

City of Bellingham, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2007



Whatcom Creek

City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2007

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John Carter, January 22, 2008

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06/11/2008

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TABLE OF CONTENTS

INTRODUCTORY SECTION

Table of Contents _____	i
Letter of Transmittal _____	1-1
Certificate of Achievement _____	1-6
Organization Chart _____	1-7
List of Elected and Appointed Officials _____	1-8

FINANCIAL SECTION

Independent Auditor's Report _____	2-1
Management's Discussion and Analysis _____	3-1

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Assets _____	4-2
Statement of Activities _____	4-3
Governmental Funds	
Balance Sheet _____	4-4
Reconciliation of the Balance Sheet to the Statement of Net Assets _____	4-5
Statement of Revenues, Expenditures and Changes in Fund Balances _____	4-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities _____	4-7
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual GAAP Basis	
General Fund _____	4-8
Street Fund _____	4-9
HUD Grant Fund _____	4-10
Proprietary Funds	
Statement of Net Assets _____	4-12
Statement of Revenues, Expenses and Changes in Fund Net Assets _____	4-14
Statement of Cash Flows _____	4-16
Fiduciary Funds	
Statement of Net Assets _____	4-18
Statement of Changes in Net Assets _____	4-19
Notes to the Financial Statements _____	4-21

Combining and Individual Fund Statements

Nonmajor Governmental Funds	
Combining Balance Sheet _____	5-2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances _____	5-3
Nonmajor Special Revenue Funds	
Descriptions _____	5-5
Combining Balance Sheet _____	5-8
Combining Statement of Revenues, Expenditures and Changes in Fund Balances _____	5-10
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis	
Arterial Street Construction Fund _____	5-12
Paths and Trails Reserve Fund _____	5-13
Park Site Acquisition Fund _____	5-14
Technology Replacement and Reserve Fund _____	5-15
Capital Maintenance Fund _____	5-16
Library Gift Fund _____	5-17
Olympic Pipeline Incident Fund _____	5-18

Squalicum Park/Olympic Fund _____	5-19
Olympic Restoration Fund _____	5-20
Olympic – Whatcom Falls Park Addition Fund _____	5-21
Little Squalicum Oeser Settlement Fund _____	5-22
First ¼% Real Estate Excise Tax Fund _____	5-23
Second ¼% Real Estate Excise Tax Fund _____	5-24
Police Federal Equitable Fund _____	5-25
Asset Forfeiture/Drug Enforcement Fund _____	5-26
Criminal Justice Fund _____	5-27
Public Safety Dispatch Fund _____	5-28
Beyond Greenway Levy Fund _____	5-29
Greenway III Levy Fund _____	5-30
Park Impact Fees Fund _____	5-31
Sportsplex Fund _____	5-32
Tourism Fund _____	5-33
Nonmajor Special Revenue Fund _____	5-34
Nonmajor Debt Service Funds	
Descriptions _____	5-35
Combining Balance Sheet _____	5-36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances _____	5-37
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis	
2001 Fire UTGO Bond Fund _____	5-38
1999 Municipal Court LTGO Bond Fund _____	5-39
1996 Refund LTGO Bond Fund _____	5-39
2004 Sportsplex Acq. LTGO Bond Fund _____	5-41
2004 PFD/Civic Field LTGO Bond Fund _____	5-42
Drake Note Fund _____	5-43
PW Trust Fund Loan – Roeder Avenue _____	5-44
PW Trust Fund Loan – Woburn Street _____	5-45
CERB Loans Fund _____	5-46
PW Trust Fund Loan – Street Overlay _____	5-47
LID Guaranty Fund _____	5-48
Nonmajor Debt Service Funds _____	5-49
Nonmajor Capital Project Funds	
Descriptions _____	5-51
Balance Sheet _____	5-52
Statement of Revenues, Expenditures and Changes in Fund Balances _____	5-53
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Civic Field Improvement Fund _____	5-54
Nonmajor Permanent Funds	
Descriptions _____	5-55
Combining Balance Sheet _____	5-56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances _____	5-57

Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis	
Beyond Greenway Endowment Fund _____	5-58
Natural Resource Protect and Restore Fund _____	5-59
Nonmajor Permanent Funds _____	5-60
Nonmajor Enterprise Funds	
Descriptions _____	5-61
Combining Statement of Net Assets _____	5-62
Combining Statement of Revenues, Expenses and Changes in Net Assets _____	5-63
Combining Statement of Cash Flows _____	5-64
Nonmajor Internal Service Funds	
Descriptions _____	5-67
Combining Statement of Net Assets _____	5-68
Combining Statement of Revenues, Expenses and Changes in Net Assets _____	5-69
Combining Statement of Cash Flows _____	5-70
Nonmajor Fiduciary Funds	
Descriptions _____	5-73
Combining Statement of Net Assets _____	5-74
Combining Statement of Changes in Plan Net Assets – Pension Trust Funds _____	5-76
Combining Statement of Changes in Assets and Liabilities – Agency Funds _____	5-77

STATISTICAL SECTION

Table of Contents - Descriptions _____	6-1
Schedule 1 – Net Assets by Component _____	6-2
Schedule 2 – Change in Net Assets _____	6-3
Schedule 3 – Fund Balances, Governmental Funds _____	6-5
Schedule 4 – Changes in Fund Balances, Governmental Funds _____	6-6
Schedule 5 – Assessed Value of Taxable Property _____	6-7
Schedule 6 – Direct & Overlapping Property Tax Rates _____	6-8
Schedule 7 – Principal Property Tax Payers _____	6-9
Schedule 8 – Property Tax Levies and Collections _____	6-10
Schedule 9 – Ratios of Outstanding Debt by Type _____	6-11
Schedule 10 – Ratios of General Obligation Bonded Debt Outstanding _____	6-12
Schedule 11 – Direct and Overlapping Governmental Activities Debt _____	6-13
Schedule 12 – Legal Debt Margin Information _____	6-14
Schedule 13 – Pledged-Revenue Coverage _____	6-15
Schedule 14 – Demographic and Economic Statistics _____	6-16
Schedule 15 – Principal Employers _____	6-17
Schedule 16 – Full-time Equivalent City Government Employees by Groups _____	6-18
Schedule 17 – Operating Indicators by Function/Performance Measures _____	6-19
Schedule 18 – Capital Asset Statistics by Function _____	6-20

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards _____	7-1
Notes to the Schedule of Expenditures of Federal Awards _____	7-3
Schedule of State and Local Financial Assistance _____	7-4



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FINANCE DEPARTMENT
City Hall, 210 Lottie Street
Bellingham, Washington 98225
John Carter, Director

June 30, 2008

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

I am pleased to submit the City of Bellingham's 2007 Comprehensive Annual Financial Report (CAFR).

