgage Association (FNMA)	2,130,652	1,381,570	38.81%	
Municipal Bonds	328,731	213,157	5.99%	Aa1
Total investments at fair value	\$ 5,489,493	\$ 3,559,529	100.00%	

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was .80% for FFP and .81% for POP. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

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, 2016. The actuarial assumptions involving investment earnings and salary growth for the FFP and the POP 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 officer 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 for FFP and POP

Valuation date	12/31/2017
Actuarial cost method	entry age
Actuarial asset method	market value
Assumed composite rate of return	3.0%
Projected salary increases	3.0%
Cost of living adjustments	2.5%
Inflation rate	2.5%
Mortality rate - static projection to 2025	RP-2000, scale BB
Amortization period - investment earning variances	5 years
Amortization period - Police Officers' assumption and experience variances	7 years
Amortization period - Firefighters' assumption and experience variances	8 years

Net pension asset and interest rate sensitivity

	FFP	POP
	<u>12/31/17</u>	<u>12/31/17</u>
Total pension liability	\$ 5,788,333	\$ 1,616,833
Plan fiduciary net position	<u>7,092,120</u>	<u>4,331,673</u>
Net pension asset	<u>\$ 1,303,787</u>	<u>\$ 2,714,840</u>
Net position as a % of total asset	122.52%	267.91%
<i>Net pension asset sensitivity</i>		
Plus 1% composite rate of return	<u>\$ 1,716,718</u>	<u>\$ 2,832,911</u>
Minus 1% composite rate of retrun	<u>\$ 831,812</u>	<u>\$ 2,579,855</u>

Changes in net pension asset

	FFP			POP		
	Total	Plan	Net Pension Asset	Total	Plan	Net Pension Asset
	Pension Liability	Fiduciary Net Position		Pension Liability	Fiduciary Net Position	
Balance at 1/1/2017	\$ 6,015,984	\$ 6,913,042	\$ 897,058	\$ 1,601,226	\$ 4,116,061	\$ 2,514,835
Changes for the year:						
Interest	211,196	-	(211,196)	57,571	-	(57,571)
Changes of assumptions	329,349	-	(329,349)	90,031	-	(90,031)
Differences, expected and actual	-	-	-	-	-	-
Contributions - employer	-	897,145	897,145	-	319,533	319,533
Net investment income	-	55,837	55,837	-	34,110	34,110
Benefit payments, net of refunds	(768,196)	(768,196)	-	(131,995)	(131,995)	-
Administrative expense	-	(5,708)	(5,708)	-	(6,036)	(6,036)
Net changes	(227,651)	179,078	406,729	15,607	215,612	200,005
Balance at 12/31/2017	\$ 5,788,333	\$ 7,092,120	\$ 1,303,787	\$ 1,616,833	\$ 4,331,673	\$ 2,714,840

Deferred Outflows of Resources and Deferred Inflows of Resources

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

FFP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 665,480	\$ -
Net difference between projected and actual investment earnings	319,076	-
Changes of assumptions	288,180	87,342
TOTAL	\$ 1,272,736	\$ 87,342
POP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 351,098	\$ -
Net difference between projected and actual investment earnings	199,635	-
Changes of assumptions	77,169	22,668
TOTAL	\$ 627,902	\$ 22,668
TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,016,578	\$ -
Net difference between projected and actual investment earnings	518,711	-
Changes of assumptions	365,349	110,010
TOTAL	\$ 1,900,638	\$ 110,010

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	FFP	POP	TOTAL
2018	\$ 241,579	\$ 143,689	\$ 385,268
2019	241,580	143,691	385,271
2020	210,697	124,341	335,038
2021	175,324	102,102	277,426
2022	137,526	78,552	216,078
Thereafter	178,688	12,859	191,547
Total	\$1,185,394	\$ 605,234	\$1,790,628

18. Other post-employment benefits (OPEB)

Firefighters' (FHC) and Police Officers' (PHC) Health Care Plans

Plan description

In accordance with the Revised Code of Washington (RCW) 41.26, the City administers two single-employer defined benefit healthcare plans for firefighters' and police officers' employed prior to October 1, 1977. The FHC and PHC plans provide lifetime medical, prescription drug, dental, Medicare Part B premiums, long-term care, and vision expenses for LEOFF Plan 1 retirees. Dependent spouses and children are not covered. Financial reporting for both of these plans are contained in the basic and individual fund statements of this report.

Membership

Plan membership at December 31, 2017, consists of 65 retired firefighters and 43 retired police officers.

Funding policy

Funding for LEOFF 1 retiree healthcare costs is provided entirely by the City as required by the Revised Code of Washington (RCW) 41.26. There are no active employee nor retiree contributions.

- The medical care benefits are funded on a pay-as-you-go basis.
- The long-term care benefits are being pre-funded with employer contribution amounts that exceed the actuarial required contribution (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess). With the City funding more than the ARC it results in a net OPEB asset.

Annual OPEB cost and net OPEB assets

The City's annual OPEB cost and net OPEB asset for the year ended December 31, 2017, are as follows:

Annual OPEB cost and net OPEB asset		
-------------------------------------	--	--

	FHC	PHC
	12/13/17	12/13/17
Annual required contribution (ARC)	\$ 1,153,488	\$ 748,000
Interest on net OPEB obligation	(2,125)	(2,562)
Adjustment to the ARC	<u>4,070</u>	<u>4,908</u>
Annual OPEB cost	1,155,433	750,346
Contributions made	<u>(1,556,579)</u>	<u>(1,037,646)</u>
Decrease in net OPEB obligation	(401,146)	(287,300)
Net OPEB asset, beginning of year	<u>(56,661)</u>	<u>(68,319)</u>
Net OPEB asset, end of year	<u>\$ (457,807)</u>	<u>\$ (355,619)</u>

Trend information

Trend information is intended to provide an indication of the progress being made in accumulating sufficient assets to pay benefits when due.

Three year OPEB trend information						
Plan	Year	Annual OPEB		Percentage of	Net OPEB	
		cost (AOC)	Contributions	AOC	obligation/ (asset)	
				contributed		
FHC	2015	\$ 1,244,569	\$ 1,549,134	124.5%	\$	220,835
	2016	1,253,434	1,530,930	122.1%		(56,661)
	2017	1,155,433	1,556,579	134.7%		(457,807)
PHC	2015	\$ 825,047	1,061,590	128.7%	\$	146,004
	2016	830,401	1,044,724	125.8%		(68,319)
	2017	750,346	1,037,646	138.3%		(355,619)

Funding status and funding progress

Actuarial valuations involve estimates and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The 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.

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, 2016.

Schedule of OPEB funded status		
	FHC 12/31/16	PHC 12/31/16
Actuarial accrued liability (AAL)	\$ 20,140,000	\$ 13,393,000
Actuarial value of plan assets	(4,111,000)	(2,999,000)
Unfunded actuarial accrued liability (UAAL)	<u>\$ 16,029,000</u>	<u>\$ 10,394,000</u>
Funded status/ratio (actuarial value of plan assets/AAL)	20.4%	22.4%
Covered payroll (annual payroll of active employees covered by the plan)	132,470	45,026
UAAL as a % of covered payroll	12100%	23084%

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are made using actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial calculations of the plans reflect a long-term perspective.

OPEB actuarial methods and assumptions	
Actuarial cost method	entry age
Asset valuation method	market value
Assumed composite blended rate of return	3.0%
Inflation rate	2.5%
Medical care cost inflation rate	6% grading down to 5% over 2 yrs.
Long-term care cost inflation rate	4.5%
Mortality rate - static projection to 2025	RP-2000, scale BB
Amortization period	20 year, closed

19. 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 were allocated into the beyond greenways endowment fund. The money allocated to this fund was 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 with ordinance 2007-01-004 to account for the property tax levy receipts. These receipts are to be used for acquisition and development/improvement of property.

Ordinance 2007-04-034 changed the name of the beyond greenways endowment fund to greenways maintenance endowment fund and expanded the scope of the fund to include maintenance activities for properties acquired or developed with any greenway levy funds. This ordinance also set aside 9% of the greenways III levy to the endowment fund.

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, 2017, a total of \$5,888,814 in property taxes and donations has been receipted into the endowment fund and is nonspendable. Interest in the amount of \$20,299 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 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, 2017, \$644,516 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 24.44.020. Investments for the endowment funds meet the same criteria as other City funds. The City's investment risk is described in note 3.

20. Tax abatements

The City provides tax abatements under two programs: Multifamily Housing, and an Urban Village Business and Occupation (B&O) phased tax credit.

The *Multifamily Housing program* was established under RCW 84.14 and municipal code chapter 17.82. The program is used to encourage increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers, and to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers. To be eligible for this program the housing project must be located within a targeted residential area, not displace existing residential tenants, include at least four units of multifamily housing and at least 50 percent of the space for multifamily housing must be provided for permanent residential occupancy. The program provides an exemption from ad valorem property taxation for 8 or 12 years for the value of new housing construction, conversion, and rehabilitation improvements that qualify under the program. To qualify for the 12 year exemption the applicant must commit to renting or selling at least 20 percent of the multi-unit housing units as affordable housing units. The owner must continue to comply with the requirements of the program and is subject to a compliance review annually. If it is determined the owner is not complying with the terms of the contract, the tax exemption will be cancelled. The City currently has agreements with ten property owners that qualify under the program for a total property tax valuation of \$25,473,475 and an estimated tax abatement of \$67,000 for fiscal year 2017.

The *Urban Village B&O phased tax credit* was established under municipal code chapter 6.04.105. New businesses and branches that locate in Downtown, Old Town, Waterfront, Samish Way or the Fountain District are eligible for a graduated tax credit of 90% for the first year, 75% for the second year, and 50% for the third year of operations for all Business and Occupation taxes due to the City. The business owner must submit an application and receive approval from the Finance Director for the credit. If the owner relocates the business outside the eligible urban village within three years of the effective date of the credit, the total amount of taxes for which the credit has been claimed for current and prior reporting periods shall be immediately due. The City currently has two agreements with businesses in this program. B&O tax payments are considered confidential information and are not disclosable to unauthorized individuals per RCW 82.32.330(6) and 19.02.115(5).



CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Original General Fund
For the Year Ended December 31, 2017

	2017-2018 Biennial		2017	Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final	Legal Basis	
REVENUES				
<i>Taxes:</i>				
Property	\$ 29,588,334	\$ 29,588,334	\$ 14,619,202	\$ (14,969,132)
Sales and use	30,939,000	30,939,000	16,151,687	(14,787,313)
Business	64,197,000	64,197,000	32,565,751	(31,631,249)
Other	2,215,000	2,215,000	1,040,408	(1,174,592)
Licenses and permits	1,845,300	1,845,300	985,712	(859,588)
Intergovernmental revenue	5,635,916	5,776,825	3,834,565	(1,942,260)
Charges for services	16,195,464	15,973,378	2,495,939	(13,477,439)
Fines and penalties	2,021,238	2,021,238	755,587	(1,265,651)
Investment income	423,070	423,070	172,184	(250,886)
Miscellaneous revenues	1,118,190	1,125,690	759,972	(365,718)
Total revenues	154,178,512	154,104,835	73,381,007	(80,723,828)
EXPENDITURES				
<i>Current:</i>				
General government	30,128,671	30,461,050	8,569,542	(21,891,508)
Public safety	84,079,865	84,864,642	43,149,093	(41,715,549)
Natural and economic environment	7,999,256	8,270,631	3,271,248	(4,999,383)
Social services	334,698	375,597	190,909	(184,688)
Cultural and recreation	29,091,541	29,488,876	13,758,285	(15,730,591)
<i>Debt service:</i>				
Principal	444,000	444,000	-	(444,000)
Interest and related charges	8,200	8,200	5,070	(3,130)
Capital outlay	-	17,770	14,576	(3,194)
Total expenditures	152,086,231	153,930,766	68,958,723	(84,972,043)
Revenues over (under) expenditures	2,092,281	174,069	4,422,284	4,248,215
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	765,000	765,000
Transfers in	1,290,000	1,290,000	640,000	(650,000)
Transfers out	(5,349,330)	(7,590,364)	(2,380,952)	5,209,412
Total other financing sources and (uses)	(4,059,330)	(6,300,364)	(975,952)	5,324,412
Net change in fund balances	(1,967,049)	(6,126,295)	3,446,332	9,572,627
Fund balances - beginning	17,000,000	23,461,426	23,434,950	(26,476)
Fund balances - ending	\$ 15,032,951	\$ 17,335,131	\$ 26,881,282	\$ 9,546,151

CITY OF BELLINGHAM
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balances
Differences in Actual Amounts for General Fund Legal Basis and General Fund GAAP Basis
For the Year Ended December 31, 2017

REVENUES

General Fund legal basis	\$ 73,381,007
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	
Street	15,673,238
Federal Building	894,997
Olympic Whatcom Falls Park Addition	1,711
First 1/4% Real Estate Excise Tax	2,458,331
Second 1/4% Real Estate Excise Tax	2,193,247
Greenway III Levy	5,489,432
Park Impact Fees	2,125,463
Sportsplex	2,077
General Fund GAAP Basis	<u><u>102,219,503</u></u>

EXPENDITURES

General Fund legal basis	68,958,723
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	
Street	15,168,814
Federal Building	1,585,324
Olympic Whatcom Falls Park Addition	13,945
First 1/4% Real Estate Excise Tax	1,158,994
Second 1/4% Real Estate Excise Tax	473,997
Greenway III Levy	1,256,139
Park Impact Fees	1,610,800
General Fund GAAP Basis	<u><u>90,226,736</u></u>

OTHER FINANCING SOURCES (USES)

General Fund legal basis	(975,952)
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	(1,601,878)
General Fund GAAP Basis	<u><u>(2,577,830)</u></u>

NET CHANGES IN FUND BALANCES

General Fund legal basis	3,446,332
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	5,968,605
General Fund GAAP Basis	<u><u>\$ 9,414,937</u></u>

Note: The funds delineated above are legally separate and budgeted individually as presented in the combining and individual fund statements. The funds are combined into general fund for GAAP basis basic financial statement reporting purposes as they may not meet the definition of special revenue funds under GASB 54.

Pension Plans

Washington State Department of Retirement Systems - PERS and LEOFF

Schedule of City's proportionate share of state net pension liability as of June 30

	6/30/2017	6/30/2016	6/30/2015	6/30/2014
PERS 1				
Proportionate % of net pension liability (NPL)	0.276119%	0.283775%	0.283816%	0.292219%
NPL	\$ 13,102,062	\$ 15,240,054	\$ 14,846,216	\$ 14,720,669
Covered employee payroll	\$ 668,853	\$ 694,726	\$ 833,860	\$ 1,081,349
NPL as a % of covered employee payroll	1958.89%	2193.68%	1780.42%	1361.32%
Fiduciary net position (FNP)	\$ 20,700,421	\$ 20,222,944	\$ 21,451,699	\$ 23,206,738
Total pension liability (TPL)	\$ 33,802,482	\$ 35,462,999	\$ 36,297,915	\$ 37,927,408
FNP as a % of TPL	61.24%	57.03%	59.10%	61.19%
PERS 2/3				
Proportionate % of net pension liability (NPL)	0.340802%	0.346439%	0.345119%	0.347973%
NPL	\$ 11,841,240	\$ 17,442,930	\$ 12,331,299	\$ 7,033,791
Covered employee payroll	\$ 33,482,839	\$ 32,435,206	\$ 30,696,116	\$ 29,876,074
NPL as a % of covered employee payroll	35.37%	53.78%	40.17%	23.54%
Fiduciary net position (FNP)	\$ 119,283,437	\$ 105,603,698	\$ 101,851,378	\$ 97,776,269
Total pension liability (TPL)	\$ 131,124,677	\$ 123,046,628	\$ 114,182,676	\$ 104,810,059
FNP as a % of TPL	90.97%	85.82%	89.20%	93.29%
LEOFF 1				
Proportionate % of net pension asset (NPA)	0.264742%	0.263337%	0.259501%	0.254508%
NPA	\$ 4,016,719	\$ 2,713,124	\$ 3,127,561	\$ 3,086,650
Covered employee payroll	\$ 120,974	\$ 132,029	\$ 144,697	\$ 465,881
NPA as a % of covered employee payroll	3320.31%	2054.94%	2161.45%	662.54%
Fiduciary net position (FNP)	\$ 15,186,917	\$ 14,143,483	\$ 14,558,393	\$ 14,554,819
Total pension liability (TPL)	\$ 11,170,198	\$ 11,430,358	\$ 11,430,832	\$ 11,468,169
FNP as a % of TPL	135.96%	123.74%	127.36%	126.91%
LEOFF 2				
City proportionate % of NPA	0.918952%	0.828452%	0.816862%	0.853588%
City proportionate share of City NPA	\$ 12,752,076	\$ 4,818,525	\$ 8,395,708	\$ 11,327,480
State proportionate share of City NPA	\$ 8,272,034	\$ 3,141,323	\$ 5,551,241	\$ 7,401,154
Total proportionate share	\$ 21,024,110	\$ 7,959,848	\$ 13,946,948	\$ 18,728,634
Covered employee payroll	\$ 28,930,093	\$ 25,125,355	\$ 23,723,220	\$ 23,786,119
NPA as a % of covered employee payroll	44.08%	19.18%	35.39%	47.62%
Plan Fiduciary net position (FNP)	\$ 108,216,955	\$ 84,590,086	\$ 80,319,337	\$ 78,963,736
Total pension liability (TPL)	\$ 95,464,878	\$ 79,771,560	\$ 71,923,629	\$ 67,636,256
FNP as a % of TPL	113.36%	106.04%	111.67%	116.75%

* Information is available beginning in 2014.

Pension Plans

Washington State Department of Retirement Systems - PERS and LEOFF

Schedule of contributions for the year ended December 31

Plan	Year	Statutorially required contributions	Actual contributions	Contribution deficiency (excess)	Covered Employee Payroll	Contributions as a % of covered employee payroll
PERS 1	2014	\$ 1,314,562	\$ 1,314,562	\$ -	\$ 982,256	133.83%
	2015	1,435,640	1,435,640	-	707,036	203.05%
	2016	1,655,872	1,655,872	-	672,352	246.28%
	2017	1,853,370	1,853,370	-	510,807	362.83%
PERS 2/3	2014	\$ 1,517,744	\$ 1,517,744	\$ -	\$ 30,387,959	4.99%
	2015	1,752,785	1,752,785	-	31,107,241	5.63%
	2016	2,065,838	2,065,838	-	33,206,141	6.22%
	2017	2,522,447	2,522,447	-	36,541,240	6.90%
LEOFF 1	2014	\$ -	\$ -	\$ -	\$ 255,654	0.00%
	2015	-	-	-	189,324	0.00%
	2016	-	-	-	83,296	0.00%
	2017	-	-	-	95,040	0.00%
LEOFF 2	2014	\$ 1,198,658	\$ 1,198,658	\$ -	\$ 23,735,711	5.05%
	2015	1,248,036	1,248,036	-	24,713,647	5.05%
	2016	1,352,566	1,352,566	-	26,783,467	5.05%
	2017	1,494,326	1,494,326	-	28,975,221	5.16%

* Information is available beginning in 2014.