State law requires that cities with populations of 25,000 or more publish financial statements in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by the Washington State Auditor's Office under the Revised Code of Washington (RCW) 43.09.020. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) for the City of Bellingham for the fiscal year ended December 31, 2007.

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

The CAFR includes all funds and agencies of the City. In addition, the CAFR reports on the City's discrete component unit, the Bellingham Whatcom Public Facilities District (PFD), separately from City activities in the government-wide statement of net assets and statement of activities and in the notes.

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

GOVERNMENT PROFILE

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

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

Incorporated in 1904, Bellingham is the 11th largest of 281 cities in the State of Washington. Located in the northwest corner of Washington State in Whatcom County, it is 54 miles south of Vancouver, British Columbia, and 88 miles north of Seattle on the Interstate 5 corridor. The City encompasses approximately 28 square miles and serves as the County Seat.



Discrete Component Unit

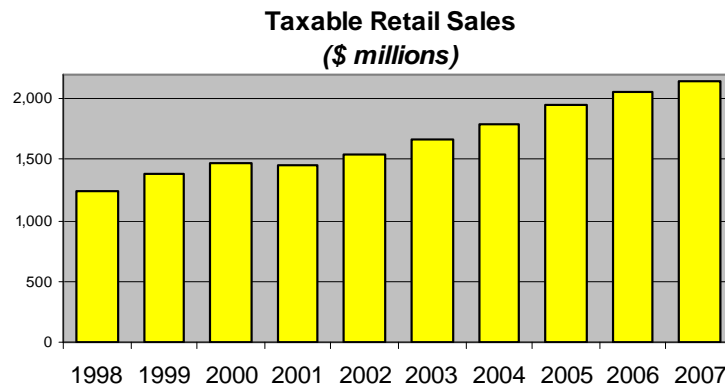
The Bellingham-Whatcom Public Facilities District (PFD) is a separate legal entity from the City. The PFD is audited by the State Auditor’s Office independently from the City. The mission of the PFD is to create a regional center in the City that will enhance economic development in the business core, funded by a state rebate of .033% of locally collected sales tax.

ECONOMIC CONDITION AND OUTLOOK

Bellingham’s 2007 population of 75,220 has increased 21% from 1998 and is projected to increase at a rate of 2% per year in the next 10 years. The City’s annual per capita income of \$30,688 (2006 figure) has increased 42% since 1997. Whatcom County’s unemployment, currently at 4.1%, is below historical averages and reflects a sound local economy.

The value of 2007 residential and commercial building permits, \$200 million, is 48% higher than the prior year due in large part to several very sizable commercial/public projects.

Over the past two 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 matured. Retail, services, and manufacturing activities continue to expand at a steady pace. The City’s taxable retail sales of \$2.15 billion increased 5% over the prior year. Sales tax, the City’s largest single revenue source, increased by 2% to \$18.6 million in 2007. Business & Occupation tax, a key source of general fund revenue, increased by 8% to \$12.2 million in 2007.



Tourism, education, and health care have a significant impact on the local economy. Our geographical location, including Bellingham Bay and Mt. Baker, offers significant recreational opportunities. A study by the Washington State Department of Community, Trade, and Economic Development shows that visitors spent \$423 million in Whatcom County in 2006. This ranks fifth in visitor spending among the state’s 39 counties.

Western Washington University (the City’s second largest employer), Whatcom Community and Bellingham Technical Colleges host more than 22,000 students. St. Joseph Hospital, a 253-bed medical center and Level III Trauma Center serving Northwest Washington, is the City’s largest employer.

The City develops six-year financial forecasts for the General Fund for use as a planning tool to make resource allocation decisions with greater emphasis on potential financial consequences.

The Capital Facilities Program (CFP) is a six-year financing plan matching the costs of future capital improvements to anticipated revenues. The current year adopted budget authorizes current year projects, with estimates for future year capital spending provided for information and planning.

MAJOR INITIATIVES

Waterfront Redevelopment

In 2004, the Port of Bellingham acquired the Georgia-Pacific 140 acre waterfront site and agreed to conduct environmental cleanup of the property. The property includes sites for which the City has been named as a potentially liable party by the Washington State Department of Ecology. In 2005, the City paid \$3.7 million to the Port for its share of environmental expenses.

During 2008, the City anticipates substantially completing a master plan and environmental impact statement for the New Whatcom Special Development area. The City will provide infrastructure to the property including utilities, streets, parks, and trails as determined in a development agreement to be 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. Full development is not expected to be completed for over 20 years.

Downtown Redevelopment

Redevelopment of the downtown core is dynamic and a result of multiple efforts. The PFD is spearheading cultural development. Private developers, with City assistance, are creating new and refurbished structures. Strategic improvements are underway for central Railroad Avenue including a permanent shelter for the local Farmer's Market, completed in 2006, which serves as a hub for other recreational activities. In 2007, the PFD issued a bond to pay for a major capital renovation of the historic Mt. Baker Theatre and for the construction of a new Art and Children's Museum. Both of these projects are expected to be completed in late 2008.

Annexations

There are currently nine annexation proposals under consideration. Each City department has identified potential future operational and capital needs based on these pending annexations. The impact of each annexation or combination of annexations to the city will be determined by the following factors: current and future population, assessed valuation, current and future land use patterns, and capital infrastructure and equipment needed to provide city services to the area. Incremental cost increases to provide City services to these areas would likely be covered by increases in tax revenues. However, capital expenses such as road improvements, utility upgrades, parks, trails, fire equipment, and etc. would most likely require additional funding sources.

Bond Issues

In 2007, the City did not issue any bonds.

In 2007, the Bellingham-Whatcom Public Facilities District issued a general obligation bond for which the City is contingently liable. The expectation is that PFD sales tax revenue should cover all of the required interest and principle payments for the life of the bond. General details of the PFD bond are as follows:

- 2007 PFD general obligation bond for \$9,995,000 to help fund a major renovation of the Mt. Baker Theatre and the construction of a new Art and Children's Museum.

The City's bond rating assigned by Moody's is Aa3 for voted general obligation debt and A1 for unvoted general obligation and revenue debt.

FINANCIAL MANAGEMENT AND CONTROLS***Internal Controls***

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

Budgetary Controls

The City of Bellingham 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 and at the departmental level for the general fund.

Cash Management

The City invests temporarily idle cash in investments authorized by State law including U.S. agency issues and the Washington State Local Government Investment Pool. The average yield on investments during 2007 was 4.87%, which produced earnings of \$6.7 million on all of the city's investments for the year. The City structures its investments to provide necessary liquidity and to minimize risk while achieving reasonable yields on its portfolio.

Risk Management

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

AWARDS AND ACKNOWLEDGEMENTS***Independent Audit***

State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official. The 2007 audit of the City has been completed and was performed in conformance with generally accepted auditing standards. The financial statements of all City funds and agencies have been included in this audit. The City has received an unqualified opinion for 2007 which represents the eighth consecutive "clean" audit. Please refer to the Auditor's Opinion letter at the beginning of the Financial Section of this report.

Awards

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bellingham for its 2006 Comprehensive Annual Financial Report. This was the seventh consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an efficiently organized and clearly discernable comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement 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.

Additionally, the City has also received the GFOA "Distinguished Budget" award for the City's 2004, 2005, 2006, and 2007 Budgets.

Acknowledgements

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

Respectfully submitted,

A handwritten signature in black ink that reads "John R. Carter". The signature is written in a cursive style with a large, stylized initial "J".

John Carter
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bellingham
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



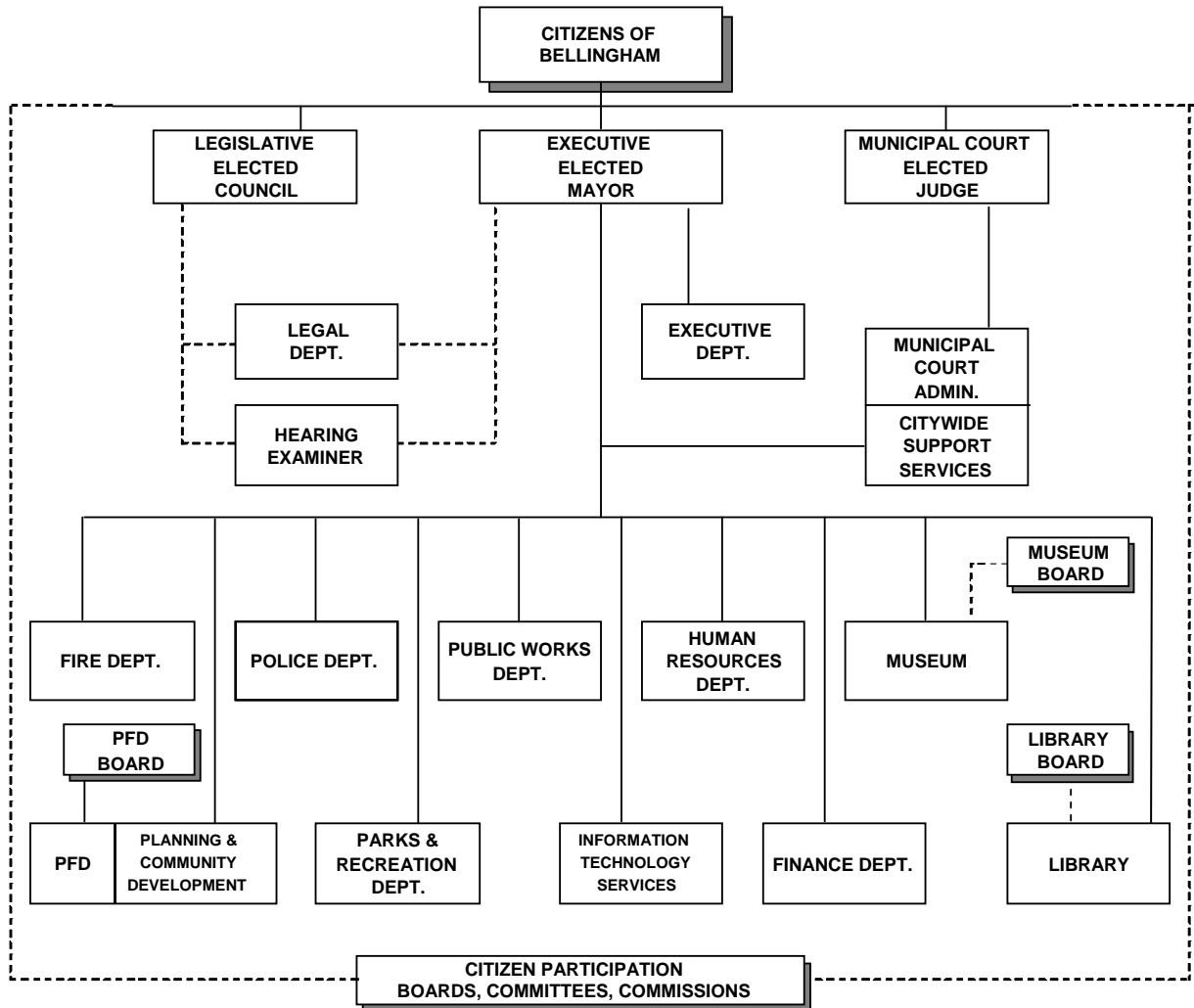
Charles S. Cox

President

Jeffrey R. Egan

Executive Director

Organization Chart



- TEXT BOX

 A text box indicates a department or elected official within the City organization.
- TEXT BOX

 A divided box indicates dual function and responsibility within the same department.
- TEXT BOX

 A box with a shadow indicates an entity outside the City organization.
- A dotted line indicates an indirect or advisory relationship.
- _____ A solid line indicates a formal and direct relationship.
- PFD** Public Facilities District