Pension Plans*Firefighters' (FFP) and Police Officers' (POP) Pension Plans***Schedule of changes in net pension asset - FFP**

Firefighters' Pension Plan	2017	2016	2015	2014	2013
Total pension asset					
Interest	\$ 211,196	\$ 184,397	\$ 192,760	\$ 260,497	\$ 273,717
Changes in actuarial assumptions	329,349	(116,456)	-	140,083	-
Differences, expected and actual	-	887,308	-	(189,608)	-
Benefit payments, net	(768,196)	(415,501)	(447,877)	(536,869)	(598,129)
Net change in total pension asset	(227,651)	539,748	(255,117)	(325,897)	(324,412)
Total pension asset - beginning	6,015,984	5,476,236	5,731,353	6,057,250	6,381,662
Total pension asset - ending	\$ 5,788,333	\$ 6,015,984	\$ 5,476,236	\$ 5,731,353	\$ 6,057,250
Plan fiduciary net position					
Contributions - employer	\$ 757,646	\$ 763,056	\$ 656,841	\$ 666,889	\$ 618,805
Contributions - nonemployer	139,499	116,386	127,180	140,638	129,799
Net investment income	55,837	40,272	48,857	64,034	(2,583)
Benefit payments, net	(768,196)	(415,501)	(447,877)	(536,869)	(598,129)
Administrative expense	(5,708)	(2,544)	(5,231)	(2,420)	(3,493)
Net change in plan fiduciary net position	179,078	501,669	379,770	332,272	144,399
Plan fiduciary net position - beginning	6,913,042	6,411,373	6,031,603	5,699,331	5,554,932
Plan fiduciary net position - ending	7,092,120	6,913,042	6,411,373	6,031,603	5,699,331
Net pension asset (liability)	\$ 1,303,787	\$ 897,058	\$ 935,137	\$ 300,250	\$ (357,919)
Plan fiduciary net position as a % of total pension asset	122.52%	114.91%	117.08%	105.24%	94.09%
Covered-employee payroll	133,609	132,470	133,609	357,440	432,351
Net pension asset as a % of covered employee payroll	975.82%	677.18%	699.91%	84.00%	-82.78%

* Information is available beginning in 2013.

Pension Plans*Firefighters' (FFP) and Police Officers' (POP) Pension Plans*

Schedule of changes in net pension asset - POP					
Police Officers' Pension Plan	2017	2016	2015	2014	2013
Total pension asset					
Interest	\$ 57,571	\$ 41,693	\$ 45,570	\$ 63,919	\$ 67,258
Changes in actuarial assumptions	90,031	(31,736)	-	(27,978)	-
Differences, expected and actual	-	491,536	-	(28,536)	-
Benefit payments, net	(131,995)	(182,997)	(129,662)	(122,007)	(160,904)
Net change in total pension asset	15,607	318,496	(84,092)	(114,602)	(93,646)
Total pension asset - beginning	1,601,226	1,282,730	1,366,822	1,481,424	1,575,070
Total pension asset - ending	\$ 1,616,833	\$ 1,601,226	\$ 1,282,730	\$ 1,366,822	\$ 1,481,424
Plan fiduciary net position					
Contributions - employer	\$ 319,533	\$ 316,498	\$ 310,025	\$ 338,015	\$ 263,344
Net investment income	34,110	24,204	32,313	41,593	(11,006)
Benefit payments, net	(131,995)	(182,997)	(129,662)	(122,007)	(160,904)
Administrative expense	(6,036)	(1,847)	(4,735)	(2,969)	(1,557)
Net change in plan fiduciary net position	215,612	155,858	207,941	254,632	89,877
Plan fiduciary net position - beginning	4,116,061	3,960,203	3,752,262	3,497,630	3,407,753
Plan fiduciary net position - ending	4,331,673	4,116,061	3,960,203	3,752,262	3,497,630
Net pension asset	\$ 2,714,840	\$ 2,514,835	\$ 2,677,473	\$ 2,385,440	\$ 2,016,206
Plan fiduciary net position as a % of total pension asset	267.91%	257.06%	308.73%	274.52%	236.10%
Covered-employee payroll	-	45,026	147,835	162,093	245,929
Net pension asset as a % of covered employee payroll	0.00%	5585.30%	1811.12%	1471.65%	819.83%

* Information is available beginning in 2013.

Pension Plans*Firefighters' (FFP) and Police Officers' (POP) Pension Plans*

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, 2017.

Schedule of contributions - FFP & POP						
Plan	Year	Actuarially determined contributions	Actual contributions	Contribution deficiency (excess)	Covered Employee Payroll	Contributions as a % of covered employee payroll
FFP	2008	\$ 372,881	\$ 1,158,121	\$ (785,240)	\$ 1,171,301	98.87%
	2009	219,490	1,028,402	(808,912)	881,915	116.61%
	2010	219,490	628,673	(409,183)	761,841	82.52%
	2011	100,391	496,590	(396,199)	673,935	73.69%
	2012	100,391	633,363	(532,972)	479,131	132.19%
	2013	73,616	748,604	(674,988)	432,351	173.15%
	2014	73,616	807,527	(733,911)	357,440	225.92%
	2015	-	784,021	(784,021)	142,115	551.68%
	2016	-	879,442	(879,442)	132,470	663.88%
	2017	-	897,145	(897,145)	133,609	671.47%
POP	2008	\$ -	\$ 64,815	\$ (64,815)	\$ 650,656	9.96%
	2009	-	17,559	(17,559)	610,356	2.88%
	2010	-	150,745	(150,745)	396,480	38.02%
	2011	-	73,432	(73,432)	285,674	25.70%
	2012	-	399,991	(399,991)	232,874	171.76%
	2013	-	263,344	(263,344)	245,929	107.08%
	2014	-	338,015	(338,015)	162,093	208.53%
	2015	-	310,025	(310,025)	147,835	209.71%
	2016	-	316,498	(316,498)	45,026	702.92%
	2017	-	319,533	(319,533)	-	-

FFP has 1 active employee contributing to covered employee payroll, POP has no active employees. The actuarial determined contributions are negative numbers and are therefore reported as zero.

Pension Plans*Firefighters' (FFP) and Police Officers' (POP) Pension Plans***Actuarial methods and assumptions - FFP & POP**

Valuation date	12/31/2017
Actuarial cost method	entry age
Actuarial asset method	market value
Assumed composite rate of return	3.0%
Projected salary increases	3.0%
Cost of living adjustments	2.5%
Inflation rate	2.5%
Mortality rate - static projection to 2025	RP-2000, scale BB
Amortization period - investment earning variances	5 years
Amortization period - Police Officers' assumption and experience variances	7 years
Amortization period - Firefighters' assumption and experience variances	8 years

Schedule of investment returns - FFP & POP

Plan	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
FFP	0.80%	0.61%	0.79%	1.09%	-0.05%	1.09%	1.58%	2.19%	2.95%	4.95%
POP	0.81%	0.60%	0.83%	1.15%	-0.32%	1.01%	1.04%	1.30%	1.64%	5.86%

Other Post Employment Benefit Plans (OPEB)*Firefighters' (FHC) and Police Officers' (PHC) Health Care Plans*

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, 2016.

Schedule of OPEB funding progress

Plan	Valuation date	Actuarial value of plan assets	Actuarial accrued liabilities	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
FHC	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%
	12/31/2016	4,111,000	20,140,000	16,029,000	20.4%	132,470	12100.1%
PHC	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%
	12/31/2016	2,999,000	13,393,000	10,394,000	22.4%	45,026	23084.4%

Schedule of employer OPEB contributions

Plan	Year	Annual required contribution	Employer contributions	Percentage contributed
FHC	2012	\$ 1,650,398	\$ 1,590,108	96.3%
	2014	1,526,985	1,460,605	95.7%
	2016	1,253,434	1,530,930	122.1%
PHC	2012	\$ 1,095,506	\$ 1,085,080	99.0%
	2014	1,000,221	971,121	97.1%
	2016	830,401	1,044,724	125.8%



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.

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.

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 and interest earnings are invested until utilized for an approved project or refunded to the property owner if not utilized in the prescribed amount of time. 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
Original General Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
<i>Taxes:</i>				
Property	\$ 29,588,334	\$ 29,588,334	\$ 14,619,202	\$(14,969,132)
Sales and use	30,939,000	30,939,000	16,151,687	(14,787,313)
Business	64,197,000	64,197,000	32,565,751	(31,631,249)
Other	2,215,000	2,215,000	1,040,408	(1,174,592)
Licenses and permits	1,845,300	1,845,300	985,712	(859,588)
Intergovernmental revenue	5,635,916	5,776,825	3,834,565	(1,942,260)
Charges for services	16,195,464	15,973,378	2,495,939	(13,477,439)
Fines and penalties	2,021,238	2,021,238	755,587	(1,265,651)
Investment income	423,070	423,070	172,184	(250,886)
Miscellaneous revenues	1,118,190	1,125,690	759,972	(365,718)
Total revenues	154,178,512	154,104,835	73,381,007	(80,723,828)
EXPENDITURES				
<i>Current:</i>				
General government	30,128,671	30,461,050	8,569,542	(21,891,508)
Public safety	84,079,865	84,864,642	43,149,093	(41,715,549)
Natural and economic environment	7,999,256	8,270,631	3,271,248	(4,999,383)
Social services	334,698	375,597	190,909	(184,688)
Cultural and recreation	29,091,541	29,488,876	13,758,285	(15,730,591)
<i>Debt service:</i>				
Principal	444,000	444,000	-	(444,000)
Interest and related charges	8,200	8,200	5,070	(3,130)
Capital outlay	-	17,770	14,576	(3,194)
Total expenditures	152,086,231	153,930,766	68,958,723	(84,972,043)
Revenues over (under) expenditures	2,092,281	174,069	4,422,284	4,248,215
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	765,000	765,000
Transfers in	1,290,000	1,290,000	640,000	(650,000)
Transfers out	(5,349,330)	(7,590,364)	(2,380,952)	5,209,412
Total other financing sources and (uses)	(4,059,330)	(6,300,364)	(975,952)	5,324,412
Net change in fund balances	(1,967,049)	(6,126,295)	3,446,332	9,572,627
Fund balances - beginning	17,000,000	23,461,426	23,434,950	(26,476)
Fund balances - ending	\$ 15,032,951	\$ 17,335,131	\$ 26,881,282	\$ 9,546,151

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Street Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
<i>Taxes:</i>				
Sales and use	\$ 15,650,000	\$ 15,650,000	\$ 8,615,338	\$ (7,034,662)
Licenses and permits	123,220	123,220	1,050	(122,170)
Intergovernmental revenue	15,434,000	17,074,000	4,388,657	(12,685,343)
Charges for services	2,444,186	2,444,186	2,077,787	(366,399)
Investment income	202,666	202,666	65,465	(137,201)
Miscellaneous revenues	84,000	84,000	524,941	440,941
Total revenues	33,938,072	35,578,072	15,673,238	(19,904,834)
EXPENDITURES				
<i>Current:</i>				
General government	103,773	103,773	8,811	(94,962)
Transportation	20,019,742	20,528,257	9,573,893	(10,954,364)
Natural and economic environment	933,417	1,080,835	185,102	(895,733)
Capital outlay	13,693,000	17,220,351	5,401,008	(11,819,343)
Total expenditures	34,749,932	38,933,216	15,168,814	(23,764,402)
Revenues over (under) expenditures	(811,860)	(3,355,144)	504,424	3,859,568
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,275,359)	(1,275,359)	(695,875)	579,484
Total other financing sources and (uses)	(1,275,359)	(1,275,359)	(695,875)	579,484
Net change in fund balances	(2,087,219)	(4,630,503)	(191,451)	4,439,052
Fund balances - beginning	3,820,000	8,061,546	8,483,750	422,204
Fund balances - ending	\$ 1,732,781	\$ 3,431,043	\$ 8,292,299	\$ 4,861,256

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Federal Building Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
<i>Taxes:</i>				
Intergovernmental revenue	\$ 700,000	\$ 700,000	\$ 888,023	\$ 188,023
Investment income	5,180	5,180	6,974	1,794
Total revenues	705,180	705,180	894,997	189,817
EXPENDITURES				
<i>Current:</i>				
General government	1,463,687	1,759,816	1,585,324	(174,492)
Total expenditures	1,463,687	1,759,816	1,585,324	(174,492)
Revenues over (under) expenditures	(758,507)	(1,054,636)	(690,327)	364,309
OTHER FINANCING SOURCES (USES)				
Transfers in	-	450,000	-	(450,000)
Total other financing sources and (uses)	-	450,000	-	(450,000)
Net change in fund balances	(758,507)	(604,636)	(690,327)	(85,691)
Fund balances - beginning	758,507	604,636	600,263	(4,373)
Fund balances - ending	\$ -	\$ -	\$ (90,064)	\$ (90,064)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Olympic Whatcom Falls Park Addition Fund
For the Year Ended December 31, 2017

Page 4 of 10

	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
Investment income	\$ -	\$ -	\$ 1,711	\$ 1,711
Total revenues	-	-	1,711	1,711
EXPENDITURES				
Current:				
Cultural and recreation	1,052	1,052	530	(522)
Capital outlay	-	196,121	13,415	(182,706)
Total expenditures	1,052	197,173	13,945	(183,228)
Revenues over (under) expenditures	(1,052)	(197,173)	(12,234)	184,939
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(1,052)	(197,173)	(12,234)	184,939
Fund balances - beginning	242,248	242,455	240,810	(1,645)
Fund balances - ending	\$ 241,196	\$ 45,282	\$ 228,576	\$ 183,294

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
First 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
<i>Taxes:</i>				
Real estate excise	\$ 2,800,000	\$ 2,800,000	\$ 2,135,119	\$ (664,881)
Intergovernmental revenue	-	253,741	280,536	26,795
Investment income	83,452	83,452	42,676	(40,776)
Total revenues	2,883,452	3,137,193	2,458,331	(678,862)
EXPENDITURES				
<i>Current:</i>				
General government	25,180	25,180	12,805	(12,375)
Transportation	-	-	3,483	3,483
Cultural and recreation	281,000	367,552	85,583	(281,969)
Capital outlay	2,085,653	3,160,552	1,057,123	(2,103,429)
Total expenditures	2,391,833	3,553,284	1,158,994	(2,394,290)
Revenues over (under) expenditures	491,619	(416,091)	1,299,337	1,715,428
OTHER FINANCING SOURCES (USES)				
Transfers out	(250,000)	(250,000)	(250,000)	-
Total other financing sources and (uses)	(250,000)	(250,000)	(250,000)	-
Net change in fund balances	241,619	(666,091)	1,049,337	1,715,428
Fund balances - beginning	722,030	6,848,612	7,031,002	182,390
Fund balances - ending	\$ 963,649	\$ 6,182,521	\$ 8,080,339	\$ 1,897,818

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Second 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
<i>Taxes:</i>				
Real estate excise	\$ 2,800,000	\$ 2,800,000	\$ 2,135,119	\$ (664,881)
Intergovernmental revenue	285,000	285,000	23,852	(261,148)
Investment income	73,480	73,480	34,276	(39,204)
Total revenues	3,158,480	3,158,480	2,193,247	(965,233)
EXPENDITURES				
<i>Current:</i>				
General government	18,105	489,752	452,931	(36,821)
Cultural and recreation	50,000	74,004	10,194	(63,810)
Capital outlay	3,759,173	3,852,332	10,872	(3,841,460)
Total expenditures	3,827,278	4,416,088	473,997	(3,942,091)
Revenues over (under) expenditures	(668,798)	(1,257,608)	1,719,250	2,976,858
OTHER FINANCING SOURCES (USES)				
General long-term debt proceeds	2,500,000	2,500,000	-	(2,500,000)
Transfers out	(1,330,990)	(1,330,990)	(656,003)	674,987
Total other financing sources and (uses)	1,169,010	1,169,010	(656,003)	(1,825,013)
Net change in fund balances	500,212	(88,598)	1,063,247	1,151,845
Fund balances - beginning	2,018,077	4,777,809	4,750,099	(27,710)
Fund balances - ending	\$ 2,518,289	\$ 4,689,211	\$ 5,813,346	\$ 1,124,135

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Greenway III Levy Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			Legal Basis	Final Budget
REVENUES				
<i>Taxes:</i>				
Property	\$ -	\$ 9,868,874	\$ 4,923,203	\$ (4,945,671)
Intergovernmental revenue	800,000	800,000	441,587	(358,413)
Investment income	115,630	115,630	101,334	(14,296)
Miscellaneous revenues	-	-	23,308	23,308
Total revenues	915,630	10,784,504	5,489,432	(5,295,072)
EXPENDITURES				
<i>Current:</i>				
Cultural and recreation	788,042	1,330,588	563,590	(766,998)
<i>Debt service:</i>				
Principal	800,000	800,000	-	(800,000)
Interest and related charges	-	-	27,959	27,959
Capital outlay	4,620,253	13,915,223	664,590	(13,250,633)
Total expenditures	6,208,295	16,045,811	1,256,139	(14,789,672)
Revenues over (under) expenditures	(5,292,665)	(5,261,307)	4,233,293	9,494,600
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(428,400)	-	428,400
Total other financing sources and (uses)	-	(428,400)	-	428,400
Net change in fund balances	(5,292,665)	(5,689,707)	4,233,293	9,923,000
Fund balances - beginning	7,000,000	8,649,602	6,409,226	(2,240,376)
Fund balances - ending	\$ 1,707,335	\$ 2,959,895	\$ 10,642,519	\$ 7,682,624

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Park Impact Fees Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts Legal Basis	
REVENUES				
Charges for services	\$ 848,720	\$ 848,720	\$ 2,068,842	\$ 1,220,122
Investment income	66,234	66,234	56,315	(9,919)
Miscellaneous revenues	-	-	306	306
Total revenues	914,954	914,954	2,125,463	1,210,509
EXPENDITURES				
Current:				
Cultural and recreation	118,876	153,876	168,275	14,399
Capital outlay	2,569,754	4,385,965	1,442,525	(2,943,440)
Total expenditures	2,688,630	4,539,841	1,610,800	(2,929,041)
Revenues over (under) expenditures	(1,773,676)	(3,624,887)	514,663	4,139,550
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(1,773,676)	(3,624,887)	514,663	4,139,550
Fund balances - beginning	4,266,269	8,161,012	8,105,235	(55,777)
Fund balances - ending	\$ 2,492,593	\$ 4,536,125	\$ 8,619,898	\$ 4,083,773

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Sportsplex Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Legal Basis	
				Final Budget
REVENUES				
Investment income	\$ 3,210	\$ 3,210	\$ 2,077	\$ (1,133)
Total revenues	3,210	3,210	2,077	(1,133)
EXPENDITURES				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	3,210	3,210	2,077	(1,133)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	3,210	3,210	2,077	(1,133)
Fund balances - beginning	46,343	47,581	46,434	(1,147)
Fund balances - ending	\$ 49,553	\$ 50,791	\$ 48,511	\$ (2,280)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
General Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	Variance with Final Budget
	Budgeted Amounts		Actual	
	Original	Final	Amounts GAAP Basis	
REVENUES				
<i>Taxes:</i>				
Property	\$ 29,588,334	\$ 39,457,208	\$ 19,542,405	\$ (19,914,803)
Sales and use	46,589,000	46,589,000	24,767,025	(21,821,975)
Business	64,197,000	64,197,000	32,565,751	(31,631,249)
Real estate excise	5,600,000	5,600,000	4,270,238	(1,329,762)
Other	2,215,000	2,215,000	1,040,408	(1,174,592)
Licenses and permits	1,968,520	1,968,520	986,762	(981,758)
Intergovernmental revenue	22,854,916	24,889,566	9,857,220	(15,032,346)
Charges for services	19,488,370	19,266,284	6,642,568	(12,623,716)
Fines and penalties	2,021,238	2,021,238	755,587	(1,265,651)
Investment income	972,922	972,922	483,012	(489,910)
Miscellaneous revenues	1,202,190	1,209,690	1,308,527	98,837
Total revenues	196,697,490	208,386,428	102,219,503	(106,166,925)
EXPENDITURES				
<i>Current:</i>				
General government	31,739,416	32,839,571	10,629,413	(22,210,158)
Public safety	84,079,865	84,864,642	43,149,093	(41,715,549)
Transportation	20,019,742	20,528,257	9,577,376	(10,950,881)
Natural and economic environment	8,932,673	9,351,466	3,456,350	(5,895,116)
Social services	334,698	375,597	190,909	(184,688)
Cultural and recreation	30,330,511	31,415,948	14,586,457	(16,829,491)
<i>Debt service:</i>				
Principal	1,244,000	1,244,000	-	(1,244,000)
Interest and related charges	8,200	8,200	33,029	24,829
Capital outlay	26,727,833	42,748,314	8,604,109	(34,144,205)
Total expenditures	203,416,938	223,375,995	90,226,736	(133,149,259)
Revenues over (under) expenditures	(6,719,448)	(14,989,567)	11,992,767	26,982,334
OTHER FINANCING SOURCES (USES)				
General long-term debt proceeds	2,500,000	2,500,000	-	(2,500,000)
Sale of capital assets	-	-	765,000	765,000
Transfers in	1,290,000	1,740,000	640,000	(1,100,000)
Transfers out	(8,205,679)	(10,875,113)	(3,982,830)	6,892,283
Total other financing sources and (uses)	(4,415,679)	(6,635,113)	(2,577,830)	4,057,283
Net change in fund balances	(11,135,127)	(21,624,680)	9,414,937	31,039,617
Fund balances - beginning	35,873,474	60,854,679	59,101,769	(1,752,910)
Fund balances - ending	\$ 24,738,347	\$ 39,229,999	\$ 68,516,706	\$ 29,286,707



CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Project Fund	Permanent Funds	Nonmajor Governmental Fund Totals
ASSETS					
Cash and cash equivalents	\$ 3,407,335	\$ 2,947,029	\$ 934,169	\$ 1,231,823	\$ 8,520,356
Investments	15,538,788	467,536	4,353,932	5,741,226	26,101,482
Receivables, net	89,546	-	836	-	90,382
Due from other governments	795,809	-	-	-	795,809
Due from component units	-	15,402,781	-	1,366,187	16,768,968
Interfund loans receivable	-	-	-	2,214,393	2,214,393
Notes and contracts receivable	24,251,842	-	-	-	24,251,842
Total assets	44,083,320	18,817,346	5,288,937	10,553,629	78,743,232
LIABILITIES					
Accounts payable	1,105,350	-	61,293	-	1,166,643
Accrued wages and benefits	228,685	-	-	-	228,685
Due to other funds	323,691	-	-	-	323,691
Total liabilities	1,657,726	-	61,293	-	1,719,019
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	43,705	-	808	-	44,513
Total deferred inflows of resources	43,705	-	808	-	44,513
FUND BALANCES					
Nonspendable	23,873,294	14,750,731	-	9,888,814	48,512,839
Restricted	18,508,595	4,066,615	5,226,836	664,815	28,466,861
Total fund balances	42,381,889	18,817,346	5,226,836	10,553,629	76,979,700
Total liabilities, deferred inflow of resources and fund balances	\$44,083,320	\$18,817,346	\$ 5,288,937	\$10,553,629	\$ 78,743,232

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2017

	Special Revenue Funds	Debt Service Funds	Capital Project Fund	Permanent Funds	Nonmajor Governmental Fund Totals
REVENUES					
<i>Taxes:</i>					
Property	\$ 2,993,635	\$ -	\$ 58,261	\$ -	\$ 3,051,896
Sales and use	7,139,701	-	1,056,308	-	8,196,009
Licenses and permits	317,999	-	-	-	317,999
Intergovernmental revenue	4,016,434	-	-	-	4,016,434
Charges for services	3,709,089	376,101	-	-	4,085,190
Investment income	83,244	29,704	19,405	52,027	184,380
Miscellaneous revenues	785,519	857,232	-	-	1,642,751
Total revenues	19,045,621	1,263,037	1,133,974	52,027	21,494,659
EXPENDITURES					
<i>Current:</i>					
Public safety	5,805,260	-	-	-	5,805,260
Transportation	515,505	-	-	-	515,505
Natural and economic environment	3,910,675	-	-	506	3,911,181
Cultural and recreation	68,967	-	-	7,700	76,667
<i>Debt service:</i>					
Principal	-	1,786,400	-	-	1,786,400
Interest and related charges	-	835,129	-	-	835,129
Capital outlay	3,842,410	-	122,020	-	3,964,430
Total expenditures	14,142,817	2,621,529	122,020	8,206	16,894,572
Revenues over (under) expenditures	4,902,804	(1,358,492)	1,011,954	43,821	4,600,087
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	1,834,876	-	-	-	1,834,876
Transfers in	600,000	1,345,136	250,000	-	2,195,136
Transfers out	(640,000)	-	-	-	(640,000)
Total other financing sources and (uses)	1,794,876	1,345,136	250,000	-	3,390,012
Net change in fund balances	6,697,680	(13,356)	1,261,954	43,821	7,990,099
Fund balances - beginning	35,684,209	18,830,702	3,964,882	10,509,808	68,989,601
Fund balances - ending	\$ 42,381,889	\$ 18,817,346	\$ 5,226,836	\$ 10,553,629	\$ 76,979,700



SPECIAL REVENUE FUNDS**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.

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

Environmental incident settlement funds used 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

A voter approved 0.2% sales tax that began in April of 2011, and runs for ten years. Funds are used to 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

A tax that pays costs of promotion, acquisition, and operation of tourism-related activities and facilities. The source of revenue is a four percent special excise tax on transient lodging, pursuant to RCW 67.28.180 and Ordinances 8319 and 10915.

181 – Low Income Housing

A voter approved seven-year, \$21 million, property tax levy to provide housing assistance for homeless and low income citizens, beginning in 2013. Established by Ordinance 2012-06-033.

190 – HUD Grants

Federal grant revenue dedicated to upgrade neighborhoods, expand affordable housing choices, assist community social service agencies, address basic human needs and create employment opportunities for individuals with low and moderate incomes.

CITY OF BELLINGHAM
Combining Balance Sheet
Special Revenue Funds
December 31, 2017

	Paths and Trails Reserve	Library Gift	Olympic Pipeline Incident	Environmental Remediation	Police Special Purpose	Public Safety Dispatch	Transportation Benefit District	Public, Education & Govt TV	Tourism	Low Income Housing	HUD Grants	Special Revenue Fund Totals
ASSETS												
Cash and cash equivalents	\$ 21,176	\$ 73,372	\$ 82,558	\$ 122,313	\$ 91,822	\$ 422,295	\$ 1,570,218	\$ 161,252	\$ 187,482	\$ 674,847	\$ -	\$ 3,407,335
Investments	98,698	-	384,785	570,070	427,962	1,968,216	7,318,398	751,556	873,810	3,145,293	-	15,538,788
Receivables, net	-	-	-	44,443	-	-	-	-	-	45,103	-	89,546
Due from other governments	-	-	-	125,044	-	9,909	1,710	-	-	-	659,146	795,809
Notes and contracts receivable	-	-	-	-	-	-	-	-	-	8,526,091	15,725,751	24,251,842
Total assets	119,874	73,372	467,343	861,870	519,784	2,400,420	8,890,326	912,808	1,061,292	12,391,334	16,384,897	44,083,320
LIABILITIES												
Accounts payable	-	3,203	528	63,401	5,246	11,619	176,140	10,425	123,836	401,449	309,503	1,105,350
Accrued wages and benefits	-	-	453	-	-	216,727	-	10,792	713	-	-	228,685
Due to other funds	-	-	-	-	-	-	-	-	-	-	323,691	323,691
Total liabilities	-	3,203	981	63,401	5,246	228,346	176,140	21,217	124,549	401,449	633,194	1,657,726
DEFERRED INFLOWS OF RESOURCES												
Unavailable revenue - property taxes	-	-	-	-	-	-	-	-	-	43,705	-	43,705
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	43,705	-	43,705
FUND BALANCES												
Nonspendable	-	-	-	-	-	-	-	-	-	8,526,092	15,347,202	23,873,294
Restricted	119,874	70,169	466,362	798,469	514,538	2,172,074	8,714,186	891,591	936,743	3,420,088	404,501	18,508,595
Total fund balances	119,874	70,169	466,362	798,469	514,538	2,172,074	8,714,186	891,591	936,743	11,946,180	15,751,703	42,381,889
Total liabilities, deferred inflow of resources and fund balances	\$ 119,874	\$ 73,372	\$ 467,343	\$ 861,870	\$ 519,784	\$ 2,400,420	\$ 8,890,326	\$ 912,808	\$ 1,061,292	\$ 12,391,334	\$ 16,384,897	\$ 44,083,320

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended December 31, 2017

	Paths and Trails Reserve	Library Gift	Olympic Pipeline Incident	Environmental Remediation	Police Special Purpose	Public Safety Dispatch	Transportation Benefit District	Public, Education & Govt TV	Tourism	Low Income Housing	HUD Grants	Special Revenue Fund Totals
REVENUES												
<i>Taxes:</i>												
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,993,635	\$ -	\$ 2,993,635
Sales and use	-	-	-	-	-	-	5,473,547	-	1,666,154	-	-	7,139,701
Licenses and permits	-	-	-	-	-	-	-	317,999	-	-	-	317,999
Intergovernmental revenue	9,188	-	-	138,843	363,676	2,060,284	118,423	-	-	-	1,326,020	4,016,434
Charges for services	-	-	-	-	-	3,589,689	-	1,900	-	117,500	-	3,709,089
Investment income	717	-	3,403	2,057	2,437	17,342	33,659	10,919	4,531	7,710	469	83,244
Miscellaneous revenues	-	61,436	-	376,051	47,708	1,718	-	107,678	-	94,531	96,397	785,519
Total revenues	9,905	61,436	3,403	516,951	413,821	5,669,033	5,625,629	438,496	1,670,685	3,213,376	1,422,886	19,045,621
EXPENDITURES												
<i>Current:</i>												
Public safety	-	-	-	-	398,507	5,406,753	-	-	-	-	-	5,805,260
Transportation	502	-	-	-	-	-	515,003	-	-	-	-	515,505
Natural and economic environment	-	-	16,583	872,336	-	-	-	348,410	1,392,394	622,200	658,752	3,910,675
Cultural and recreation	-	68,967	-	-	-	-	-	-	-	-	-	68,967
Capital outlay	-	-	-	-	29,989	1,067,851	2,744,570	-	-	-	-	3,842,410
Total expenditures	502	68,967	16,583	872,336	428,496	6,474,604	3,259,573	348,410	1,392,394	622,200	658,752	14,142,817
Revenues over (under) expenditures	9,403	(7,531)	(13,180)	(355,385)	(14,675)	(805,571)	2,366,056	90,086	278,291	2,591,176	764,134	4,902,804
OTHER FINANCING SOURCES (USES)												
Sale of capital assets	-	-	-	-	-	-	-	-	-	1,834,876	-	1,834,876
Transfers in	-	-	-	600,000	-	-	-	-	-	-	-	600,000
Transfers out	-	-	-	-	-	-	-	(490,000)	(150,000)	-	-	(640,000)
Total other financing sources and (uses)	-	-	-	600,000	-	-	-	(490,000)	(150,000)	1,834,876	-	1,794,876
Net change in fund balances	9,403	(7,531)	(13,180)	244,615	(14,675)	(805,571)	2,366,056	(399,914)	128,291	4,426,052	764,134	6,697,680
Fund balances - beginning	110,471	77,700	479,542	553,854	529,213	2,977,645	6,348,130	1,291,505	808,452	7,520,128	14,987,569	35,684,209
Fund balances - ending	\$ 119,874	\$ 70,169	\$ 466,362	\$ 798,469	\$ 514,538	\$ 2,172,074	\$ 8,714,186	\$ 891,591	\$ 936,743	\$ 11,946,180	\$ 15,751,703	\$ 42,381,889

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Paths and Trails Reserve Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
				Final Budget
REVENUES				
Intergovernmental revenue	\$ 15,500	\$ 15,500	\$ 9,188	\$ 6,312
Investment income	528	528	717	(189)
Total revenues	16,028	16,028	9,905	6,123
EXPENDITURES				
Current:				
Transportation	1,003	1,003	502	501
Total expenditures	1,003	1,003	502	501
Revenues over (under) expenditures	15,025	15,025	9,403	5,622
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	15,025	15,025	9,403	5,622
Fund balances - beginning	82,232	111,225	110,471	754
Fund balances - ending	\$ 97,257	\$ 126,250	\$ 119,874	\$ 6,376

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Library Gift Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
Miscellaneous revenues	\$ 100,000	\$ 100,000	\$ 61,436	\$ (38,564)
Total revenues	100,000	100,000	61,436	(38,564)
EXPENDITURES				
Current:				
Cultural and recreation	100,305	103,663	68,967	(34,696)
Total expenditures	100,305	103,663	68,967	(34,696)
Revenues over (under) expenditures	(305)	(3,663)	(7,531)	(3,868)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(305)	(3,663)	(7,531)	(3,868)
Fund balances - beginning	5,000	77,700	77,700	-
Fund balances - ending	\$ 4,695	\$ 74,037	\$ 70,169	\$ (3,868)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Olympic Pipeline Incident Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
Investment income	\$ 10,944	\$ 10,944	\$ 3,403	\$ (7,541)
Total revenues	<u>10,944</u>	<u>10,944</u>	<u>3,403</u>	<u>(7,541)</u>
EXPENDITURES				
Current:				
Natural and economic environment	92,813	92,813	16,583	(76,230)
Total expenditures	<u>92,813</u>	<u>92,813</u>	<u>16,583</u>	<u>(76,230)</u>
Revenues over (under) expenditures	(81,869)	(81,869)	(13,180)	68,689
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(81,869)	(81,869)	(13,180)	68,689
Fund balances - beginning	482,225	482,840	479,542	(3,298)
Fund balances - ending	<u>\$ 400,356</u>	<u>\$ 400,971</u>	<u>\$ 466,362</u>	<u>\$ 65,391</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Environmental Remediation Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Intergovernmental revenue	\$ 2,416,815	\$ 2,696,678	\$ 138,843	\$ (2,557,835)
Investment income	11,968	11,968	2,057	(9,911)
Miscellaneous revenues	-	899,935	376,051	(523,884)
Total revenues	2,428,783	3,608,581	516,951	(3,091,630)
EXPENDITURES				
Current:				
Natural and economic environment	4,628,393	4,808,191	872,336	(3,935,855)
Total expenditures	4,628,393	4,808,191	872,336	(3,935,855)
Revenues over (under) expenditures	(2,199,610)	(1,199,610)	(355,385)	844,225
OTHER FINANCING SOURCES (USES)				
Transfers in	1,200,000	1,200,000	600,000	(600,000)
Total other financing sources and (uses)	1,200,000	1,200,000	600,000	(600,000)
Net change in fund balances	(999,610)	390	244,615	244,225
Fund balances - beginning	1,343,106	261,200	553,854	292,654
Fund balances - ending	\$ 343,496	\$ 261,590	\$ 798,469	\$ 536,879

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Police Special Purpose Funds
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Intergovernmental revenue	\$ 864,980	\$ 1,059,436	\$ 363,676	\$ (695,760)
Investment income	19,314	19,314	2,437	(16,877)
Miscellaneous revenues	50,000	50,000	47,708	(2,292)
Total revenues	934,294	1,128,750	413,821	(714,929)
EXPENDITURES				
Current:				
Public safety	902,023	902,023	398,507	(503,516)
Capital outlay	55,000	314,275	29,989	(284,286)
Total expenditures	957,023	1,216,298	428,496	(787,802)
Revenues over (under) expenditures	(22,729)	(87,548)	(14,675)	72,873
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(22,729)	(87,548)	(14,675)	72,873
Fund balances - beginning	352,891	517,454	529,213	11,759
Fund balances - ending	\$ 330,162	\$ 429,906	\$ 514,538	\$ 84,632

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Public Safety Dispatch Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Intergovernmental revenue	\$ 3,900,000	\$ 3,900,000	\$ 2,060,284	\$ (1,839,716)
Charges for services	7,559,261	7,832,919	3,589,689	(4,243,230)
Investment income	46,738	46,738	17,342	(29,396)
Miscellaneous revenues	-	-	1,718	1,718
Total revenues	11,505,999	11,779,657	5,669,033	(6,110,624)
EXPENDITURES				
Current:				
Public safety	10,835,117	11,726,008	5,406,753	(6,319,255)
Capital outlay	155,000	1,068,687	1,067,851	(836)
Total expenditures	10,990,117	12,794,695	6,474,604	(6,320,091)
Revenues over (under) expenditures	515,882	(1,015,038)	(805,571)	209,467
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	515,882	(1,015,038)	(805,571)	209,467
Fund balances - beginning	1,584,384	2,754,288	2,977,645	223,357
Fund balances - ending	\$ 2,100,266	\$ 1,739,250	\$ 2,172,074	\$ 432,824

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Transportation Benefit District Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
<i>Taxes:</i>				
Sales and use	\$ 9,457,600	\$ 9,457,600	\$ 5,473,547	\$ (3,984,053)
Intergovernmental revenue	-	-	118,423	118,423
Investment income	45,578	45,578	33,659	(11,919)
Total revenues	9,503,178	9,503,178	5,625,629	(3,877,549)
EXPENDITURES				
<i>Current:</i>				
Transportation	1,222,847	1,222,847	515,003	(707,844)
Capital outlay	10,100,000	11,435,927	2,744,570	(8,691,357)
Total expenditures	11,322,847	12,658,774	3,259,573	(9,399,201)
Revenues over (under) expenditures	(1,819,669)	(3,155,596)	2,366,056	5,521,652
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(1,819,669)	(3,155,596)	2,366,056	5,521,652
Fund balances - beginning	2,787,961	6,466,035	6,348,130	(117,905)
Fund balances - ending	\$ 968,292	\$ 3,310,439	\$ 8,714,186	\$ 5,403,747

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Public, Education & Govt TV Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Licenses and permits	\$ 626,000	\$ 626,000	\$ 317,999	\$ (308,001)
Charges for services	4,420	4,420	1,900	(2,520)
Investment income	9,120	9,120	10,919	1,799
Miscellaneous revenues	220,000	220,000	107,678	(112,322)
Total revenues	859,540	859,540	438,496	(421,044)
EXPENDITURES				
Current:				
Natural and economic environment	687,450	687,450	348,410	(339,040)
Capital outlay	295,000	312,000	-	(312,000)
Total expenditures	982,450	999,450	348,410	(651,040)
Revenues over (under) expenditures	(122,910)	(139,910)	90,086	229,996
OTHER FINANCING SOURCES (USES)				
Transfers out	(490,000)	(490,000)	(490,000)	-
Total other financing sources and (uses)	(490,000)	(490,000)	(490,000)	-
Net change in fund balances	(612,910)	(629,910)	(399,914)	229,996
Fund balances - beginning	1,048,000	1,300,508	1,291,505	(9,003)
Fund balances - ending	\$ 435,090	\$ 670,598	\$ 891,591	\$ 220,993

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Tourism Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
				Final Budget
REVENUES				
<i>Taxes:</i>				
Sales and use	\$ 3,077,075	\$ 3,229,075	\$ 1,666,154	\$ (1,562,921)
Investment income	8,334	8,334	4,531	(3,803)
Total revenues	<u>3,085,409</u>	<u>3,237,409</u>	<u>1,670,685</u>	<u>(1,566,724)</u>
EXPENDITURES				
<i>Current:</i>				
Natural and economic environment	3,089,575	3,251,575	1,392,394	(1,859,181)
Total expenditures	<u>3,089,575</u>	<u>3,251,575</u>	<u>1,392,394</u>	<u>(1,859,181)</u>
Revenues over (under) expenditures	(4,166)	(14,166)	278,291	292,457
OTHER FINANCING SOURCES (USES)				
Transfers out	(300,000)	(300,000)	(150,000)	150,000
Total other financing sources and (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(150,000)</u>	<u>150,000</u>
Net change in fund balances	(304,166)	(314,166)	128,291	442,457
Fund balances - beginning	500,000	814,742	808,452	(6,290)
Fund balances - ending	<u>\$ 195,834</u>	<u>\$ 500,576</u>	<u>\$ 936,743</u>	<u>\$ 436,167</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Low Income Housing Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
<i>Taxes:</i>				
Property	\$ 6,000,000	\$ 6,000,000	\$ 2,993,635	\$ (3,006,365)
Charges for services	-	-	117,500	117,500
Investment income	27,545	27,546	7,710	(19,836)
Miscellaneous revenues	-	-	94,531	94,531
Total revenues	6,027,545	6,027,546	3,213,376	(2,814,170)
EXPENDITURES				
<i>Current:</i>				
Natural and economic environment	8,527,545	8,356,545	622,200	(7,734,345)
Total expenditures	8,527,545	8,356,545	622,200	(7,734,345)
Revenues over (under) expenditures	(2,500,000)	(2,328,999)	2,591,176	4,920,175
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,834,876	1,834,876
Total other financing sources and (uses)	-	-	1,834,876	1,834,876
Net change in fund balances	(2,500,000)	(2,328,999)	4,426,052	6,755,051
Fund balances - beginning	2,500,000	2,236,974	7,520,128	5,283,154
Fund balances - ending	\$ -	\$ (92,025)	\$ 11,946,180	\$ 12,038,205