Elected Officials

Position	Name	Term	Expiration
Mayor	Tim Douglas	1 year	November 26, 2007
Mayor	Dan Pike	4 years	December 31, 2011
Finance Director	Therese Holm	4 years	December 31, 2007
Municipal Court Judge	Deborah Lev	4 years	December 31, 2009
Council Members			
1 st Ward	Bob Ryan	4 years	December 31, 2007
2 nd Ward	Gene Knutson	4 years	December 31, 2009
3 rd Ward	John Watts	4 years	December 31, 2007
4 th Ward	Joan Beardsley	2 years	October 31, 2007
4 th Ward	Stan Snapp	2 years	December 31, 2009
5 th Ward	Terry Bornemann	4 years	December 31, 2007
6 th Ward	Barbara Ryan	4 years	December 31, 2009
At Large	Louise Bjornson	2 years	December 31, 2007

Appointed Officials

Position	Name
Deputy Administrator (Jan-Jun)	Malcom Fleming
Interim Deputy Administrator (Jul-Dec)	Linda Storck
City Attorney	Joan Hoisington
Hearing Examiner	Dawn Sturwold
Interim Museum Director (Jan-Oct)	Les Reardanz
Museum Director (Nov-Dec)	Patricia Leach
Library Director	Pam Kiesner
Director of Human Resources (Jan-May)	Jo Zeimet
Interim Director of Human Res. (Jun-Dec)	Andrew Rowlson
Director of Information Systems	Marty Mulholland
Director of Judicial & Support Services	Linda Storck
Director of Parks & Recreation	Paul Leuthold
Director of Planning & Community Dev.	Tim Stewart
Director of Public Works	Richard McKinley
Fire Chief	Bill Boyd
Police Chief	Randall Carroll



**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 27, 2008

Council
City of Bellingham
Bellingham, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Bellingham, Whatcom County, Washington, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, Street, and HUD Grant funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

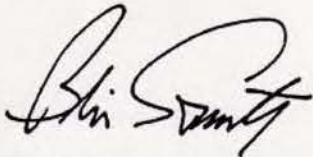
The management's discussion and analysis on pages 3-1 through 3-10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements on pages 5-2 through 5-77 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory, Statistical and Single Audit Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellingham presents this discussion and analysis as part of the City's financial statement for the fiscal year ending December 31, 2007. The information presented should be read in conjunction with the transmittal letter, the financial statements and the notes to the financial statements which follow.

Financial Highlights

- The government's overall financial position improved in 2007 as compared to 2006.
- The assets of the City exceeded its liabilities at December 31, 2007 by \$563,897,511. Of this amount, the use of \$78,300,094 is unrestricted.
- The City's total net assets increased by \$58,086,699 including a prior period adjustment of \$18,452,702 related to capital asset valuation.
- The City's governmental funds increased \$16,005,069 from the prior year to an ending fund balance of \$74,618,293. Of this amount \$48,922,602 is restricted by the purpose of the funds.
- At the end of the current fiscal year the general fund's unreserved fund balance was \$24,242,434. This represents 44% of fund expenditures.
- Total bonded debt for the City of Bellingham at December 31, 2007 is \$55,840,436. This consists of \$31.9 million in general obligation bonds, \$23.0 million in revenue bonds, and \$0.9 million in special assessment bonds.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Bellingham's 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 City of Bellingham's financial condition in a manner similar to private sector statements. They distinguish between functions that are primarily supported by taxes 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 statements provide both short-term and long-term information about the overall financial status of the City. All funds are represented except fiduciary types.

- The **statement of net assets** presents information on assets and liabilities similar to a private sector balance sheet. The difference between assets and liabilities becomes the "net" asset. This report could be useful in determining the condition of the City's infrastructure systems for future development as well as general economic changes.
- The **statement of activities** reports the change in the City's net assets 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 include a discrete component unit, the Bellingham-Whatcom Public Facility District (PFD). The operations of the PFD are legally separate from the City and governed by an interlocal agreement between the City and the PFD. (In the MD & A applicable financial data from the 2006 statements has been restated to reflect the change in the treatment of the PFD as a special revenue fund and blended component unit.)

Fund financial statements provide detailed information about the City's most significant funds, not the City as a whole, and are used to track specific sources of funding and spending. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is 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, a portion of public works and general administration. 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 City’s 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. These statements demonstrate compliance with the City’s adopted and final revised budget.

Proprietary funds represent activities the City operates similar to private business wherein customers (either outside customers or internal funds or departments of the City) are charged a fee for services. 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 five major funds; the water, wastewater, storm and surface water, and solid waste utilities and medic one, as well as five other non-major enterprise funds.

Internal service funds are used to report activities that provide supplies and services for many City programs. The City uses internal service funds to account for employee benefits, fleet maintenance, telecommunications and others. Because these services benefit governmental operations more than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary 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 such as police and firefighters pension 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 assets and a statement of changes in net assets. These funds are excluded from the government-wide financial statements because these assets cannot be used to finance City operations.

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

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

Government-wide Financial Analysis

Net assets

The City’s net assets total \$563.9 million at December 31, 2007, an increase of 11.5% over December 31, 2006.

	2007	Incr (Decr) from 2006
Capital assets, net of related debt	\$ 431.8 million	\$ 58.1 million
Restricted assets	53.8 million	2.9 million
Unrestricted assets	<u>78.3 million</u>	<u>(2.9) million</u>
Total net assets	<u><u>\$ 563.9 million</u></u>	<u><u>\$ 58.1 million</u></u>

The City's net assets are consistent with the prior year. Capital assets net of related debt composed of land, buildings, streets and other significant investments represent 76.6% of net assets. This is an increase of 2.7% from 2006. This amount is not considered liquid and is not available for future spending.

Resources subject to a variety of external constraints including bond covenants, construction requirements, levy agreements, endowment terms, settlement agreements, the Revised Code of Washington (RCW), etc. restrict 9.5% of net assets, down slightly from the prior year. The remaining balance of unrestricted net assets are available to meet the City's ongoing obligations. In 2007 this comprises 13.9% of net assets, a decrease of 2.2% from the prior year.