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
HUD Grants Funds
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Intergovernmental revenue	\$ 5,623,935	\$ 5,623,935	\$ 1,326,020	\$ (4,297,915)
Charges for services	529,254	529,254	-	(529,254)
Investment income	546	546	469	(77)
Miscellaneous revenues	140,602	140,602	96,397	(44,205)
Total revenues	6,294,337	6,294,337	1,422,886	(4,871,451)
EXPENDITURES				
Current:				
Natural and economic environment	6,294,337	6,294,337	658,752	(5,635,585)
Total expenditures	6,294,337	6,294,337	658,752	(5,635,585)
Revenues over (under) expenditures	-	-	764,134	764,134
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	-	-	764,134	764,134
Fund balances - beginning	-	-	14,987,569	14,987,569
Fund balances - ending	\$ -	\$ -	\$ 15,751,703	\$ 15,751,703

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Total Special Revenue Funds
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
<i>Taxes:</i>				
Property	\$ 6,000,000	\$ 6,000,000	\$ 2,993,635	\$ (3,006,365)
Sales and use	12,534,675	12,686,675	7,139,701	(5,546,974)
Licenses and permits	626,000	626,000	317,999	(308,001)
Intergovernmental revenue	12,821,230	13,295,549	4,016,434	(9,279,115)
Charges for services	8,092,935	8,366,593	3,709,089	(4,657,504)
Investment income	180,615	180,616	83,244	(97,372)
Miscellaneous revenues	510,602	1,410,537	785,519	(625,018)
Total revenues	40,766,057	42,565,970	19,045,621	(23,520,349)
EXPENDITURES				
<i>Current:</i>				
Public safety	11,737,140	12,628,031	5,805,260	(6,822,771)
Transportation	1,223,850	1,223,850	515,505	(708,345)
Natural and economic environment	23,320,113	23,490,911	3,910,675	(19,580,236)
Cultural and recreation	100,305	103,663	68,967	(34,696)
Capital outlay	10,605,000	13,130,889	3,842,410	(9,288,479)
Total expenditures	46,986,408	50,577,344	14,142,817	(36,434,527)
Revenues over (under) expenditures	(6,220,351)	(8,011,374)	4,902,804	12,914,178
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,834,876	1,834,876
Transfers in	1,200,000	1,200,000	600,000	(600,000)
Transfers out	(790,000)	(790,000)	(640,000)	150,000
Total other financing sources and (uses)	410,000	410,000	1,794,876	1,384,876
Net change in fund balances	(5,810,351)	(7,601,374)	6,697,680	14,299,054
Fund balances - beginning	10,685,799	15,022,966	35,684,209	20,661,243
Fund balances - ending	\$ 4,875,448	\$ 7,421,592	\$ 42,381,889	\$ 34,960,297



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. This bond was refunded by the 2012 refunding bond.

225 – 2004 PFD/Civic Field LTGO Bond**126 – Library Gift**

\$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. This bond was refunded by the 2012 refunding bond.

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.

227 - 2016 PFD Refunding Bond

Refunding of \$9,640,000 bonds originally issued in 2007 to finance the cost of development of the Art and Children's Museum and restoration of the Mt. Baker Theatre. Established by Ordinance 2016-03-009.

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
Debt Service Funds
December 31, 2017

	2004 Sportsplex LTGO Bond	2004 PFD/Civic Field LTGO Bond	2011 QEC Bond	2016 PFD Refunding Bond	Drake Note	Governmental Debt Service	LID Guaranty	Debt Service Fund Totals
ASSETS								
Cash and cash equivalents	\$ 24,173	\$ -	\$ 2,822,542	\$ -	\$ -	\$ -	\$ 100,314	\$ 2,947,029
Investments	-	-	-	-	-	-	467,536	467,536
Due from component units	-	5,912,781	-	9,490,000	-	-	-	15,402,781
Total assets	24,173	5,912,781	2,822,542	9,490,000	-	-	567,850	18,817,346
LIABILITIES								
Total liabilities	-	-	-	-	-	-	-	-
FUND BALANCES								
Nonspendable	-	5,455,731	-	9,295,000	-	-	-	14,750,731
Restricted	24,173	457,050	2,822,542	195,000	-	-	567,850	4,066,615
Total fund balances	24,173	5,912,781	2,822,542	9,490,000	-	-	567,850	18,817,346
Total liabilities, deferred inflows of resources and fund balances	\$ 24,173	\$ 5,912,781	\$ 2,822,542	\$ 9,490,000	\$ -	\$ -	\$ 567,850	\$ 18,817,346

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds
For the Year Ended December 31, 2017

	2004 Sportsplex LTGO Bond	2004 PFD/Civic Field LTGO Bond	2011 QEC Bond	2016 PFD Refunding Bond	Drake Note	Governmental Debt Service	LID Guaranty	Debt Service Fund Totals
REVENUES								
Charges for services	\$ -	\$ -	\$ 375,501	\$ 600	\$ -	\$ -	\$ -	\$ 376,101
Investment income	283	-	25,546	-	-	-	3,875	29,704
Miscellaneous revenues	264,707	280,487	-	312,038	-	-	-	857,232
Total revenues	264,990	280,487	401,047	312,638	-	-	3,875	1,263,037
EXPENDITURES								
Debt service:								
Principal	175,000	1,100,000	-	-	12,204	499,196	-	1,786,400
Interest and related charges	89,707	255,051	-	312,638	5,759	171,974	-	835,129
Total expenditures	264,707	1,355,051	-	312,638	17,963	671,170	-	2,621,529
Revenues over (under) expenditures	283	(1,074,564)	401,047	-	(17,963)	(671,170)	3,875	(1,358,492)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	656,003	-	-	17,963	671,170	-	1,345,136
Total other financing sources and (uses)	-	656,003	-	-	17,963	671,170	-	1,345,136
Net change in fund balances	283	(418,561)	401,047	-	-	-	3,875	(13,356)
Fund balances - beginning	23,890	6,331,342	2,421,495	9,490,000	-	-	563,975	18,830,702
Fund balances - ending	\$ 24,173	\$ 5,912,781	\$ 2,822,542	\$ 9,490,000	\$ -	\$ -	\$ 567,850	\$ 18,817,346

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
2004 Sportsplex LTGO Bond Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
				Final Budget
REVENUES				
Investment income	\$ 1,074	\$ 1,074	\$ 283	\$ (791)
Miscellaneous revenues	577,000	577,000	264,707	(312,293)
Total revenues	578,074	578,074	264,990	(313,084)
EXPENDITURES				
Debt service:				
Principal	360,000	360,000	175,000	(185,000)
Interest and related charges	173,126	173,126	89,707	(83,419)
Total expenditures	533,126	533,126	264,707	(268,419)
Revenues over (under) expenditures	44,948	44,948	283	(44,665)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	44,948	44,948	283	(44,665)
Fund balances - beginning	24,500	23,890	23,890	-
Fund balances - ending	\$ 69,448	\$ 68,838	\$ 24,173	\$ (44,665)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
2004 PFD/Civic Field LTGO Bond
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Miscellaneous revenues	\$ 1,420,816	\$ 1,420,816	\$ 280,487	\$ (1,140,329)
Total revenues	<u>1,420,816</u>	<u>1,420,816</u>	<u>280,487</u>	<u>(1,140,329)</u>
EXPENDITURES				
Principal	2,285,000	2,285,000	1,100,000	(1,185,000)
Interest and related charges	466,826	466,826	255,051	(211,775)
Total expenditures	<u>2,751,826</u>	<u>2,751,826</u>	<u>1,355,051</u>	<u>(1,396,775)</u>
Revenues over (under) expenditures	(1,331,010)	(1,331,010)	(1,074,564)	256,446
OTHER FINANCING SOURCES (USES)				
Transfers in	1,330,990	1,330,990	656,003	(674,987)
Total other financing sources and (uses)	<u>1,330,990</u>	<u>1,330,990</u>	<u>656,003</u>	<u>(674,987)</u>
Net change in fund balances	(20)	(20)	(418,561)	(418,541)
Fund balances - beginning	-	-	6,331,342	6,331,342
Fund balances - ending	<u>\$ (20)</u>	<u>\$ (20)</u>	<u>\$ 5,912,781</u>	<u>\$ 5,912,801</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
2011 QEC Bond Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
Charges for services	\$ 746,536	\$ 746,536	\$ 375,501	\$ (371,035)
Investment income	10,798	10,798	25,546	14,748
Total revenues	<u>757,334</u>	<u>757,334</u>	<u>401,047</u>	<u>(356,287)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	757,334	757,334	401,047	(356,287)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	757,334	757,334	401,047	(356,287)
Fund balances - beginning	2,425,000	2,421,495	2,421,495	-
Fund balances - ending	<u>\$ 3,182,334</u>	<u>\$ 3,178,829</u>	<u>\$ 2,822,542</u>	<u>\$ (356,287)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
2016 PFD Refunding Bond Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
Charges for services	\$ -	\$ -	\$ 600	\$ 600
Miscellaneous revenues	624,076	624,076	312,038	(312,038)
Total revenues	624,076	624,076	312,638	(311,438)
EXPENDITURES				
Debt service:				
Principal	195,000	195,000	-	(195,000)
Interest and related charges	624,076	624,076	312,638	(311,438)
Total expenditures	819,076	819,076	312,638	(506,438)
Revenues over (under) expenditures	(195,000)	(195,000)	-	195,000
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(195,000)	(195,000)	-	195,000
Fund balances - beginning	-	-	9,490,000	9,490,000
Fund balances - ending	\$ (195,000)	\$ (195,000)	\$ 9,490,000	\$ 9,685,000

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Drake Note Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Principal	22,764	22,764	12,204	(10,560)
Interest and related charges	13,164	13,164	5,759	(7,405)
Total expenditures	35,928	35,928	17,963	(17,965)
Revenues over (under) expenditures	(35,928)	(35,928)	(17,963)	17,965
OTHER FINANCING SOURCES (USES)				
Transfers in	35,928	35,928	17,963	(17,965)
Total other financing sources and (uses)	35,928	35,928	17,963	(17,965)
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Governmental Debt Service Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Principal	\$ 1,017,780	\$ 1,017,780	\$ 499,196	\$ (518,584)
Interest and related charges	328,020	328,020	171,974	(156,046)
Total expenditures	1,345,800	1,345,800	671,170	(674,630)
Revenues over (under) expenditures	(1,345,800)	(1,345,800)	(671,170)	674,630
OTHER FINANCING SOURCES (USES)				
Transfers in	1,345,800	1,345,800	671,170	(674,630)
Total other financing sources and (uses)	1,345,800	1,345,800	671,170	(674,630)
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
LID Guaranty Fund
For the Year Ended December 31, 2017

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	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts GAAP Basis	
				Final Budget
REVENUES				
Investment income	\$ 5,682	\$ 5,682	\$ 3,875	\$ (1,807)
Total revenues	5,682	5,682	3,875	(1,807)
EXPENDITURES				
Total expenditures	-	-	-	-
Revenues over (under) expenditures	5,682	5,682	3,875	(1,807)
OTHER FINANCING SOURCES (USES)				
Transfers out	(500,000)	(500,000)	-	500,000
Total other financing sources and (uses)	(500,000)	(500,000)	-	500,000
Net change in fund balances	(494,318)	(494,318)	3,875	498,193
Fund balances - beginning	506,000	567,141	563,975	(3,166)
Fund balances - ending	\$ 11,682	\$ 72,823	\$ 567,850	\$ 495,027

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Total Debt Service Funds
For the Year Ended December 31, 2017

Page 8 of 8

	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	
			GAAP Basis	Final Budget
REVENUES				
Charges for services	\$ 746,536	\$ 746,536	\$ 376,101	\$ (370,435)
Investment income	17,554	17,554	29,704	12,150
Miscellaneous revenues	2,621,892	2,621,892	857,232	(1,764,660)
Total revenues	3,385,982	3,385,982	1,263,037	(2,122,945)
EXPENDITURES				
Debt service:				
Principal	3,880,544	3,880,544	1,786,400	(2,094,144)
Interest and related charges	1,605,212	1,605,212	835,129	(770,083)
Total expenditures	5,485,756	5,485,756	2,621,529	(2,864,227)
Revenues over (under) expenditures	(2,099,774)	(2,099,774)	(1,358,492)	741,282
OTHER FINANCING SOURCES (USES)				
Transfers in	2,712,718	2,712,718	1,345,136	(1,367,582)
Transfers out	(500,000)	(500,000)	-	500,000
Total other financing sources and (uses)	2,212,718	2,212,718	1,345,136	(867,582)
Net change in fund balances	112,944	112,944	(13,356)	(126,300)
Fund balances - beginning	2,955,500	3,012,526	18,830,702	15,818,176
Fund balances - ending	\$ 3,068,444	\$ 3,125,470	\$ 18,817,346	\$ 15,691,876



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 Project Fund
December 31, 2017

	Waterfront Construction
ASSETS	
Cash and cash equivalents	\$ 934,169
Investments	4,353,932
Receivables, net	836
Total assets	5,288,937
LIABILITIES	
Accounts payable	61,293
Total liabilities	61,293
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	808
Total deferred inflows of resources	808
FUND BALANCES	
Restricted	5,226,836
Total fund balances	5,226,836
Total liabilities, deferred inflow of resources and fund balances	\$ 5,288,937

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Fund
For the Year Ended December 31, 2017

	Waterfront Construction
REVENUES	
<i>Taxes:</i>	
Property	\$ 58,261
Sales and use	1,056,308
Investment income	19,405
Total revenues	1,133,974
EXPENDITURES	
<i>Current:</i>	
Capital outlay	122,020
Total expenditures	122,020
Revenues over (under) expenditures	1,011,954
OTHER FINANCING SOURCES (USES)	
Transfers in	250,000
Total other financing sources and (uses)	250,000
Net change in fund balances	1,261,954
Fund balances - beginning	3,964,882
Fund balances - ending	\$ 5,226,836

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Waterfront Construction
From Inception and For the Year Ended December 31, 2017

	Budgeted Amounts Through 2017	Prior Years' Actuals	Current Year Actuals	Actual Amounts Through 2017
REVENUES				
<i>Taxes:</i>				
Property	\$ 106,607	\$ 122,863	\$ 58,261	\$ 181,124
Sales and use	4,055,300	3,824,433	1,056,308	4,880,741
Investment income	47,504	17,586	19,405	36,991
Total revenues	4,209,411	3,964,882	1,133,974	5,098,856
EXPENDITURES				
Capital outlay	250,000	-	122,020	122,020
Total expenditures	250,000	-	122,020	122,020
Revenues over (under) expenditures	3,959,411	3,964,882	1,011,954	4,976,836
OTHER FINANCING SOURCES (USES)				
Transfers in	125,000	-	250,000	250,000
Total other financing sources and (uses)	125,000	-	250,000	250,000
Net change in fund balances	4,084,411	3,964,882	1,261,954	5,226,836
Fund balances - beginning	-	-	3,964,882	-
Fund balances - ending	\$ 4,084,411	\$ 3,964,882	\$ 5,226,836	\$ 5,226,836



PERMANENT FUNDS**701 – Greenways Maintenance Endowment**

Revenue is derived from property tax levies, donations, and interest earnings 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
Permanent Funds
December 31, 2017

	Greenways Maintenance Endowment	Natural Resources Protection & Restoration	Permanent Fund Totals
ASSETS			
Cash and cash equivalents	\$ 652,690	\$ 579,133	\$ 1,231,823
Investments	3,042,030	2,699,196	5,741,226
Due from component units	-	1,366,187	1,366,187
Interfund loans receivable	2,214,393	-	2,214,393
Total assets	5,909,113	4,644,516	10,553,629
LIABILITIES			
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable	5,888,814	4,000,000	9,888,814
Restricted	20,299	644,516	664,815
Total fund balances	5,909,113	4,644,516	10,553,629
Total liabilities, deferred inflow of resources and fund balances	\$ 5,909,113	\$ 4,644,516	\$ 10,553,629

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Permanent Funds
For the Year Ended December 31, 2017

	Greenways Maintenance Endowment	Natural Resources Protection & Restoration	Permanent Fund Totals
REVENUES			
Investment income	\$ (14,956)	\$ 66,983	\$ 52,027
Total revenues	(14,956)	66,983	52,027
EXPENDITURES			
Current:			
Natural and economic environment	-	506	506
Cultural and recreation	7,700	-	7,700
Total expenditures	7,700	506	8,206
Revenues over (under) expenditures	(22,656)	66,477	43,821
OTHER FINANCING SOURCES (USES)			
Total other financing sources and (uses)	-	-	-
Net change in fund balances	(22,656)	66,477	43,821
Fund balances - beginning	5,931,769	4,578,039	10,509,808
Fund balances - ending	\$ 5,909,113	\$ 4,644,516	\$ 10,553,629

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Greenways Maintenance Endowment
For the Year Ended December 31, 2017

Page 1 of 3

	2017-2018 Biennial Budgeted Amounts		2017	
			Actual Amounts	Variance with Final Budget
	Original	Final	GAAP Basis	Final Budget
REVENUES				
Investment income	\$ 24,614	\$ 24,614	\$ (14,956)	\$ (39,570)
Total revenues	<u>24,614</u>	<u>24,614</u>	<u>(14,956)</u>	<u>(39,570)</u>
EXPENDITURES				
Current:				
Cultural and recreation	15,175	15,175	7,700	(7,475)
Total expenditures	<u>15,175</u>	<u>15,175</u>	<u>7,700</u>	<u>(7,475)</u>
Revenues over (under) expenditures	9,439	9,439	(22,656)	(32,095)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	9,439	9,439	(22,656)	(32,095)
Fund balances - beginning	2,648,341	3,331,134	5,931,769	2,600,635
Fund balances - ending	<u>\$ 2,657,780</u>	<u>\$ 3,340,573</u>	<u>\$ 5,909,113</u>	<u>\$ 2,568,540</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Natural Resources Protection & Restoration
For the Year Ended December 31, 2017

Page 2 of 3

	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Original	Amounts GAAP Basis	
REVENUES				
Investment income	\$ 139,721	\$ 139,721	\$ 66,983	\$ (72,738)
Total revenues	<u>139,721</u>	<u>139,721</u>	<u>66,983</u>	<u>(72,738)</u>
EXPENDITURES				
Current:				
Natural and economic environment	513,011	728,136	506	(727,630)
Total expenditures	<u>513,011</u>	<u>728,136</u>	<u>506</u>	<u>(727,630)</u>
Revenues over (under) expenditures	(373,290)	(588,415)	66,477	654,892
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(373,290)	(588,415)	66,477	654,892
Fund balances - beginning	3,000,000	3,119,204	4,578,039	1,458,835
Fund balances - ending	<u>\$ 2,626,710</u>	<u>\$ 2,530,789</u>	<u>\$ 4,644,516</u>	<u>\$ 2,113,727</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Permanent Funds
For the Year Ended December 31, 2017

Page 3 of 3

	2017-2018 Biennial		2017	
	Budgeted Amounts		Actual	Variance with
	Original	Original	Amounts GAAP Basis	
REVENUES				
Investment income	\$ 164,335	\$ 164,335	\$ 52,027	\$ (112,308)
Total revenues	<u>164,335</u>	<u>164,335</u>	<u>52,027</u>	<u>(112,308)</u>
EXPENDITURES				
Current:				
Natural and economic environment	513,011	728,136	506	(727,630)
Cultural and recreation	15,175	15,175	7,700	(7,475)
Total expenditures	<u>528,186</u>	<u>743,311</u>	<u>8,206</u>	<u>(735,105)</u>
Revenues over (under) expenditures	(363,851)	(578,976)	43,821	622,797
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(363,851)	(578,976)	43,821	622,797
Fund balances - beginning	5,648,341	6,450,338	10,509,808	4,059,470
Fund balances - ending	<u>\$ 5,284,490</u>	<u>\$ 5,871,362</u>	<u>\$ 10,553,629</u>	<u>\$ 4,682,267</u>



ENTERPRISE FUNDS**456 – Cemetery**

Operates and maintains Bayview Cemetery. Revenue is derived from the sale of lots, interment charges and sale of grave liners and memorials. 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. 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.

CITY OF BELLINGHAM
Combining Statement of Net Position
Nonmajor Enterprise Funds
December 31, 2017

	Cemetery	Golf Course	Parking	Medic One	Development Services	Nonmajor Enterprise Fund Totals
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 13,509	\$ 61,929	\$ 549,588	\$ 201	\$ 1,045,155	\$ 1,670,382
Investments	62,963	288,639	2,561,493	937	4,871,208	7,785,240
Receivables, net	2,318	4,616	511,724	3	16,237	534,898
Due from other governments	-	-	-	1,485,016	-	1,485,016
Total current assets	78,790	355,184	3,622,805	1,486,157	5,932,600	11,475,536
Noncurrent assets:						
Restricted cash and cash equivalents	66,320	-	-	-	-	66,320
Restricted investments	309,102	-	-	-	-	309,102
Capital assets, nondepreciable:						
Land	359,274	-	1,109,904	52,457	-	1,521,635
Capital assets, net of depreciation:						
Buildings	29,396	313,055	2,287,338	190,355	-	2,820,144
Improvements	-	191,397	369,869	-	-	561,266
Machinery and equipment	-	83,446	-	646,376	-	729,822
Net pension asset	-	-	-	476,504	110,399	586,903
Total noncurrent assets	764,092	587,898	3,767,111	1,365,692	110,399	6,595,192
Total assets	842,882	943,082	7,389,916	2,851,849	6,042,999	18,070,728
DEFERRED OUTFLOWS OF RESOURCES						
Related to pensions	12,163	1,777	12,097	83,559	100,197	209,793
Total deferred outflows of resources	12,163	1,777	12,097	83,559	100,197	209,793
LIABILITIES						
Current liabilities:						
Accounts payable	6,430	178,548	33,215	218,846	2,253	439,292
Accrued wages and benefits	11,690	263	14,856	47,529	105,287	179,625
Due to other governments	608	467	12,531	-	-	13,606
Other current liabilities	87,580	15,248	19,104	-	-	121,932
Current portion of noncurrent liabilities:						
Compensated absences	22,349	163	15,061	90,921	145,066	273,560
Total current liabilities	128,657	194,689	94,767	357,296	252,606	1,028,015
Noncurrent liabilities:						
Compensated absences	2,464	-	3,213	71,913	25,140	102,730
Net pension liability	85,583	12,500	85,118	297,162	637,626	1,117,989
Total noncurrent liabilities	88,047	12,500	88,331	369,075	662,766	1,220,719
Total liabilities	216,704	207,189	183,098	726,371	915,372	2,248,734
DEFERRED INFLOWS OF RESOURCES						
Related to pensions	14,686	2,145	14,606	178,792	139,025	349,254
Total deferred inflows of resources	14,686	2,145	14,606	178,792	139,025	349,254
NET POSITION						
Net investment in capital assets	388,670	587,898	3,767,111	889,188	-	5,632,867
Restricted:						
Cemetery endowment / preneed	287,842	-	-	-	-	287,842
Pension asset	-	-	-	476,504	110,399	586,903
Rental property inspections	-	-	-	-	157,751	157,751
Unrestricted	(52,857)	147,627	3,437,198	664,553	4,820,649	9,017,170
Total net position	\$ 623,655	\$ 735,525	\$ 7,204,309	\$ 2,030,245	\$ 5,088,799	\$ 15,682,533

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	Cemetery	Golf Course	Parking	Medic One	Development Services	Nonmajor Enterprise Fund Totals
Operating revenues:						
Sales of merchandise	\$ 36,386	\$ -	\$ -	\$ -	\$ -	\$ 36,386
Less: Cost of goods sold	(34,440)	-	-	-	-	(34,440)
Charges for services	335,528	142,698	2,233,043	6,170,702	3,644,024	12,525,995
Total operating revenues	337,474	142,698	2,233,043	6,170,702	3,644,024	12,527,941
Operating expenses:						
Labor	287,361	27,815	315,097	4,692,231	2,287,520	7,610,024
Supplies	21,978	93,932	249,425	337,349	101,369	804,053
Services	151,650	83,496	1,821,919	995,589	437,581	3,490,235
Depreciation	2,940	33,101	123,738	123,438	-	283,217
Taxes	4,384	-	2,787	19	-	7,190
Insurance	7,393	2,557	10,780	10,060	14,324	45,114
Total operating expenses	475,706	240,901	2,523,746	6,158,686	2,840,794	12,239,833
Operating income (loss)	(138,232)	(98,203)	(290,703)	12,016	803,230	288,108
Nonoperating revenues (expenses):						
External operating grants and subsidies	-	-	-	26,759	11,650	38,409
Operating assessments and tax levies	-	-	-	745,263	-	745,263
Investment interest	4,966	3,980	35,975	13,335	62,788	121,044
Net incr (decr) in fair value of investments	(1,842)	(1,455)	(6,912)	8,897	(24,537)	(25,849)
Gain (loss) on sale of capital assets	-	-	-	10,000	-	10,000
Other nonoperating revenues	96	664	1,252	550	8,666	11,228
Other nonoperating expenses	-	-	-	(745,263)	-	(745,263)
Total nonoperating revenues (expenses)	3,220	3,189	30,315	59,541	58,567	154,832
Income (loss) before contributions and transfers	(135,012)	(95,014)	(260,388)	71,557	861,797	442,940
Transfers in	221,480	-	-	-	-	221,480
Transfers out	-	-	(15,000)	-	(87,656)	(102,656)
Change in net position	86,468	(95,014)	(275,388)	71,557	774,141	561,764
Total net position - beginning	537,187	830,539	7,479,697	1,958,688	4,314,658	15,120,769
Total net position - ending	\$ 623,655	\$ 735,525	\$ 7,204,309	\$ 2,030,245	\$ 5,088,799	\$ 15,682,533

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2017

	Cemetery	Golf Course	Parking	Medic One	Development Services	Nonmajor Enterprise Fund Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 360,569	\$ 153,786	\$ 2,262,098	\$ 5,112,635	\$ 3,641,909	\$ 11,530,997
Payments for merchandise	(34,440)	-	-	-	-	(34,440)
Payments for wages and benefits	(315,485)	(47,544)	(311,154)	(4,753,921)	(2,332,690)	(7,760,794)
Payments for other operating expenses	(185,092)	(2,489)	(2,459,370)	(1,383,581)	(555,183)	(4,585,715)
Other receipts	96	664	1,252	550	8,666	11,228
Net cash from operating activities	(174,352)	104,417	(507,174)	(1,024,317)	762,702	(838,724)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	221,480	-	-	-	-	221,480
Transfers out to other funds	-	-	(15,000)	-	-	(15,000)
Operating grants and loans	-	-	-	-	5,450	5,450
Excise tax receipts	-	-	-	745,263	-	745,263
Taxes passed to other governments	-	-	-	(745,263)	-	(745,263)
Net cash from noncapital financing activities	221,480	-	(15,000)	-	5,450	211,930
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Purchases of capital assets	-	(64,133)	(8,320)	(314,695)	(87,656)	(474,804)
Sale of capital assets	-	-	-	10,000	-	10,000
Net cash from capital financing activities	-	(64,133)	(8,320)	(304,695)	(87,656)	(464,804)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturity of investments	92,840	53,505	402,422	1,082,224	898,493	2,529,484
Purchase of investments	(136,210)	(90,315)	-	(1,204)	(1,516,628)	(1,744,357)
Interest and dividends received	4,488	3,602	34,289	15,807	56,416	114,602
Net cash from investment activities	(38,882)	(33,208)	436,711	1,096,827	(561,719)	899,729
Net increase (decrease) in cash and equivalents	8,246	7,076	(93,783)	(232,185)	118,777	(191,869)
Cash and cash equivalents - beginning of year	71,583	54,853	643,371	232,386	926,378	1,928,571
Cash and cash equivalents - end of year	\$ 79,829	\$ 61,929	\$ 549,588	\$ 201	\$ 1,045,155	\$ 1,736,702
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ (138,232)	\$ (98,203)	\$ (290,703)	\$ 12,016	\$ 803,230	\$ 288,108
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities:</i>						
Depreciation	2,940	33,101	123,738	123,438	-	283,217
Pension expense	(24,813)	(12,536)	(748)	(100,655)	(66,769)	(205,521)
Miscellaneous income	96	664	1,252	550	8,666	11,228
(Increase) decrease in accounts receivable	(476)	10,724	32,163	250	(2,115)	40,546
(Increase) decrease in due from other funds	-	-	-	10,000	-	10,000
(Increase) decrease in due from other governments	-	-	-	(1,068,317)	-	(1,068,317)
Increase (decrease) in accounts payable	712	177,028	(376,679)	(40,565)	925	(238,579)
Increase (decrease) in wages and benefits payable	(3,735)	(7,193)	4,388	(26,397)	1,106	(31,831)
Increase (decrease) in revenues collected in advance	(10,867)	365	(3,107)	-	-	(13,609)
Increase (decrease) in other current liabilities	-	-	560	-	-	560
Increase (decrease) in other fees and taxes	(401)	467	1,659	-	(2,835)	(1,110)
Increase (decrease) in other long-term liabilities	424	-	303	65,363	20,494	86,584
Total Adjustments	(36,120)	202,620	(216,471)	(1,036,333)	(40,528)	(1,126,832)
Net cash from operating activities	\$ (174,352)	\$ 104,417	\$ (507,174)	\$ (1,024,317)	\$ 762,702	\$ (838,724)
Schedule of noncash activities:						
Net change in fair value of investments	(1,842)	(1,455)	(6,912)	8,897	(24,537)	(25,849)
Fleet donations	-	-	-	-	(87,656)	(87,656)



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.

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.

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.

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.

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.

570 – Public Works Administration and Engineering

Established to track and distribute the costs of management and engineering services shared within the public works department and other City funds that contract for their services. Established by ordinance 2014-12-071.

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2017

	Fleet Administration	Purchasing Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,403,202	\$ 188,033	\$ 107,114	\$ 530,815	\$ 961,986
Investments	6,539,981	876,373	499,229	2,474,001	4,483,580
Receivables, net	28,077	2,921	6,358	8,501	14,946
Due from other funds	-	-	438,408	-	-
Due from other governments	9,023	-	-	-	-
Inventory	-	572,846	-	-	-
Prepaid items	-	-	-	-	-
Restricted cash and cash equivalents	-	-	9,556	-	-
Total current assets	7,980,283	1,640,173	1,060,665	3,013,317	5,460,512
Noncurrent assets:					
Capital assets, nondepreciable:					
Land	-	-	40,102	-	-
Construction in progress	484,651	-	-	267,065	-
Capital assets, net of depreciation:					
Buildings	-	-	1,121,546	-	-
Machinery and equipment	12,272,042	-	10,875	167,308	-
Intangibles - software	-	-	-	253,465	-
Total noncurrent assets	12,756,693	-	1,172,523	687,838	-
Total assets	20,736,976	1,640,173	2,233,188	3,701,155	5,460,512
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	53,610	31,525	71,271	13,549	7,750
Total deferred outflows of resources	53,610	31,525	71,271	13,549	7,750
LIABILITIES					
Current liabilities:					
Accounts payable	360,055	43,972	286,272	118,648	17,097
Accrued wages and benefits	55,152	34,275	86,247	23,124	8,485
Due to other governments	-	-	752	-	-
Other current liabilities	170,000	-	-	-	-
Current portion of noncurrent liabilities:					
Compensated absences	85,500	23,512	100,216	31,561	13,143
Claims and judgments payable	-	-	-	-	160,767
Total current liabilities	670,707	101,759	473,487	173,333	199,492
Noncurrent liabilities:					
Bonds payable, net	-	-	6,100,000	-	-
Compensated absences	14,028	-	22,789	6,928	-
Claims and judgments payable	-	-	-	-	295,000
Net pension liability	377,204	221,812	501,471	95,329	54,533
Total noncurrent liabilities	391,232	221,812	6,624,260	102,257	349,533
Total liabilities	1,061,939	323,571	7,097,747	275,590	549,025
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	64,728	38,063	86,052	16,358	9,358
Total deferred inflows of resources	64,728	38,063	86,052	16,358	9,358
NET POSITION					
Net investment in capital assets	12,756,693	-	1,172,523	687,838	-
Unrestricted	6,907,226	1,310,064	(6,051,863)	2,734,918	4,909,879
Total net position	\$ 19,663,919	\$ 1,310,064	\$ (4,879,340)	\$ 3,422,756	\$ 4,909,879

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2017

	Unemployment Compensation	Workers Compensation Self-Insurance	Health Benefits	PW Administration & Engineering	Internal Service Fund Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 93,778	\$ 255,048	\$ 182,576	\$ 231,415	\$ 3,953,967
Investments	437,076	1,188,715	850,942	1,078,572	18,428,469
Receivables, net	1,457	3,963	2,837	3,595	72,655
Due from other funds	-	-	-	-	438,408
Due from other governments	-	-	-	-	9,023
Inventory	-	-	-	-	572,846
Prepaid items	-	53,220	5,716	-	58,936
Restricted cash and cash equivalents	-	-	-	-	9,556
Total current assets	532,311	1,500,946	1,042,071	1,313,582	23,543,860
Noncurrent assets:					
Capital assets, nondepreciable:					
Land	-	-	-	-	40,102
Construction in progress	-	-	-	-	751,716
Capital assets, net of depreciation:					
Buildings	-	-	-	-	1,121,546
Machinery and equipment	-	-	-	-	12,450,225
Intangibles - software	-	-	-	-	253,465
Total noncurrent assets	-	-	-	-	14,617,054
Total assets	532,311	1,500,946	1,042,071	1,313,582	38,160,914
DEFERRED OUTFLOWS OF RESOURCES					
Related to pensions	3,162	2,479	30,482	193,425	407,253
Total deferred outflows of resources	3,162	2,479	30,482	193,425	407,253
LIABILITIES					
Current liabilities:					
Accounts payable	-	64,150	8,745	16,835	915,774
Accrued wages and benefits	187	2,740	92,085	211,242	513,537
Due to other governments	20,632	-	-	-	21,384
Other current liabilities	-	-	15,751	445,498	631,249
Current portion of noncurrent liabilities:					
Compensated absences	653	2,983	8,523	255,597	521,688
Claims and judgments payable	160,000	550,000	-	-	870,767
Total current liabilities	181,472	619,873	125,104	929,172	3,474,399
Noncurrent liabilities:					
Bonds payable, net	-	-	-	-	6,100,000
Compensated absences	-	-	-	52,680	96,425
Claims and judgments payable	-	-	-	-	295,000
Net pension liability	22,251	17,445	214,477	1,360,948	2,865,470
Total noncurrent liabilities	22,251	17,445	214,477	1,413,628	9,356,895
Total liabilities	203,723	637,318	339,581	2,342,800	12,831,294
DEFERRED INFLOWS OF RESOURCES					
Related to pensions	3,818	2,993	36,804	233,538	491,712
Total deferred inflows of resources	3,818	2,993	36,804	233,538	491,712
NET POSITION					
Net investment in capital assets	-	-	-	-	14,617,054
Unrestricted	327,932	863,114	696,168	(1,069,331)	10,628,107
Total net position	\$ 327,932	\$ 863,114	\$ 696,168	\$ (1,069,331)	\$ 25,245,161

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

	Fleet Administration	Purchasing Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
Operating revenues:					
Sales of merchandise	\$ -	\$ 2,472,315	\$ -	\$ -	\$ -
Less: Cost of goods sold	-	(870,157)	-	-	-
Charges for services	4,361,620	154,073	3,598,930	2,933,622	200
Insurance premium contributions	-	-	-	-	1,086,504
Total operating revenues	4,361,620	1,756,231	3,598,930	2,933,622	1,086,704
Operating expenses:					
Labor	1,323,245	780,395	1,777,072	429,922	195,021
Supplies	905,586	9,395	382,281	928,046	13,135
Services	1,387,208	412,203	2,453,578	870,280	328,439
Depreciation	1,768,022	-	82,411	116,827	-
Taxes	892	-	68	115	-
Insurance	9,275	-	13,560	-	489,511
Claims	-	-	-	-	(52,693)
Total operating expenses	5,394,228	1,201,993	4,708,970	2,345,190	973,413
Operating income (loss)	(1,032,608)	554,238	(1,110,040)	588,432	113,291
Nonoperating revenues (expenses):					
External operating grants and subsidies	5,000	-	235,345	-	-
Operating assessments and tax levies	698,541	-	-	-	-
Investment interest	81,831	10,409	9,946	28,529	61,114
Net incr (decr) in fair value of investments	(29,197)	(6,274)	3,199	(15,482)	(17,500)
Interest expense and related charges	-	-	(331,530)	-	-
Gain (loss) on sale of capital assets	65,594	-	-	-	-
Other nonoperating revenues	66,479	124	45,954	-	-
Total nonoperating revenues (expenses)	888,248	4,259	(37,086)	13,047	43,614
Income (loss) before contributions and transfers	(144,360)	558,497	(1,147,126)	601,479	156,905
Transfers in	1,112,392	-	1,000,000	405,234	-
Transfers out	(160,000)	-	-	(70,000)	-
Change in net position	808,032	558,497	(147,126)	936,713	156,905
Total net position - beginning	18,855,887	751,567	(4,732,214)	2,486,043	4,752,974
Total net position - ending	\$ 19,663,919	\$ 1,310,064	\$ (4,879,340)	\$ 3,422,756	\$ 4,909,879

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

	Unemployment Compensation	Workers Compensation Self-Insurance	Health Benefits	PW Administration & Engineering	Internal Service Fund Totals
Operating revenues:					
Sales of merchandise	\$ -	\$ -	\$ -	\$ -	\$ 2,472,315
Less: Cost of goods sold	-	-	-	-	(870,157)
Charges for services	-	-	-	7,188,825	18,237,270
Insurance premium contributions	125,604	630,903	13,081,449	-	14,924,460
Total operating revenues	125,604	630,903	13,081,449	7,188,825	34,763,888
Operating expenses:					
Labor	-	48,863	204,870	4,888,013	9,647,401
Supplies	-	311	23,539	126,987	2,389,280
Services	10,409	61,992	306,387	1,412,944	7,243,440
Depreciation	-	-	-	-	1,967,260
Taxes	-	-	-	-	1,075
Insurance	-	101,029	13,120,799	58,747	13,792,921
Claims	69,126	186,249	39,457	-	242,139
Total operating expenses	79,535	398,444	13,695,052	6,486,691	35,283,516
Operating income (loss)	46,069	232,459	(613,603)	702,134	(519,628)
Nonoperating revenues (expenses):					
External operating grants and subsidies	-	-	-	-	240,345
Operating assessments and tax levies	-	-	-	-	698,541
Investment interest	5,677	14,948	11,570	4,912	228,936
Net incr (decr) in fair value of investments	(1,994)	(6,305)	587	(6,417)	(79,383)
Interest expense and related charges	-	-	-	-	(331,530)
Gain (loss) on sale of capital assets	-	-	-	-	65,594
Other nonoperating revenues	-	-	2,375	7,045	121,977
Total nonoperating revenues (expenses)	3,683	8,643	14,532	5,540	944,480
Income (loss) before contributions and transfers	49,752	241,102	(599,071)	707,674	424,852
Transfers in	-	-	-	-	2,517,626
Transfers out	-	-	-	(335,234)	(565,234)
Change in net position	49,752	241,102	(599,071)	372,440	2,377,244
Total net position - beginning	278,180	622,012	1,295,239	(1,441,771)	22,867,917
Total net position - ending	\$ 327,932	\$ 863,114	\$ 696,168	\$ (1,069,331)	\$ 25,245,161