	Net Assets					
	<i>(in thousands)</i>					
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current	\$ 108,027	\$ 92,654	\$ 30,929	\$ 28,936	\$ 138,956	\$ 121,590
Noncurrent	10,103	9,935	17,294	16,275	27,397	26,210
Capital assets (net of depr)	268,984	240,828	205,132	199,141	474,116	439,969
Total assets	387,114	343,417	253,355	244,352	640,469	587,769
Liabilities						
Current	3,493	3,317	5,289	5,169	8,782	8,486
Current portion long-term	5,544	5,343	4,220	3,983	9,764	9,326
Long-term noncurrent	26,126	28,505	31,900	35,641	58,026	64,146
Total liabilities	35,163	37,165	41,409	44,793	76,572	81,958
Net assets						
Invested in capital assets, net of related debt	251,024	211,337	180,824	162,350	431,848	373,687
Restricted	43,371	38,456	10,378	12,465	53,749	50,921
Unrestricted	57,556	56,459	20,744	24,744	78,300	81,203
Total net assets	\$ 351,951	\$ 306,252	\$ 211,946	\$ 199,559	\$ 563,897	\$ 505,811

Changes in net assets

Of the total increase of \$39.6 million in 2007 net assets, \$29.6 million is in governmental activities. This consists of \$29.9 million in revenues over expenses, and \$202 thousand in net transfers out. Prior period adjustments are not included in the above numbers.

The \$10.0 million increase in net assets for business-type activities is composed of net revenues over expenses of \$9.7 million, \$35 thousand gain on the sale of capital assets, and net transfers in from governmental activities of \$202 thousand.

Net Assets (in thousands)	Changes in Net Assets (in thousands)					
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Program revenues:						
Charges for services	\$ 20,597	\$ 18,957	\$ 48,517	\$ 44,057	\$ 69,114	\$ 63,014
Operating grants and contributions	3,494	4,365	46	49	3,540	4,414
Capital grants and contributions	11,137	8,235	1,762	3,427	12,899	11,662
General revenues:						
Property tax	15,905	13,093	-	-	15,905	13,093
Retail sales and use taxes	21,855	21,037	596	350	22,451	21,387
Interfund tax	3,764	3,563	-	-	3,764	3,563
Business tax	20,973	19,221	1,256	1,163	22,229	20,384
Other unrestricted revenues	8,862	8,160	2,709	2,075	11,571	10,235
Micellaneous sources/(uses)	7,207	-	1,000	-	8,207	-
Total revenues	113,794	96,631	55,886	51,121	169,680	147,752
Program expenses:						
General government	14,285	13,867	-	-	14,285	13,867
Public safety	35,049	30,177	-	-	35,049	30,177
Physical environment	4,911	4,232	-	-	4,911	4,232
Transportation	9,335	8,895	-	-	9,335	8,895
Economic environment	5,646	5,359	-	-	5,646	5,359
Mental and physical health	46	60	-	-	46	60
Culture and recreation	13,478	12,897	-	-	13,478	12,897
Interest & other debt service costs	1,193	1,302	-	-	1,193	1,302
Water	-	-	13,141	12,476	13,141	12,476
Wastewater	-	-	13,419	12,748	13,419	12,748
Storm & surface water	-	-	4,121	3,964	4,121	3,964
Solid waste	-	-	1,866	1,742	1,866	1,742
Medic one	-	-	8,657	7,879	8,657	7,879
Other business type activities	-	-	4,934	5,119	4,934	5,119
Total expenses	83,943	76,789	46,138	43,928	130,081	120,717
Excess or deficiency before any transfers	29,851	19,842	9,748	7,193	39,599	27,035
Gain (loss) sale of capital assets	-	-	35	337	35	337
Transfers	(202)	(44)	202	44	-	-
Change in net assets	29,649	19,798	9,985	7,574	39,634	27,372
Net assets - beginning	306,252	286,454	199,559	191,985	505,811	478,439
Prior period adjustments	16,050	-	2,402	-	18,452	-
Net assets - ending	\$ 351,951	\$ 306,252	\$ 211,946	\$ 199,559	\$ 563,897	\$ 505,811

Program revenues and expenses – citywide

In 2007 overall Citywide revenues increased 14.6% from 2006 to \$169.7 million. Charges for services increased \$6.1 million. The local economy and construction activity fueled continued growth in business, and property taxes. Business tax increased by \$1.8 million, and property tax by \$2.8 million from 2006. See the fund level analysis for more details.

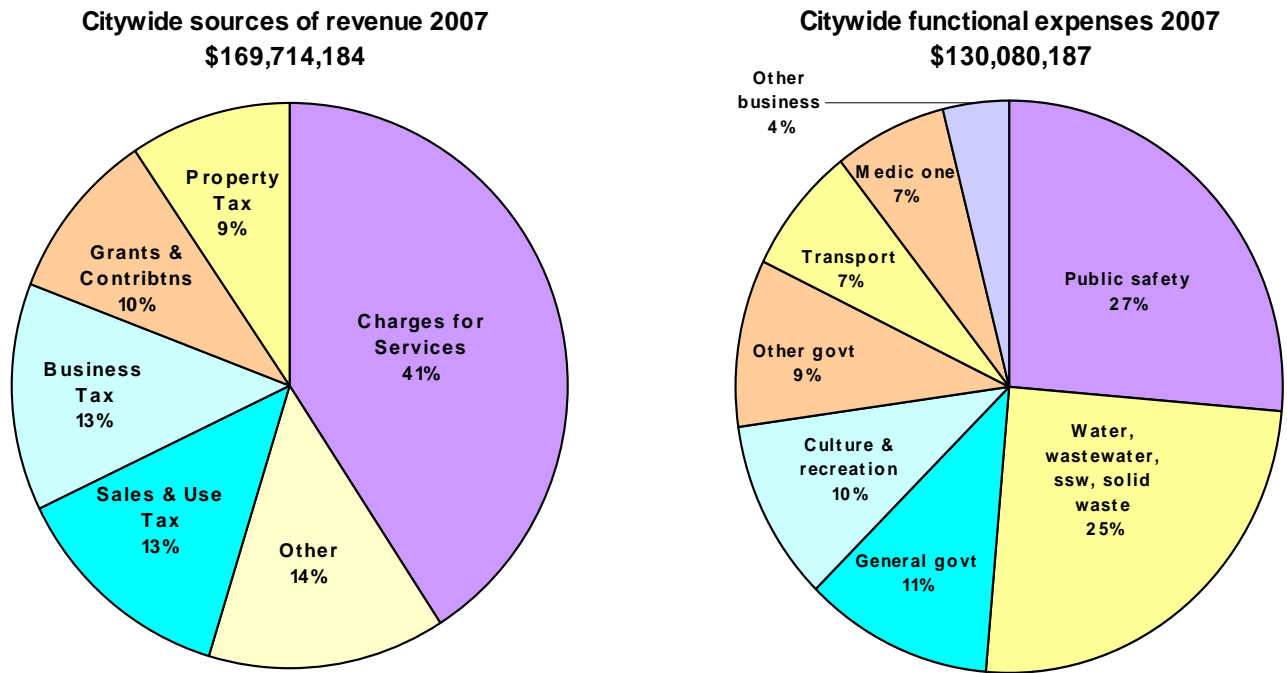
In 2007 overall Citywide expenses increased 8% from 2006 to \$130.1 million.

Program revenues and expenses – governmental activities

In 2007 expenses for governmental programs increased \$7.2 million from 2006. The largest increases were \$4.9 million in public safety, \$678 thousand in physical environment, \$580 thousand in culture and recreation, \$440 thousand in transportation, and \$418 thousand in general government. Public safety is the largest governmental activity with 42% of all of the city’s governmental expenses.

Program revenues and expenses – business-type activities

Charges for services for the business type funds increased \$4.5 million in 2007 from 2006 with significant increases in Medic one, \$1.3 million, parking, \$1.3 million, and wastewater, \$942 thousand. There were more moderate increases in charges for service in water, \$711 thousand, and storm and surface water, \$458 thousand. There was a moderate increase in the expenses for the business type funds from 2006 to 2007 of \$2.2 million. In 2007 Medic one expenses increased \$779 thousand, wastewater fund expenses increased \$670 thousand, and water fund expenses increased \$666 thousand. Medic one, which as an enterprise fund is shown separately from the governmental components of public safety comprises an additional 7% of total citywide expenses.



Fund Level Financial Analysis

Governmental activities

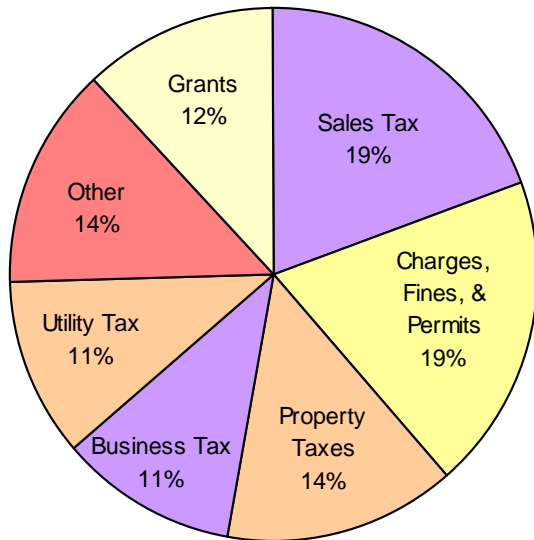
Revenues

Fund balance in governmental funds increased \$16.0 million (including transfers) in 2007 to \$74.6 million. Overall governmental revenues increased 18.0% in 2007 while non-capital and non-debt related expenditures increased 1.3%. The increase in the governmental fund balance was due in significant part to remediation insurance settlements of \$7.2 million awarded to the City during the fiscal year.

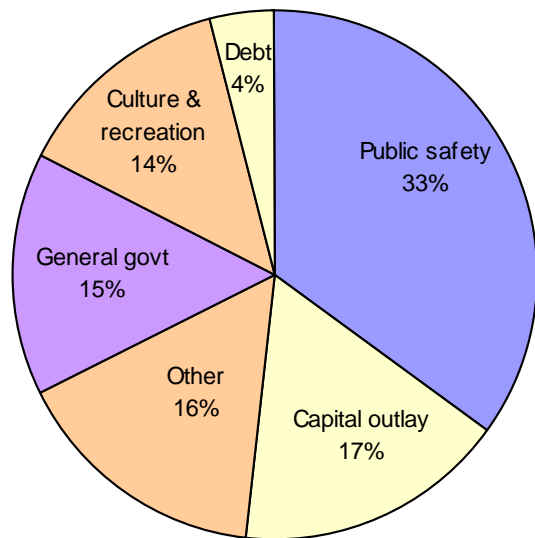
Taxes are the most significant source of governmental revenues, representing 59% of total governmental revenues and 71% of general fund revenues. Taxes support services, such as fire, police and parks which are basic to the City’s mission yet do not themselves generate substantial revenues. The major tax categories are retail sales and use, business and occupation, property and utility taxes. Tax collections in all of these major categories increased from 2006 to 2007:

- Sales tax revenue is allocated evenly between the general fund and the street fund. The general fund portion of sales tax is up 4% to \$9.5 million.
- Business and occupation tax in the general fund is up 8% to \$12.2 million.
- Property tax is collected for the general fund, fire pension fund and voted levies supporting debt and parks. General fund collections rose 4% to \$11.6 million.
- Utility taxes are collected by the general fund from both private and City owned utilities. General fund utility tax revenues increased 9% to \$12.2 million.

Governmental activities revenue 2007
\$112,379,154



Governmental activities expenditure 2007
\$94,748,098



Expenditures

Public safety (fire, police and municipal court) accounted for 33% of general governmental expenses.

General government expenditures are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprise 15% of total expenditures. Cultural services include most parks and recreation programs, the museum and the library. They represent another 14% of expenditures. Other expenditures include transportation, engineering, planning and housing & community services comprising 16% of general expenditures.