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

	Fleet Administration	Purchasing Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts from interfund charges for services	4,329,486	2,626,388	3,633,077	2,933,478	1,086,704
Payments for merchandise	-	(932,303)	-	-	-
Payments for wages and benefits	(1,414,224)	(853,545)	(1,868,625)	(474,639)	(199,270)
Payments for other operating expenses	(2,124,639)	(442,482)	(3,492,615)	(1,731,578)	(1,015,825)
Other receipts	66,479	124	45,954	-	-
Net cash from operating activities	857,102	398,182	(1,682,209)	727,261	(128,391)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	839,034	-	1,000,000	405,234	-
Transfers out to other funds	(160,000)	-	-	(70,000)	-
Operating grants and loans	(3,548)	-	235,345	-	-
Interest payments on operating debt	-	-	(331,530)	-	-
Excise tax receipts	698,541	-	-	-	-
Net cash from noncapital financing activities	1,374,027	-	903,815	335,234	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Purchases of capital assets	(2,127,136)	-	-	(267,065)	-
Sale of capital assets	258,494	-	-	-	-
Net cash from capital financing activities	(1,868,642)	-	-	(267,065)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	967,974	489,923	630,584	1,190,892	48,453
Purchase of investments	(1,343,003)	(826,975)	-	(1,871,663)	-
Interest and dividends received	74,318	8,746	10,881	24,454	56,662
Net cash from investment activities	(300,711)	(328,306)	641,465	(656,317)	105,115
Net increase (decrease) in cash and equivalents	61,776	69,876	(136,929)	139,113	(23,276)
Cash and cash equivalents - beginning of year	1,341,426	118,157	253,599	391,702	985,262
Cash and cash equivalents - end of year	\$ 1,403,202	\$ 188,033	\$ 116,670	\$ 530,815	\$ 961,986
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ (1,032,608)	\$ 554,238	\$ (1,110,040)	\$ 588,432	\$ 113,291
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities:</i>					
Depreciation	1,768,022	-	82,411	116,827	-
Pension expense	(70,895)	(42,599)	(83,593)	(51,706)	(7,397)
Miscellaneous income	66,479	124	45,954	-	-
(Increase) decrease in accounts receivable	(2,134)	-	30,630	57	-
(Increase) decrease in due from other funds	-	-	(438,408)	-	-
(Increase) decrease in due from other governments	-	-	3,517	(201)	-
(Increase) decrease in inventories	-	(62,146)	-	-	-
(Increase) decrease in prepaid items	-	-	-	-	-
Increase (decrease) in accounts payable	180,189	(20,885)	(194,790)	66,863	12,359
Increase (decrease) in wages and benefits payable	(11,145)	(21,515)	4,627	9,674	3,148
Increase (decrease) in revenues collected in advance	(30,000)	-	-	-	-
Increase (decrease) in due to other funds	(1,867)	-	(10,000)	-	-
Increase (decrease) in due to other governments	-	-	-	-	-
Increase (decrease) in other current liabilities	-	-	-	-	-
Increase (decrease) in other fees and taxes	-	-	69	-	-
Increase (decrease) in other long-term liabilities	(8,939)	(9,035)	(12,586)	(2,685)	(249,792)
Total Adjustments	1,889,710	(156,056)	(572,169)	138,829	(241,682)
Net cash from operating activities	\$ 857,102	\$ 398,182	\$ (1,682,209)	\$ 727,261	\$ (128,391)
Schedule of noncash activities:					
Net change in fair value of investments	(29,197)	(6,274)	3,199	(15,482)	(17,500)
Fleet donations	273,358	-	-	-	-

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

	Workers		PW		Internal Service Fund Totals
	Unemployment Compensation	Compensation Self-Insurance	Health Benefits	Administration & Engineering	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ -	\$ -	\$ 164,970	\$ 164,970
Receipts from interfund charges for services	125,604	630,903	13,081,449	7,023,855	35,470,944
Payments for merchandise	-	-	-	-	(932,303)
Payments for wages and benefits	-	(66,294)	(203,610)	(5,008,863)	(10,089,070)
Payments for other operating expenses	(95,300)	(351,316)	(13,482,292)	(1,546,703)	(24,282,750)
Other receipts	-	-	2,375	7,045	121,977
Net cash from operating activities	30,304	213,293	(602,078)	640,304	453,768
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in from other funds	-	-	-	-	2,244,268
Transfers out to other funds	-	-	-	(335,234)	(565,234)
Operating grants and loans	-	-	-	-	231,797
Interest payments on operating debt	-	-	-	-	(331,530)
Excise tax receipts	-	-	-	-	698,541
Net cash from noncapital financing activities	-	-	-	(335,234)	2,277,842
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES					
Purchases of capital assets	-	-	-	-	(2,394,201)
Sale of capital assets	-	-	-	-	258,494
Net cash from capital financing activities	-	-	-	-	(2,135,707)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	43,939	275,219	483,893	372,603	4,503,480
Purchase of investments	(74,167)	(464,561)	-	(628,942)	(5,209,311)
Interest and dividends received	5,163	13,306	11,811	3,228	208,569
Net cash from investment activities	(25,065)	(176,036)	495,704	(253,111)	(497,262)
Net increase (decrease) in cash and equivalents	5,239	37,257	(106,374)	51,959	98,641
Cash and cash equivalents - beginning of year	88,539	217,791	288,950	179,456	3,864,882
Cash and cash equivalents - end of year	\$ 93,778	\$ 255,048	\$ 182,576	\$ 231,415	\$ 3,963,523
Reconciliation of operating income (loss) to net cash from operating activities:					
Operating income (loss)	\$ 46,069	\$ 232,459	\$ (613,603)	\$ 702,134	\$ (519,628)
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities:</i>					
Depreciation	-	-	-	-	1,967,260
Pension expense	(12,376)	(14,274)	(27,996)	(156,572)	(467,408)
Miscellaneous income	-	-	2,375	7,045	121,977
(Increase) decrease in accounts receivable	-	-	-	-	28,553
(Increase) decrease in due from other funds	-	-	-	-	(438,408)
(Increase) decrease in due from other governments	-	-	-	-	3,316
(Increase) decrease in inventories	-	-	-	-	(62,146)
(Increase) decrease in prepaid items	-	-	(408)	-	(408)
Increase (decrease) in accounts payable	(22,869)	(1,734)	4,595	(6,561)	17,167
Increase (decrease) in wages and benefits payable	(1,152)	(3,158)	29,706	25,330	35,515
Increase (decrease) in revenues collected in advance	-	-	-	-	(30,000)
Increase (decrease) in due to other funds	-	-	-	-	(11,867)
Increase (decrease) in due to other governments	20,632	-	-	-	20,632
Increase (decrease) in other current liabilities	-	-	3,703	58,536	62,239
Increase (decrease) in other fees and taxes	-	-	-	-	69
Increase (decrease) in other long-term liabilities	-	-	(450)	10,392	(273,095)
Total Adjustments	(15,765)	(19,166)	11,525	(61,830)	973,396
Net cash from operating activities	\$ 30,304	\$ 213,293	\$ (602,078)	\$ 640,304	\$ 453,768
Schedule of noncash activities:					
Net change in fair value of investments	(1,994)	(6,305)	587	(6,417)	(79,383)
Fleet donations	-	-	-	-	273,358



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 and OPEB Trust Funds
December 31, 2017

	Firefighter Pension	Firefighter Healthcare	Police Pension	Police Healthcare	Pension & OPEB Trust Fund Totals
ASSETS					
Cash and cash equivalents	\$ 1,188,588	\$ 855,540	\$ 770,711	\$ 601,778	\$ 3,416,617
Invested in government securities	5,489,493	3,951,311	3,559,529	2,779,310	15,779,643
Receivables, net	49,943	13,172	11,865	9,264	84,244
Interfund loans receivable	439,567	-	-	-	439,567
Total assets	7,167,591	4,820,023	4,342,105	3,390,352	19,720,071
LIABILITIES					
Accounts payable	-	12,355	-	8,565	20,920
Accrued pension benefits	44,808	-	10,432	-	55,240
Unearned revenue	30,663	-	-	-	30,663
Total liabilities	75,471	12,355	10,432	8,565	106,823
NET POSITION					
Restricted	7,092,120	4,807,668	4,331,673	3,381,787	19,613,248
Total net position	\$ 7,092,120	\$ 4,807,668	\$ 4,331,673	\$ 3,381,787	\$ 19,613,248

CITY OF BELLINGHAM
Statement of Changes in Fiduciary Net Position
Pension and OPEB Trust Funds
For the Year Ended December 31, 2017

	Firefighter Pension	Firefighter Healthcare	Police Pension	Police Healthcare	Pension & OPEB Trust Fund Totals
ADDITIONS					
Contributions:					
<i>Employer</i>					
Property taxes	\$ 687,646	\$ 1,421,359	\$ -	\$ -	\$ 2,109,005
General fund	70,000	135,220	307,135	1,037,646	1,550,001
Auction proceeds	-	-	12,398	-	12,398
<i>Nonemployer</i>					
Fire insurance premium tax	139,499	-	-	-	139,499
Total trust contributions	897,145	1,556,579	319,533	1,037,646	3,810,903
Investment income:					
Interest	80,547	46,024	49,839	33,799	210,209
Net incr (decr) in fair value of investments	(24,710)	(20,665)	(15,730)	(13,773)	(74,878)
Net investment income	55,837	25,359	34,109	20,026	135,331
Total additions	952,982	1,581,938	353,642	1,057,672	3,946,234
DEDUCTIONS					
Benefit payments	768,196	168,536	131,995	232,582	1,301,309
Medical insurance	-	669,587	-	401,087	1,070,674
Administrative expenses	5,708	47,118	6,036	41,119	99,981
Total deductions	773,904	885,241	138,031	674,788	2,471,964
Change in net position	179,078	696,697	215,611	382,884	1,474,270
Total net position - beginning	6,913,042	4,110,971	4,116,062	2,998,903	18,138,978
Total net position - ending	\$ 7,092,120	\$ 4,807,668	\$ 4,331,673	\$ 3,381,787	\$ 19,613,248

CITY OF BELLINGHAM
Combining Statement of Net Position
Agency Funds
December 31, 2017

	Guaranty Deposit	School Impact Fees	Agency Fund Totals
ASSETS			
Cash and cash equivalents	\$ 767,443	\$ 35,174	\$ 802,617
Receivables, net	1,158	-	1,158
Total assets	<u>768,601</u>	<u>35,174</u>	<u>803,775</u>
LIABILITIES			
Accounts payable	58,288	-	58,288
Due to other governments	17,498	35,174	52,672
Other liabilities	692,815	-	692,815
Total liabilities	<u>\$ 768,601</u>	<u>\$ 35,174</u>	<u>\$ 803,775</u>

CITY OF BELLINGHAM
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2017

	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017
Guaranty Deposit				
ASSETS				
Cash and cash equivalents	\$ 664,301	\$ 103,142	\$ -	\$ 767,443
Receivables, net	2,731	-	1,573	1,158
Total assets	667,032	103,142	1,573	768,601
LIABILITIES				
Accounts payable	56,287	2,001	-	58,288
Due to other governments	20,921	-	3,423	17,498
Other liabilities	589,824	102,991	-	692,815
Total liabilities	\$ 667,032	\$ 104,992	\$ 3,423	\$ 768,601
School Impact Fees				
ASSETS				
Cash and cash equivalents	\$ 26,097	\$ 9,077	\$ -	\$ 35,174
Receivables, net	2,730	-	2,730	-
Total assets	28,827	9,077	2,730	35,174
LIABILITIES				
Accounts payable	-	-	-	-
Due to other governments	26,097	9,077	-	35,174
Other liabilities	2,730	-	2,730	-
Total liabilities	\$ 28,827	\$ 9,077	\$ 2,730	\$ 35,174
Agency Fund Totals				
ASSETS				
Cash and cash equivalents	\$ 690,398	\$ 112,219	\$ -	\$ 802,617
Receivables, net	5,461	-	4,303	1,158
Total assets	695,859	112,219	4,303	803,775
LIABILITIES				
Accounts payable	56,287	2,001	-	58,288
Due to other governments	47,018	9,077	3,423	52,672
Other liabilities	592,554	102,991	2,730	692,815
Total liabilities	\$ 695,859	\$ 114,069	\$ 6,153	\$ 803,775



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 _____	184
<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 _____	190
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity _____	195
<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 _____	200
<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 _____	203
<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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Governmental activities</i>										
Net investment in capital assets	\$ 275,562,771	\$ 294,335,598	\$ 314,661,962	\$ 324,665,481	\$ 324,871,812	\$ 333,862,114	\$ 342,989,693	\$ 362,378,047	\$ 362,904,143	\$ 366,839,801
Restricted	42,022,692	36,300,224	48,968,976	59,689,364	63,216,204	62,125,404	70,368,152	88,313,935	107,165,902	114,199,262
Unrestricted	<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>	<u>(21,127,164)</u>	<u>(20,525,708)</u>	<u>(2,824,122)</u>
Total governmental activities net position	\$ 372,825,337	\$ 377,291,874	\$ 390,267,417	\$ 388,311,467	\$ 398,771,068	\$ 419,552,514	\$ 440,708,557	\$ 429,564,818	\$ 449,544,337	\$ 478,214,941
<i>Business-type activities</i>										
Net investment in capital assets	\$ 184,549,549	\$ 192,943,450	\$ 200,721,924	\$ 202,646,637	\$ 207,441,809	\$ 210,438,253	\$ 215,294,427	\$ 229,373,343	\$ 235,121,659	\$ 238,300,273
Restricted	20,483,281	13,055,191	12,337,425	56,042,820	10,839,307	14,645,165	4,978,708	13,004,866	13,914,042	13,586,485
Unrestricted	<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>	<u>24,174,486</u>	<u>35,863,739</u>	<u>49,068,048</u>
Total business-type activities net position	\$ 221,840,421	\$ 220,770,205	\$ 220,164,266	\$ 231,909,424	\$ 237,311,584	\$ 245,285,532	\$ 256,801,595	\$ 266,552,695	\$ 284,899,440	\$ 300,954,806
<i>Primary government</i>										
Net investment in capital assets	\$ 460,112,320	\$ 487,279,048	\$ 515,383,886	\$ 527,312,118	\$ 532,313,621	\$ 544,300,367	\$ 558,284,120	\$ 591,751,390	\$ 598,025,802	\$ 605,140,074
Restricted	62,505,973	49,355,415	61,306,401	115,732,184	74,055,511	76,770,569	75,346,860	101,318,801	121,079,944	127,785,747
Unrestricted	<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>	<u>3,047,322</u>	<u>15,338,031</u>	<u>46,243,926</u>
Total primary government net position	\$ 594,665,758	\$ 598,062,079	\$ 610,431,683	\$ 620,220,891	\$ 636,082,652	\$ 664,838,046	\$ 697,510,152	\$ 696,117,513	\$ 734,443,777	\$ 779,169,747