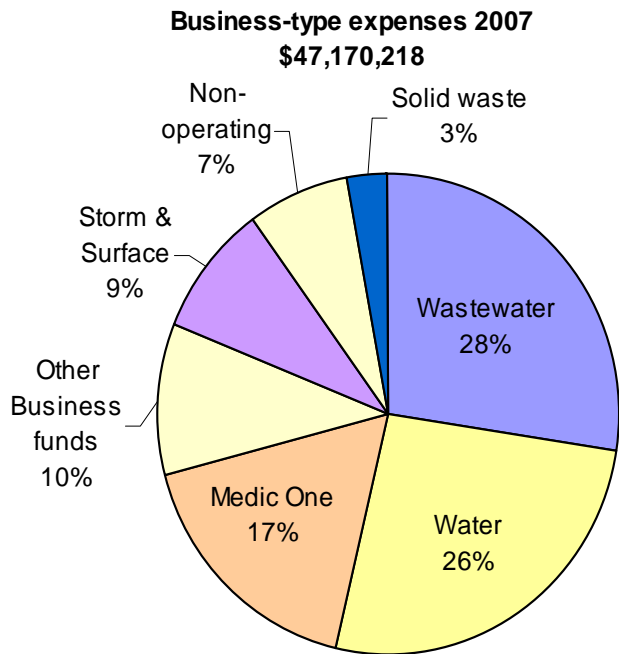
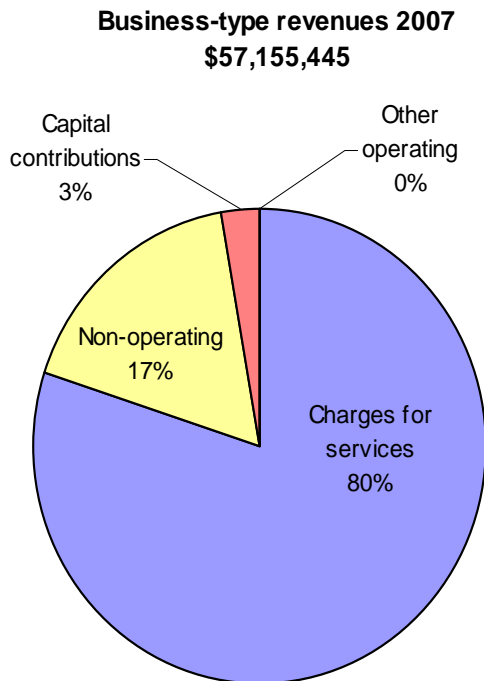
Capital expenditures are 17% and debt service and redemption are 4% of total governmental expenditures.

Business-type activities

Net assets increased by \$10.0 million, for a total of \$212 million in business-type funds. Operating revenues increased 8.5%, and operating expenses increased by 4.4%.

The financial position of the City's business-type funds is largely influenced by the water and wastewater funds. Together they comprise 64% of operating revenues, 58% of expenses and 84% of net assets.

Medic one and the cemetery are the only business-type activities that require support from the general fund. In 2007 the cemetery received \$228,654. Medic one received a cash operating subsidy from the City of \$1,005,982. Details for medic one are in Note V-C of the financial statements.



Financial Analysis of City Funds

At the end of 2007 the City had 40 governmental funds. Four of these are classified as major, based on GASB criteria. The general fund is the primary governmental fund. The street fund is responsible for maintenance of City streets and engineering services. HUD grant fund manages significant grant activity and the LID assessment debt fund is responsible for special assessment debt.

The following comparisons do not include prior period adjustments in order to focus on current operations.

The general fund increased in fund balance \$11.5 million due in part to insurance remediation settlements of \$7.0 million and to increased tax revenues of 2.8 million. The street fund ending fund balance increased \$1.6 million dollars due increased intergovernmental revenue and charges for services.

The fund balance for non-major governmental funds increased by \$3.3 million, largely due to increases of \$2.0 million in the greenway levy funds from taxes and \$1.1 million in the park impact fees fund from impact fees.

The City has nine business-type funds. The five major business-type funds are water, wastewater, storm and surface water, solid waste and medic one. Water fund net assets increased \$3.1 million in 2007, an amount very similar to the increase in 2006. Wastewater assets increased \$3.2 million with revenues and expenses similar to 2006. In 2007 storm and surface water assets increased \$1.3. The net assets of the solid waste fund increased \$870 thousand in 2007 due to insurance recoveries of \$1.2 million for environmental remediation. The net assets of medic one increased by \$310 thousand in 2007 due to increases in external operating subsidies.

The net assets of parking services increased \$907 thousand in 2007 due to increased meter income, parking rents, and parking fines. The net assets of the other non-major business-type funds remained relatively stable with an increase for all of the non-major business-type funds (including parking) of \$1.2 million.

Net assets in the telecommunications fund increased \$1.2 million due to the installation of a new citywide VOIP telephone system. Activity in the other seven internal service funds remained relatively stable, resulting in an increase in net assets of \$1.8 million on total net assets of \$26.9 million.

General Fund Budgetary Highlights

For 2007, the adopted general fund budget for expenditures was \$63.3 million, the final budget was \$63.0 million and the actual expenditures were \$55.4 million. Amendments to the City 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 December, 2006.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Actual revenues were \$7.5 million higher than the final budget, or 112%. Actual expenditures are \$7.6 million below final budget amounts, or 88%. See below for explanation.

The City's general fund balance of \$25.7 million is greater than the general fund's budgetary fund balance of \$13.3 million due to:

- Un-budgeted revenue of \$7 million from insurance settlements for environmental remediation.
- Changes in the accounting for accrued absences made after year end were not reflected by corresponding changes in the budget resulting in a higher than normal final budget to actual expenditures variance.
- Budgetary fund balance excludes accounts receivable, current employee benefits and deferred revenues.
- General fund re-appropriations of expenditures to 2008 were \$2.3 million.

Capital Asset and Debt Administration

Capital assets

At the end of 2007, the City had invested \$474.1 million (net of depreciation) in a wide range of capital assets throughout governmental and business-type activities. This includes an increase in net capital assets of \$34.1 million during the year. Unusual events that impacted assets included adding historical value for land previously showing no value and an asset policy change to increase capitalization thresholds. (For information see Note V-H)

More detailed information about the City's capital assets is presented in Note IV-D to the financial statements.

	Capital Assets (net of depreciation, in thousands)						Percentage change 2007 - 2006
	Governmental activities		Business-type activities		Total		
	2007	2006	2007	2006	2007	2006	
Land	\$ 103,536	\$ 78,226	\$ 33,846	\$ 26,629	\$ 137,382	\$ 104,855	31.0%
Buildings	28,365	29,488	52,743	54,720	81,108	84,208	-3.7%
Improvements and infrastructure	95,915	97,137	106,590	100,458	202,505	197,595	2.5%
Machinery and equipment	9,222	9,155	3,315	4,344	12,537	13,499	-7.1%
Construction in progress	31,946	26,821	8,638	12,990	40,584	39,811	1.9%
Total	\$ 268,984	\$ 240,827	\$ 205,132	\$ 199,141	\$ 474,116	\$ 439,968	7.8%

The 2008 adopted capital budget includes \$52.4 million for capital projects, principally in parks, street, wastewater and water funds. The 2008 budget has been amended to include \$53.2 million in uncompleted projects re-appropriated from 2007.

Long-term debt

At year end, the City had \$67.8 million in bonds and notes outstanding, a decrease of \$5.7 million from 2007. More detailed information about the City's long-term liabilities is presented in Note IV-G and V-I of the financial statements.