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 1 of 3

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
General government	\$ 15,976,149	\$ 15,385,834	\$ 15,074,279	\$ 14,476,790	\$ 15,336,663	\$ 12,938,178	\$ 13,330,765	\$ 21,382,635	\$ 11,391,809	\$ 12,120,974
Public safety	37,993,287	36,977,859	37,219,216	40,327,955	39,889,144	40,543,763	41,780,157	40,230,260	46,056,110	47,454,897
Physical environment	6,557,780	6,920,500	5,053,666	5,383,923	6,345,653	5,262,932	-	-	-	-
Transportation	9,853,604	10,571,685	10,669,612	12,136,460	11,838,466	14,739,413	15,313,990	20,888,508	17,292,839	16,702,711
Natural and economic environment	5,495,025	6,015,965	24,403,155	4,340,166	4,207,740	6,935,800	12,398,818	18,702,452	7,747,615	9,362,815
Social services	77,346	47,087	77,989	47,024	77,562	238,327	-	158,903	154,308	186,873
Culture and recreation	15,719,617	15,949,086	24,151,314	15,799,406	14,773,090	13,142,560	13,553,671	13,768,352	18,863,236	14,537,391
Interest & redemption of long-term debt	1,146,323	1,076,982	957,318	865,859	619,606	2,277,874	1,929,924	562,560	970,283	861,915
Total governmental activities expenses	<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>	<u>115,693,670</u>	<u>102,476,200</u>	<u>101,227,575</u>
Business-type activities										
Water	14,190,176	15,130,789	14,684,026	16,338,457	17,830,958	18,831,300	19,497,081	18,327,036	21,320,769	19,414,055
Wastewater	14,394,572	15,354,650	14,896,450	15,474,647	17,715,664	18,726,642	18,840,811	17,696,811	19,130,362	22,459,980
Surface and stormwater	4,565,706	4,769,300	5,109,870	5,192,494	5,550,615	5,887,978	6,470,574	6,528,425	7,597,240	8,234,425
Solid waste	985,055	5,439,399	7,697,454	1,251,060	1,070,494	3,820,556	1,059,053	4,639,246	557,331	1,391,372
Cemetery	612,882	590,617	518,100	526,959	534,234	557,285	553,247	477,242	624,515	475,706
Golf course	150,966	127,981	110,473	121,507	124,476	265,759	382,598	127,290	149,609	240,901
Parking	1,196,683	1,541,680	1,624,501	1,470,114	1,323,104	1,285,864	2,129,923	1,936,191	2,373,829	2,523,746
Medic one	9,044,577	7,681,681	7,673,790	7,312,579	7,306,912	9,019,331	7,033,307	5,844,420	7,006,788	6,903,949
Development services	2,888,843	1,926,678	1,725,177	1,608,250	1,685,449	1,870,090	1,987,896	2,378,351	2,330,614	2,840,794
Total business-type activities expenses	<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>	<u>57,955,012</u>	<u>61,091,057</u>	<u>64,484,928</u>
Total primary government expenses	<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>	<u>\$ 173,648,682</u>	<u>\$ 163,567,257</u>	<u>\$ 165,712,503</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
<i>Governmental activities</i>										
Charges for services:										
General government	\$ 7,629,530	\$ 1,846,028	\$ 7,971,785	\$ 7,341,172	\$ 8,609,125	\$ 9,995,525	\$ 10,926,041	\$ 7,662,685	\$ 3,220,350	\$ 2,770,294
Public safety	4,652,808	5,031,673	3,649,014	3,919,904	4,847,396	5,021,635	6,555,208	5,871,325	4,525,825	4,778,237
Physical environment	3,332,454	3,456,750	3,306,542	3,059,867	2,986,750	2,851,207	2,932,433	1,580,528	-	-
Transportation	780,990	1,575,309	2,969,540	1,797,675	1,832,860	2,744,691	1,554,120	137,924	1,443,136	2,112,891
Natural and economic environment	1,031,818	1,608,883	-	30,159	21,557	13,771	148,321	-	145,319	130,670
Culture and recreation	2,957,313	3,368,716	3,492,695	3,235,228	3,348,290	4,136,307	4,049,345	3,730,015	3,331,067	3,066,500
Operating grants and contributions	4,654,983	6,194,611	6,835,919	5,458,395	6,169,221	6,118,748	5,420,055	6,183,359	7,885,832	9,250,586
Capital grants and contributions	8,277,317	9,921,191	19,831,012	3,352,046	3,287,138	9,392,828	7,695,787	10,457,416	10,589,089	7,522,671
Total governmental activities program revenues	33,317,213	33,003,161	48,056,507	28,194,446	31,102,337	40,274,712	39,281,310	35,623,252	31,140,618	29,631,849
<i>Business-type activities</i>										
Charges for services:										
Water	14,906,201	15,252,014	16,632,474	17,374,266	20,657,488	22,823,773	23,305,823	24,091,668	25,440,410	26,968,245
Wastewater	17,076,027	15,809,211	16,529,749	17,442,198	18,866,004	19,389,261	20,766,951	21,299,246	22,674,616	24,181,185
Surface and stormwater	4,950,172	4,743,490	4,832,097	5,398,976	5,526,016	6,500,655	7,202,502	8,502,059	8,437,892	8,734,819
Solid waste	233,471	211,874	196,329	220,301	236,780	209,253	236,188	193,954	-	18,538
Cemetery	346,156	244,710	326,436	301,334	274,244	275,548	281,712	318,244	385,306	337,474
Golf course	184,297	189,999	189,477	189,450	201,016	224,818	213,790	156,019	170,961	142,698
Parking	2,285,357	2,351,599	2,377,394	2,229,067	2,173,587	2,085,321	2,189,751	2,552,235	2,480,115	2,233,043
Medic one	8,024,156	6,574,164	6,397,643	6,106,185	2,301,064	6,714,586	5,911,804	4,795,313	4,989,151	6,170,702
Development services	2,360,011	2,208,015	1,815,099	1,912,283	2,123,596	2,607,991	2,896,780	3,220,430	3,361,294	3,644,024
Operating grants and contributions	6,607	3,919	62,035	769,988	3,722,655	1,692,473	420,099	548,128	71,400	45,824
Capital grants and contributions	2,368,644	1,844,551	1,437,283	1,563,673	1,118,079	1,438,295	2,412,989	7,978,361	6,549,965	3,318,479
Total business-type activities revenues	52,741,099	49,433,546	50,796,016	53,507,721	57,200,529	61,028,977	65,838,389	73,655,657	74,561,110	75,795,031
Total primary government program revenues	\$ 86,058,312	\$ 82,436,707	\$ 98,852,523	\$ 81,702,167	\$ 88,302,866	\$ 101,303,689	\$ 105,119,699	\$ 109,278,909	\$ 105,701,728	\$ 105,426,880
Net revenue (expense)										
Governmental activities	\$ (59,501,918)	\$ (59,941,837)	\$ (69,550,042)	\$ (64,893,478)	\$ (61,985,587)	\$ (55,804,135)	\$ (77,993,135)	\$ (80,070,418)	\$ (71,335,582)	\$ (71,595,726)
Business-type activities	4,711,639	(3,129,229)	(3,243,825)	365,815	4,058,623	764,172	8,957,530	12,564,600	13,470,053	11,310,103
Total primary government net expense	\$ (54,790,279)	\$ (63,071,066)	\$ (72,793,867)	\$ (64,527,663)	\$ (57,926,964)	\$ (55,039,963)	\$ (69,035,605)	\$ (64,369,773)	\$ (57,865,529)	\$ (60,285,623)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Assets										
Taxes:										
Property	\$ 16,560,804	\$ 16,683,534	\$ 16,998,700	\$ 17,351,542	\$ 17,628,836	\$ 20,986,967	\$ 21,420,754	\$ 21,921,209	\$ 22,236,396	\$ 22,627,165
Sales and use	21,603,021	18,763,691	19,297,747	22,978,303	25,823,907	28,021,708	29,355,254	30,320,519	31,721,766	33,661,575
Business	25,230,199	24,712,580	23,501,582	25,305,263	26,097,370	27,109,401	27,648,814	29,884,433	31,249,275	32,565,751
Real estate excise	-	-	-	-	-	-	-	3,663,842	3,762,944	4,270,238
Other	3,330,446	2,912,563	2,559,299	2,466,211	3,081,317	3,275,785	3,507,729	1,023,206	1,081,410	1,040,408
Investment income	4,274,577	1,436,128	1,551,747	1,366,413	1,134,224	176,643	1,556,628	1,396,110	1,293,161	936,410
Miscellaneous revenue	1,140,391	119,800	12,010	338,277	-	-	125,433	1,625,021	1,061,761	2,400,214
Sale of capital assets	-	-	-	-	-	-	-	-	-	2,599,876
Transfers	(480,030)	(219,922)	(687,592)	(1,455,455)	(1,411,894)	(2,763,834)	(1,304,553)	1,715,147	(1,091,620)	164,698
Total governmental activities	71,659,408	64,408,374	63,233,493	68,350,554	72,353,760	76,806,670	82,310,059	91,549,487	91,315,093	100,266,335
<i>Business-type activities</i>										
Business taxes	1,271,585	1,186,561	1,352,583	1,252,349	1,244,127	1,274,696	1,330,240	1,370,813	1,393,427	1,417,406
Other taxes	-	-	-	-	-	-	636,485	663,189	687,714	745,263
Investment income	2,843,893	783,800	597,811	773,678	774,753	(211,280)	775,424	433,883	306,063	593,805
Miscellaneous revenue	586,780	(3,767)	(100)	(1,535,605)	-	54,548	454,998	55,025	1,397,864	2,153,483
Transfers	480,030	219,922	687,592	1,455,455	1,411,894	2,763,834	1,304,553	(1,715,147)	1,091,620	(164,698)
Special items	-	-	-	-	-	1,176,877	(869,536)	-	-	-
Total business-type activities	5,182,288	2,186,516	2,637,886	1,945,877	3,430,774	7,991,672	3,632,164	807,763	4,876,688	4,745,259
Total primary government	\$ 76,841,696	\$ 66,594,890	\$ 65,871,379	\$ 70,296,431	\$ 75,784,534	\$ 84,798,342	\$ 85,942,223	\$ 92,357,250	\$ 96,191,781	\$ 105,011,594
Change in net position										
Governmental activities	\$ 12,157,490	\$ 4,466,537	\$ (6,316,549)	\$ 3,167,417	\$ 10,368,173	\$ 21,002,535	\$ 23,284,044	\$ 11,479,069	\$ 19,979,511	\$ 28,670,609
Business-type activities	9,893,927	(942,713)	(605,939)	6,157,531	7,489,397	8,755,844	11,516,063	16,508,408	18,346,741	16,055,362
Prior period adjustments	8,716,830	(127,503)	19,292,092	464,252	(1,995,809)	-	-	-	-	-
Change in accounting principles	-	-	-	-	-	(1,002,979)	(2,128,001)	(29,380,114)	-	-
Total primary government	\$ 30,768,247	\$ 3,396,321	\$ 12,369,604	\$ 9,789,200	\$ 15,861,761	\$ 28,755,400	\$ 32,672,106	\$ (1,392,637)	\$ 38,326,252	\$ 44,725,971

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

Note : REET was pulled out and reported separately from "Other taxes" beginning in 2015.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,261,782	\$ 1,062,649	\$ 855,551	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,489,331	12,787,288	12,549,757	-	-	-	-	-	-	-
Nonspendable	-	-	-	640,985	744,750	185,207	3,500	4,214	331,188	328,343
Restricted	-	-	-	853,834	13,410,236	17,658,044	21,273,248	20,202,023	27,151,024	34,580,195
Committed	-	-	-	9,156,556	11,125,469	10,967,686	10,864,827	8,975,034	1,114,183	1,104,499
Assigned	-	-	-	150,409	8,210,509	8,429	11,159	4,142	7,917,779	7,149,535
Unassigned	-	-	-	4,708,440	4,663,166	14,508,167	16,246,739	20,113,545	22,587,604	25,354,134
Total general fund	<u>15,751,113</u>	<u>13,849,937</u>	<u>13,405,308</u>	<u>15,510,224</u>	<u>38,154,130</u>	<u>43,327,533</u>	<u>48,399,473</u>	<u>49,298,958</u>	<u>59,101,778</u>	<u>68,516,706</u>
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	2,000	2,000	11,447,677	-	-	-	-	-	-	-
Debt service funds	496,110	587,923	9,360,229	-	-	-	-	-	-	-
Permanent funds	6,673,126	7,076,747	7,458,448	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	37,748,500	30,188,799	31,602,827	-	-	-	-	-	-	-
Capital project funds	139,972	-	-	-	-	-	-	-	-	-
Permanent funds	757,342	857,725	688,451	-	-	-	-	-	-	-
Nonspendable	-	-	-	7,880,845	20,836,763	8,766,712	9,096,202	9,545,096	45,172,181	48,512,839
Restricted	-	-	-	47,246,996	17,844,025	35,051,972	39,889,984	43,745,102	23,817,423	28,466,861
Assigned	-	-	-	-	1,019,540	-	-	-	-	-
Unassigned	-	-	-	(635,116)	(463)	-	-	-	-	-
Total all other governmental funds	<u>45,817,050</u>	<u>38,713,194</u>	<u>60,557,632</u>	<u>54,492,725</u>	<u>39,699,865</u>	<u>43,818,684</u>	<u>48,986,186</u>	<u>53,290,198</u>	<u>68,989,604</u>	<u>76,979,700</u>
Total governmental funds	<u>\$ 61,568,163</u>	<u>\$ 52,563,131</u>	<u>\$ 73,962,940</u>	<u>\$ 70,002,949</u>	<u>\$ 77,853,995</u>	<u>\$ 87,146,217</u>	<u>\$ 97,385,659</u>	<u>\$ 102,589,156</u>	<u>\$ 128,091,382</u>	<u>\$ 145,496,406</u>

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 separately budgeted funds are merged into the General Fund for reporting purposes. In 2013, it was determined that a \$8.5M rainy day fund within the General Fund, previously reported as restricted fund balance, should be reported as unassigned and has since been reclassified.

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

Revenues	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Taxes (see schedule 5)	\$ 66,787,714	\$ 63,051,228	\$ 62,306,696	\$ 68,113,285	\$ 72,662,684	\$ 79,457,191	\$ 81,933,762	\$ 86,213,887	\$ 89,431,874	\$ 93,433,732
Licenses and permits	962,989	966,937	1,070,280	1,078,032	1,232,642	1,300,553	1,258,008	1,284,618	1,402,554	1,304,761
Intergovernmental revenue	12,338,995	17,625,391	17,238,533	9,972,732	10,624,466	11,452,576	11,508,745	14,993,044	12,120,722	13,873,654
Charges for services	15,205,392	15,971,339	16,269,473	16,086,214	18,196,715	21,243,000	21,838,838	16,885,318	9,893,767	10,727,758
Fines and penalties	1,136,335	1,245,620	1,219,571	1,224,859	1,172,060	1,159,922	1,072,066	986,371	826,412	755,587
Investment income	-	-	-	-	-	-	-	-	-	667,392
Miscellaneous revenues	6,393,108	2,937,560	3,641,048	2,828,548	2,595,705	1,952,598	2,839,951	2,812,043	2,750,058	2,951,278
Total revenues	102,824,533	101,798,075	101,745,601	99,303,670	106,484,272	116,565,840	120,451,370	123,175,281	116,425,387	123,714,162
Expenditures										
General government services	16,141,149	15,507,332	15,167,326	13,923,871	14,913,851	12,416,812	13,278,942	15,364,903	9,177,841	10,629,413
Public safety	37,662,623	36,575,103	36,378,223	37,962,289	39,354,251	40,200,861	41,363,417	42,045,095	45,416,863	48,954,353
Physical environment	6,752,365	7,391,028	5,390,396	5,476,279	6,638,368	54,331	-	-	-	-
Transportation	5,904,387	5,767,047	5,541,435	5,698,525	5,992,118	14,472,294	15,052,977	12,923,158	11,006,887	10,092,881
Natural and economic environment	5,398,503	5,939,617	4,715,403	3,863,451	3,831,392	6,798,451	7,197,542	7,477,652	8,206,985	7,367,531
Social services	77,346	47,087	77,989	47,024	77,562	238,327	-	154,472	154,308	190,909
Cultural and recreation	14,727,561	15,015,039	13,668,315	12,921,869	13,573,330	13,008,471	13,170,826	13,338,061	15,212,783	14,663,124
Debt service:										
Principal	2,664,430	2,219,918	2,180,422	1,810,964	1,721,544	1,375,686	1,386,839	1,396,604	1,801,382	1,786,400
Interest and other charges	1,162,285	1,091,742	972,391	871,130	637,312	553,657	545,172	544,850	956,459	868,158
Capital outlay	23,252,908	20,521,065	14,859,164	17,739,732	9,469,488	13,663,061	16,346,125	26,366,311	8,045,683	12,568,539
Total expenditures	113,743,557	110,074,978	98,951,064	100,315,134	96,209,216	102,781,951	108,341,840	119,611,106	99,979,191	107,121,308
Excess (deficiency) of revenues over (under) expenditures	(10,919,024)	(8,276,903)	2,794,537	(1,011,464)	10,275,056	13,783,889	12,109,530	3,564,175	16,446,196	16,592,854
Other Financing Sources (Uses)										
Bonds issued	-	-	-	-	508,824	-	1,010,336	3,205,000	9,640,000	-
Premiums on bonds	-	-	-	-	-	-	-	330,418	1,181,489	-
Sale of general capital assets	-	-	-	338,277	-	-	-	-	367,613	2,599,876
Insurance recoveries	1,008,046	119,800	12,010	-	-	-	-	-	-	-
Transfers in	3,549,291	3,203,500	3,507,589	2,950,709	3,497,509	2,202,093	1,662,223	2,534,966	1,994,425	2,835,136
Transfers out	(6,688,446)	(4,051,436)	(4,206,417)	(4,967,928)	(6,756,819)	(6,693,764)	(4,542,647)	(4,431,062)	(4,127,502)	(4,622,830)
Total other financing sources and (uses)	(2,131,109)	(728,136)	(686,818)	(1,678,942)	(2,750,486)	(4,491,671)	(1,870,088)	1,639,322	9,056,025	812,182
Prior period adjustments	-	-	19,292,090	(1,269,587)	326,483	-	-	-	-	-
Net change in fund balances	\$ (13,050,133)	\$ (9,005,039)	\$ 2,107,719	\$ (2,690,406)	\$ 7,524,570	\$ 9,292,218	\$ 10,239,442	\$ 5,203,497	\$ 25,502,221	\$ 17,405,036
Debt service as a % of non-capital expenditures	4.2%	3.7%	3.7%	3.2%	2.7%	2.2%	2.1%	2.1%	3.0%	2.8%

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

Note: Investment income was comingled with miscellaneous revenues until 2017 when it became it's own revenue activity for presentation purposes..

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

Fiscal year	Property	Sales & use	Business	Real estate excise	Other	Total
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
2015	21,949,543	29,692,863	29,884,433	3,663,842	1,023,206	86,213,887
2016	22,276,130	31,062,115	31,249,275	3,762,944	1,081,410	89,431,874
2017	22,594,301	32,963,034	32,565,751	4,270,238	1,040,408	93,433,732
Change 2008-2017	35.94%	52.59%	28.31%	68.07%	62.10%	39.90%

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 %
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	2.73554
2014	8,134,585,561	419,461,150	8,554,046,711	2.73538
2015	8,430,205,958	450,981,681	8,881,187,639	2.69496
2016	8,817,117,291	484,620,541	9,301,737,832	2.62945
2017	9,377,723,331	491,151,552	9,868,874,883	2.52381

Source: Whatcom County Assessor's Office, certification of values by tax area.

Note: Property in Whatcom County is reassessed annually using 100% of fair market value. Tax rates per \$1,000 of assessed value.

City of Bellingham
Schedule 7
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(per \$1,000 of assessed value)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Direct Levy										
Nonvoted										
General fund	\$ 1.70899	\$ 1.49912	\$ 1.45770	\$ 1.52788	\$ 1.58776	\$ 1.60885	\$ 1.61634	\$ 1.59702	\$ 1.56102	\$ 1.48812
Fire pension	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22499	0.22499	0.22499	0.21418
Whatcom RDA LIFT	0.00018	0.00021	0.00018	0.00226	0.00302	0.00293	0.00384	0.00414	0.00399	0.00517
Total nonvoted	<u>1.93417</u>	<u>1.72433</u>	<u>1.68288</u>	<u>1.75514</u>	<u>1.81578</u>	<u>1.83678</u>	<u>1.84518</u>	<u>1.82615</u>	<u>1.78999</u>	<u>1.70747</u>
Voted										
Greenways	0.57493	0.51163	0.49651	0.51645	0.53235	0.53942	0.53949	0.53101	0.51694	0.50000
Affordable housing	-	-	-	-	-	0.35934	0.35071	0.33780	0.32252	0.31634
Voted excess levies	0.05197	0.04516	0.04178	0.03187	-	-	-	-	-	-
Total voted	<u>0.62690</u>	<u>0.55679</u>	<u>0.53829</u>	<u>0.54832</u>	<u>0.53235</u>	<u>0.89876</u>	<u>0.89020</u>	<u>0.86881</u>	<u>0.83946</u>	<u>0.81634</u>
Total City	<u>\$ 2.56107</u>	<u>\$ 2.28112</u>	<u>\$ 2.22117</u>	<u>\$ 2.30346</u>	<u>\$ 2.34813</u>	<u>\$ 2.73554</u>	<u>\$ 2.73538</u>	<u>\$ 2.69496</u>	<u>\$ 2.62945</u>	<u>\$ 2.52381</u>
Overlapping districts levy										
State schools	\$ 2.42701	\$ 2.21902	\$ 2.19787	\$ 2.45657	\$ 2.50814	\$ 2.67073	\$ 2.61643	\$ 2.48364	\$ 2.30668	\$ 2.23350
County levy	1.08884	1.01676	1.02054	1.11230	1.13438	1.15453	1.16469	1.15423	1.12775	1.08190
Conservation futures	0.04229	0.03949	0.01714	0.04125	0.04205	0.04279	0.04313	0.04274	0.04176	0.04003
Flood control	0.13625	0.16598	0.16299	0.13243	0.13512	0.13755	0.13883	0.13760	0.13444	0.12902
Port of Bellingham	0.32465	0.30593	0.29601	0.29719	0.28899	0.28610	0.28871	0.28776	0.27644	0.26461
Bellingham School District	3.26299	2.98677	3.02022	3.41363	3.60646	3.87995	4.48506	4.48220	4.40084	4.81397
Total overlapping districts	<u>\$ 7.28203</u>	<u>\$ 6.73395</u>	<u>\$ 6.71477</u>	<u>\$ 7.45337</u>	<u>\$ 7.71514</u>	<u>\$ 8.17165</u>	<u>\$ 8.73685</u>	<u>\$ 8.58817</u>	<u>\$ 8.28790</u>	<u>\$ 8.56303</u>
Combined City and overlapping districts levies	<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>	<u>\$ 11.28313</u>	<u>\$ 10.91735</u>	<u>\$ 11.08684</u>

Source: Whatcom County Assessor's Office, tax book.

Note: A portion of the City of Bellingham lies within the Meridian School District. The 2017 levy rate for Meridian is 4.8140.

**City of Bellingham
Schedule 8
Principal Property Tax Payers
Current Year and Nine Years Prior**

Taxpayer	2017			2008		
	Taxable assessed value	Rank	Percentage of total assessed value	Taxable assessed value	Rank	Percentage of total assessed value
Puget Sound Energy	\$ 162,449,041	1	1.65%	\$ 145,426,941	1	2.06%
Bellis Fair Partners	51,408,559	2	0.52%	32,856,940	2	0.46%
PKII Sunset Square LLC	37,857,292	3	0.38%	20,891,450	3	0.30%
Cav-Core Bellingham LLC	29,074,925	4	0.29%	-	-	0.00%
Belleau Woods LLC	21,748,617	5	0.22%	14,608,300	7	0.21%
Dell Equipment Funding LP	20,998,590	6	0.21%	-	-	0.00%
Bellingham Cold Storage Co	20,533,771	7	0.21%	-	-	0.00%
Cohanim Bellwether LLC	19,191,887	8	0.19%	-	-	0.00%
Sisters of St Joseph of Peace	18,932,871	9	0.19%	-	-	0.00%
PAX Medical Holdings	18,527,266	10	0.19%	-	-	0.00%
Qwest (US West)	-	-	0.00%	19,597,018	4	0.28%
MWSH Bellingham LLC	-	-	0.00%	15,863,025	5	0.22%
Roundup Co dba Fred Meyer	-	-	0.00%	15,537,950	6	0.22%
4545 Cordata Parkway LLC - Madron Medical	-	-	0.00%	13,471,175	8	0.19%
Metropolitan Life Insurance	-	-	0.00%	13,356,365	9	0.19%
Haggen Talbot Co Ltd	-	-	0.00%	13,315,970	10	0.19%
Total top ten principal taxpayers	400,722,819		4.06%	304,925,134		4.31%
Total all taxpayers	\$ 9,868,874,883		100.00%	\$ 7,070,686,278		100.00%

Source: Whatcom County Assessor's Office, top taxpayer report.

**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
2008	\$ 18,104,429	\$ 17,976,878	99.2955%	(180)	\$ 127,371	\$ 18,104,249	\$ -	100.0000%
2009	18,426,728	18,187,142	98.6998%	(2,129)	237,457	18,424,599	-	100.0000%
2010	19,091,521	18,682,177	97.8559%	(635)	407,946	19,090,123	763	99.9960%
2011	19,384,545	19,048,860	98.2683%	5,735	341,044	19,389,904	376	99.9981%
2012	19,553,465	19,253,132	98.4640%	2,462	302,330	19,555,462	466	99.9976%
2013	22,841,687	22,549,616	98.7213%	26,203	317,186	22,866,802	1,088	99.9952%
2014	23,403,537	23,111,156	98.7507%	10,334	297,981	23,409,137	4,734	99.9798%
2015	23,940,035	23,702,605	99.0082%	(14,485)	188,039	23,890,645	34,905	99.8542%
2016	24,464,096	24,199,918	98.9201%	(58,664)	121,449	24,321,367	84,065	99.6564%
2017	24,785,248	24,552,738	99.0619%	(6,465)	-	24,552,738	233,700	99.0571%

Source: Whatcom County Treasurer's Office.

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
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	2.16%	\$ 791
2009	19,716,556	286,110	153,045	2,053,154	23,660,000	7,850,585	-	1,985,000	55,704,450	1.98%	702
2010	17,775,200	212,735	145,558	1,895,219	20,055,000	7,415,688	-	1,823,479	49,322,879	1.69%	610
2011	22,691,244	84,361	137,529	1,737,284	61,989,516	6,980,607	-	1,661,959	95,282,500	3.11%	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	2.95%	1,166
2013	21,424,160	-	119,689	1,722,894	74,537,514	6,181,280	2,700,000	959,904	107,645,441	3.25%	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	3.04%	1,261
2015	18,640,526	-	99,176	5,759,398	70,346,772	5,668,278	-	4,987,356	105,501,506	2.97%	1,262
2016	27,992,153	-	87,794	5,267,591	67,967,896	5,182,941	-	5,619,716	112,118,091	2.97%	1,317
2017	26,553,534	-	75,591	4,726,589	65,548,444	4,667,770	-	10,376,177	111,948,105	***	1,278

Source: City of Bellingham, long-term debt note, US Census Bureau, Quickfacts population estimate, and Bureau of Economic Analysis, 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	Less: Amounts available for debt service	Net general obligation bonds	GO debt as a % of taxable property value	General bonded debt per capita
2008	\$ 29,720,000	\$ 191,001	\$ 29,528,999	0.37%	\$ 375
2009	27,490,000	207,564	27,282,436	0.32%	344
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	27,605,440	1,328,937	25,371,063	0.30%	308
2014	25,968,480	1,671,726	24,296,754	0.27%	293
2015	24,308,804	22,001	24,286,803	0.26%	291
2016	33,175,094	3,142,033	30,033,061	0.30%	353
2017	31,221,304	3,543,721	27,677,583	0.26%	316

Source: City of Bellingham, limitation of indebtedness schedule, and US Censes Bureau, Quickfacts population estimate.

City of Bellingham
Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

Governmental unit	Debt outstanding	Estimated percentage applicable	Estimated share of direct and overlapping debt
Overlapping debt:			
Bellingham School District #501	\$ 180,005,000	77.23%	\$ 139,019,991
Port of Bellingham	6,550,000	37.62%	2,464,192
Meridian School District #505	13,725,000	21.75%	2,985,379
Whatcom County	2,340,000	37.62%	880,337
Whatcom County Fire District #4	610,000	13.54%	82,568
Ferndale School District #502	17,365,000	0.04%	<u>7,801</u>
Total overlapping debt			145,440,268
City of Bellingham direct debt		100.00%	<u>31,355,714</u>
Total direct and overlapping debt			<u>\$ 176,795,982</u>

Source: Outstanding debt values provided by Whatcom County and Port of Bellingham.

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City.

This schedule estimates the portion of the outstanding debt of those overlapping governments. This process recognizes that when considering the City's ability to issue and repay debt, the entire debt burden should be taken into account.

**City of Bellingham
Schedule 13
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2017

Total assessed value	\$ 10,821,250,697
Debt limit:	
Non-voted debt limit (1.5% of assessed value)	162,318,760
Voted debt limit (1.0% of assessed value)	<u>108,212,507</u>
Total debt limit	<u>270,531,267</u>
Debt applicable to limit:	
Governmental activities - general obligation bonds	26,553,534
Business-type activities - general obligation bonds	<u>4,667,770</u>
Total debt applicable to limit	<u>31,221,304</u>
Legal debt margin	<u>\$ 239,309,963</u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total assessed valuation	\$ 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	\$9,301,737,832	\$9,868,874,883	\$10,821,250,697
Legal debt limit	201,988,913	214,924,942	210,419,975	208,182,284	208,715,702	213,851,168	222,029,691	232,543,446	246,721,872	270,531,267
Outstanding indebtedness	<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>	<u>24,308,804</u>	<u>33,175,094</u>	<u>31,221,304</u>
Legal debt margin	<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>	<u>\$ 208,234,642</u>	<u>\$ 213,546,778</u>	<u>\$ 239,309,963</u>
% of legal debt limit exhausted	14.7%	12.8%	11.9%	14.2%	13.3%	12.1%	11.0%	10.5%	13.4%	11.5%

Source: City of Bellingham, limitation of Indebtedness schedule, and Whatcom County Assessor's Office, tax book.

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
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	-	-	-
2015	44,860,441	21,819,955	782,906	23,823,392	5,230,818	4.55	-	-	-
2016	48,115,026	23,595,087	(347,176)	24,172,763	5,206,467	4.64	-	-	-
2017	51,149,430	25,171,069	263,455	26,241,816	5,194,718	5.05	-	-	-

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 and utility tax.

**City of Bellingham
Schedule 15
Demographic and Economic Statistics
Last Ten Calendar Years**

Year	Population	Median age	Per capita income	Median household income	Personal income	Graduated high school	% Married	Unemployment rate
2008	78,739	30.3	\$ 37,201	***	\$ 2,929,169,539	***	***	5.3%
2009	79,383	29.9	35,721	37,031	2,835,640,143	90.6%	***	8.5%
2010	80,885	31.0	36,557	38,136	2,956,912,945	91.7%	44.4%	9.5%
2011	81,070	30.6	38,211	39,299	3,097,765,770	92.5%	44.5%	9.0%
2012	81,360	31.1	40,396	40,844	3,286,618,560	92.3%	44.7%	8.1%
2013	82,310	30.9	40,260	40,648	3,313,800,600	92.5%	44.4%	7.4%
2014	82,810	31.0	41,456	42,440	3,432,971,360	92.6%	44.1%	6.6%
2015	83,580	31.2	42,511	43,536	3,553,069,380	92.7%	44.2%	6.0%
2016	85,146	31.1	44,273	44,441	3,769,668,858	92.7%	43.7%	5.8%
2017	87,574	***	***	***	***	***	***	5.0%

*** Information was unavailable at the time this schedule was prepared.

Sources: United States Census Bureau, US Dept. of Labor, Bureau of Labor Statistics.

**City of Bellingham
Schedule 16
Principal Employers
Current Year and Nine Years Prior**

Employer	2017			2008		
	Employees	Rank	Percentage of total employment	Employees	Rank	Percentage of total employment
St. Joseph Hospital	3,028	1	2.88%	2,706	1	2.63%
Western Washington University	1,700	2	1.62%	1,664	2	1.62%
Bellingham School District	1,010	3	0.96%	1,300	3	1.26%
Whatcom County	907	4	0.86%	920	4	0.89%
City of Bellingham	853	5	0.81%	852	5	0.83%
Haggen Inc.	750	6	0.71%	933	6	0.91%
Fred Meyer	710	7	0.67%	552	9	0.54%
Whatcom Educational Credit Union	668	8	0.64%	-	-	-
Bellingham Technical College	664	9	0.63%	-	-	-
Zodia Interiors	496	10	0.47%	-	-	-
Sterling Life Insurance	-	-	-	700	7	0.68%
Sodexo Services	-	-	-	671	8	0.65%
The Markets LLC	-	-	-	485	10	0.47%
Total employed by the top 10 employers	<u>10,786</u>		<u>10.25%</u>	<u>10,783</u>		<u>10.47%</u>
Total employment of Bellingham, WA (MSA)	<u>105,188</u>			<u>102,979</u>		

Source: Western Washington University, CBE, and United States Dept of Labor, BLS.

City of Bellingham
Schedule 17
Full-time Equivalent City Government Employees by Groups
Last Ten Fiscal Years

Employee groups	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	90.8	87.0	80.1	76.9	79.6	77.1	79.3	76.5	76.0	77.0
Supervisors & Professionals	107.8	106.0	100.0	97.5	97.0	96.0	100.5	102.0	105.8	107.1
Professional Librarians	8.0	8.0	6.3	7.0	6.7	7.0	7.5	7.5	7.5	7.5
Emergency Med Svcs Dispatch	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Fire Supervisors	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0
Firefighters	135.0	133.0	129.0	133.0	133.0	127.5	123.5	120.0	121.0	129.0
Police	102.0	106.0	99.7	101.0	102.0	101.0	103.0	105.0	106.0	108.0
Police Lieutenants	5.0	5.0	5.0	5.0	5.0	5.0	6.0	6.0	6.0	6.0
WHAT COMM Dispatch	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Non-Uniformed	<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>	<u>325.1</u>	<u>337.9</u>	<u>338.6</u>
Total regular workforce	856.7	852.6	795.9	786.6	794.2	783.3	799.8	797.1	815.2	828.2
Temporary labor	<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>	<u>68.0</u>	<u>66.0</u>	<u>63.2</u>
Total paid workforce	<u>921.3</u>	<u>915.2</u>	<u>857.9</u>	<u>847.2</u>	<u>854.4</u>	<u>845.8</u>	<u>861.8</u>	<u>865.1</u>	<u>881.2</u>	<u>891.4</u>

Source: City of Bellingham adopted budget report for budgeted employees.

City of Bellingham
Schedule 18
Operating Indicators by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community Development										
First time home buyer assistance	23	12	5	5	8	4	11	12	10	11
Development Services										
Building permits issued	776	668	752	675	702	778	865	874	795	768
All permits issued	3,627	3,178	3,472	3,615	3,602	4,112	4,417	4,520	4,641	4,522
Planning										
Subdivision/short plats	31	37	25	36	32	33	32	46	58	52
New lots created	81	72	72	26	79	22	99	81	40	149
Information Technology Services										
Ave. # of unique website visitors/month	44,437	45,442	53,450	50,282	53,991	59,447	64,528	72,583	51,500	57,193
Judicial Services										
Infractions filed	9,304	8,910	8,614	7,483	7,213	7,048	6,898	6,604	5,621	5,064
Misdemeanors filed	4,089	3,665	3,844	3,576	3,442	3,606	3,131	2,838	2,909	2,697
Parking citations filed	53,023	50,967	54,186	44,966	43,681	35,475	30,657	31,250	30,531	21,250
Hearings	21,752	20,022	20,015	19,216	23,918	19,404	18,638	14,884	13,671	13,622
Legal Services										
Criminal filings	3,860	4,138	3,844	3,576	3,442	3,631	2,972	2,682	2,744	2,463
Claims filed	60	79	48	58	48	35	52	59	60	52
Library										
Circulation per capita	19	21	21	20	20	20	20	19	18	18
Persons visiting	594,000	924,300	836,700	862,300	842,200	825,800	830,900	837,700	811,600	787,700
Museum										
Total attendance	90,700	50,445	70,879	64,977	72,400	73,800	73,100	71,900	71,907	73,257
Parks										
Park acreage	3,334	3,440	3,446	3,561	3,574	3,580	3,587	3,615	3,643	3,643
Trail miles	66	67	68	68	68	69	69	70	71	72
Greenway levy acres	598	696	697	812	824	830	837	893	894	894
Public Safety Services										
Total dispatch incidents/CAD	129,048	128,416	128,734	127,248	124,480	134,300	140,200	143,900	151,000	133,233
Incidents per dispatcher	5,611	5,583	4,951	5,533	5,081	5,839	6,096	6,257	6,293	5,793
Reportable police calls	25,658	24,261	23,673	22,123	21,953	24,577	25,930	23,748	23,925	23,516
Fire incidents	11,440	11,351	11,705	10,993	10,105	11,030	11,301	11,784	16,036	18,063
Paramedic incidents	10,063	9,100	9,045	11,213	8,024	9,443	10,497	8,807	8,809	9,118
Transportation										
Feet of streets resurfaced	5,282	12,883	31,205	26,664	24,552	30,254	13,992	9,240	4,066	5,040
Miles of bicycle lanes and trails	37	39	41	43	48	49	52	58	62	67
Wastewater										
Million of gallons wastewater/day	12	13	12	12	13	12	12	12	12	12
Feet of wastewater main added	1,373	22,787	23,598	27,964	5,586	27,192	2,265	11,095	5,711	5,832
Water										
Million of gallons water treated/day	10	9	9	9	9	8	8	7	8	9
Feet of water main added	1,024	4,628	1,685	18,188	6,264	4,148	3,057	8,626	13,760	21,999

Source: City of Bellingham departments.

*** 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Governmental Services										
City Hall	1	1	1	1	1	1	1	1	1	1
Federal building (gifted to City)	1	1	1	1	1	1	1	1	1	1
Municipal court building	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Station	1	1	1	1	1	1	1	1	1	1
Police vehicles	39	34	39	44	46	49	51	52	49	50
Police motorcycles	***	***	***	***	7	9	7	7	7	7
Armored unit	1	1	1	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	12	10	10	10	10	10	10	10	10
Command vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	13	13	13	13	13	13	13	12	11	12
Physical Environment										
Public Works										
Operations facility	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	395	390	393	396	413	414	416	417	420	423
Sewer mains (miles)	316	316	316	314	315	314	314	317	315	316
Storm mains (miles)	328	311	311	311	311	263	263	268	270	272
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)	297	297	297	297	297	301	301	302	304	305
Sidewalks (miles)	143	149	199	291	291	291	296	298	301	302
Traffic signals maintained	***	***	***	199	203	205	205	219	219	219
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	45	45	52	52	70	71	91	91
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	14	24	24
Softball fields	4	4	4	4	4	4	6	8	10	10
Playgrounds	***	***	***	***	***	***	***	***	28	28
Overwater dock/pier	1	1	1	1	1	1	1	1	3	3
Boat launch ramps	***	***	***	***	***	***	***	***	2	2
Skateboard park	1	1	1	1	1	1	1	1	4	4
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	1	1	1

Source: City of Bellingham, Public Works and Parks departments.

*** Statistical figures were not available at the time of this report compilation.

**Schedule 20
Municipal Utilities
Last Ten Fiscal Years**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water customers										
Single family (SF)	19,664	19,259	19,093	18,828	19,311	19,569	19,773	21,232	21,351	21,878
Multi-family & commercial	4,713	5,224	5,489	5,940	5,867	6,009	4,862	4,897	5,848	6,590
Total customers	24,377	24,483	24,582	24,768	25,178	25,578	24,635	26,129	27,199	28,468
Water monthly rates										
Single family base rates										
Metered 5/8"	9.23	10.11	10.61	11.11	11.61	13.10	14.21	15.42	19.35	20.33
Metered 3/4"	13.04	14.31	14.86	15.42	15.97	18.02	19.55	21.21	26.62	27.97
Metered 1"	20.68	22.68	23.35	24.02	24.69	27.85	30.23	32.78	41.15	43.24
Metered 1 1/2"	39.77	43.62	44.58	45.55	46.51	52.47	56.94	61.76	77.52	81.44
Metered 2"	62.68	68.75	70.06	71.37	72.68	82.00	88.98	96.51	121.13	127.27
Metered 3"	123.77	135.78	138.02	140.25	142.49	160.76	174.44	189.21	237.48	249.52
Metered 4"	192.50	211.17	214.45	217.74	221.02	249.35	270.57	293.48	368.37	387.03
Metered 6"	383.41	420.60	426.79	432.97	439.16	495.45	537.62	583.14	731.93	769.02
Volume rate per 1 CCF	1.12	1.22	1.32	1.43	1.53	1.58	1.63	1.67	1.72	1.82
Non-single family base rates										
Metered 5/8"	12.10	13.27	15.35	17.43	19.51	21.00	21.75	22.39	25.56	28.32
Metered 3/4"	17.35	19.03	21.96	24.89	27.82	29.95	31.01	31.93	36.44	40.39
Metered 1"	27.85	30.56	35.19	39.82	44.45	44.45	49.55	51.01	58.22	64.53
Metered 1 1/2"	54.12	59.36	68.24	77.13	86.01	92.59	95.88	98.70	112.66	124.86
Metered 2"	85.64	93.94	107.92	121.91	135.89	146.28	151.49	155.94	178.00	197.27
Metered 3"	169.68	186.14	213.73	241.31	268.90	289.46	299.76	308.58	352.23	390.36
Metered 4"	264.23	289.86	332.75	375.65	418.54	450.54	466.57	480.30	548.24	607.59
Metered 6"	526.88	577.98	663.39	748.80	834.21	898.00	929.95	957.32	1,092.71	1,211.02
Metered 8"	842.05	923.73	1,060.15	1,196.58	1,333.00	2,240.24	1,485.99	1,529.71	1,746.06	1,935.11
Metered 10"	1,314.81	1,442.35	1,655.30	1,866.25	2,081.20	3,045.74	2,319.94	2,388.21	2,725.98	3,021.12
Metered 12"	n/a	n/a	n/a	n/a	n/a	n/a	3,154.11	3,246.93	3,706.15	4,107.41
Volume rate per 1 CCF	1.12	1.22	1.32	1.43	1.53	1.63	1.77	1.93	1.94	1.94
Irrigation vol. rate per 1 CCF	1.84	2.01	2.11	2.20	2.30	2.35	2.40	2.45	2.50	2.55
Wastewater customers										
Single family	19,664	19,259	19,093	18,828	19,311	19,569	19,784	20,465	21,131	21,804
Multi-family & commercial	4,713	6,224	5,489	5,940	5,867	6,009	4,860	4,865	4,978	5,394
Total customers	24,377	25,483	24,582	24,768	25,178	25,578	24,644	25,330	26,109	27,198
Wastewater monthly rates										
Single family (rate class 1)	25.83	27.51	29.30	31.20	33.23	33.97	35.07	37.24	39.47	41.66
Non-single family										
Base rate (class 2-4)	25.83	27.51	29.30	31.20	33.23	33.97	35.07	37.24	39.47	41.66
Volume rate per 1 CCF > 16 CCF	2.71	2.89	3.08	3.28	3.49	4.09	4.66	4.99	5.43	5.80
Base rate (class 5 and up)	23.78	25.32	29.96	31.90	33.23	33.97	44.35	56.84	59.84	62.97
Volume rate per 1 CCF > 16 CCF	2.97	3.16	3.37	3.59	3.49	4.09	6.09	7.83	8.44	8.98
Stormwater monthly base rates										
Small footprint < 1k sq. ft.	4.20	4.20	4.20	4.20	4.20	5.08	5.39	5.71	6.05	6.42
Medium footprint 1k-2.99k sq. ft.	7.00	7.00	7.00	7.00	7.00	8.47	8.98	9.52	10.09	10.69
Large footprint > 3k sq. ft., per sq ft.	0.00466	0.00466	0.00466	0.00466	0.00466	0.00564	0.00598	0.00634	0.00672	0.00712
Watershed monthly rates										
Single family, base rate only	5.00	5.00	5.00	5.00	5.00	12.33	12.41	12.63	12.86	13.13
Non-single family & Irrigation										
Base rate	5.00	5.00	5.00	5.00	5.00	5.14	5.17	5.265	5.36	5.48
Volume rate per 1 CCF > 22 CCF	0.27	0.27	0.27	0.27	0.27	0.66	0.66	0.6761	0.682	0.6963

All rates shown are for inside city limits
1 CCF (100 cubic feet) = 748 gallons