The City of Bellingham's current revenue bond rating from Moody's is 'A1' for all bonds. The City's general obligation bond issue is 'A1' for non-voted bonds and 'Aa3' for voted bonds.

	Outstanding Debt (in thousands)						Percentage change 2007 - 2006
	Governmental activities		Business-type activities		Total		
	2007	2006	2007	2006	2007	2006	
General obligation bonds	\$ 23,255	\$ 25,045	\$ 8,654	\$ 9,024	\$ 31,909	\$ 34,069	-6.3%
Revenue bonds	-	-	23,006	25,513	23,006	25,513	-9.8%
Special assessment bonds	925	1,295	-	-	925	1,295	-28.6%
Notes and settlements	167	173	1,500	2,000	1,667	2,173	-23.3%
Government loans	2,624	2,978	2,371	2,528	4,995	5,506	-9.3%
Claims and litigation	457	371	-	-	457	371	23.2%
Compensated absences	4,242	4,000	589	559	4,831	4,559	6.0%
Total	\$ 31,670	\$ 33,862	\$ 36,120	\$ 39,624	\$ 67,790	\$ 73,486	-7.8%

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 of the city. The limits are:

- 1.50% non-voted
- 2.50% voted and non-voted
- 7.50% voted if excess over 2.50% is for utilities, parks or open space development

Calculation of Legally Available Debt at December 31, 2007

Total assessed value	\$ 7,070,686,728
Allowable general purpose indebtedness (legal limit 2.5% of taxable property value)	176,767,168
Unvoted indebtedness incurred (less assets available)	30,808,025
Voted indebtedness incurred (less assets available)	1,200,088
Total debt incurred	32,008,113
Legally available debt capacity for general purpose	\$144,759,055

Economic Factors and the 2007 Budget

The unemployment rate on December 31, 2007 in Whatcom County compares favorably with its benchmarks, especially considering the impact of 23,267 resident college students.

- Bellingham/Whatcom 2007 rate was 4.2%
- Bellingham/Whatcom 2006 rate was 4.5%
- Washington State 2007 rate was 4.5%
- National rate 2007 was 4.6 %

The Seattle metropolitan area is the closest indicator for inflation rate. In 2007 the inflation rate was 3.9%, above the 2006 level of 3.7% and the 2007 national rate of 2.8%.

Over the last ten years net bonded debt per capita has increased from \$135 to \$423.

In a comparison of 2006 data conducted by the Washington State Auditor's Office with nine other peer Washington State cities in the population range of 49,890 to 101,100, Bellingham's per capita revenues for general and special revenue funds, \$1,087, was above the overall average of \$878. The City's assessed value per capita has increased slightly from \$93,502 in 2006 to \$94,000 in 2007. The ratio of the number of City employees per one thousand of City population is 11.9 employees per one thousand population which is up 1.5% from 2006.

The general fund adopted budget for 2008 has \$81.9 million of resources available for appropriation. General fund adopted budget expenditures for 2008 are \$71.5 million. The City continues to evolve and respond positively 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 of Bellingham financial condition with a general overview of the City's finances and to demonstrate the accountability for the money it receives. Questions concerning any of the information contained herein or requests for additional information should be addressed to the Finance Director, City of Bellingham, 210 Lottie Street, Bellingham, WA 98225.



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CITY OF BELLINGHAM
Statement of Net Assets
December 31, 2007

	Primary Government			Component Unit Public Facilities District
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 33,508,391	\$ 10,476,627	\$ 43,985,018	\$ 992,356
Investments	57,416,384	18,142,893	75,559,277	1,718,339
Receivable (net of allowance for uncollectibles)	9,471,223	2,302,330	11,773,553	157,432
Inventories	892,804	-	892,804	-
Prepaid items	6,738,112	7,175	6,745,287	-
Deferred charges	1,787,362	424,338	2,211,700	248,454
Notes and contracts receivable	8,315,174	-	8,315,174	-
Restricted assets:				
Restricted cash and cash equivalents	-	6,175,493	6,175,493	3,451,778
Restricted investments	-	10,694,404	10,694,404	5,977,614
Capital assets not being depreciated:				
Land	103,535,611	33,846,347	137,381,958	1,329,860
Construction in progress	31,946,582	8,637,987	40,584,569	4,393,927
Capital assets net of accumulated depreciation:				
Buildings	28,364,968	52,743,352	81,108,320	1,760,088
Improvements	95,915,158	106,589,553	202,504,711	3,475,091
Machinery and equipment	9,222,038	3,315,035	12,537,073	-
Total assets	387,113,807	253,355,534	640,469,341	23,504,939
LIABILITIES				
Accounts payable	2,421,232	944,002	3,365,234	351,515
Accrued wages and benefits	2,651,639	385,670	3,037,309	11,308
Internal balance	(2,469,077)	2,469,077	-	-
Other accrued liabilities	889,262	1,490,250	2,379,512	101
Noncurrent liabilities:				
Due within one year				
Bonds payable (net of unamortized premium/discount)	1,890,000	3,051,408	4,941,408	2,049
Compensated absences	3,244,641	475,607	3,720,248	2,806
Other long-term liabilities	314,655	692,772	1,007,427	-
Claims and judgments payable	95,000	-	95,000	-
Due in more than one year:				
Bonds payable (net of unamortized premium/discount)	21,365,000	28,609,028	49,974,028	9,951,968
Special assessments with government commitments	925,000	-	925,000	-
Other long-term liabilities	2,475,891	3,177,775	5,653,666	-
Compensated absences	997,565	113,451	1,111,016	1,650
Claims and judgments payable	361,982	-	361,982	-
Total liabilities	35,162,790	41,409,040	76,571,830	10,321,397
NET ASSETS				
Invested in capital assets, net of related debt	251,023,811	180,824,082	431,847,893	9,929,769
Restricted				
Expendable				
Capital projects	21,117,656	-	21,117,656	-
Culture and recreation	11,397,869	-	11,397,869	504,571
Debt service	995,415	3,850,609	4,846,024	-
Physical environment	-	6,527,656	6,527,656	-
Public safety	2,739,719	-	2,739,719	-
Permanent	747,704	-	747,704	-
Nonexpendable				
Permanent	6,372,896	-	6,372,896	-
Unrestricted	57,555,947	20,744,147	78,300,094	2,749,202
Total net assets	\$ 351,951,017	\$ 211,946,494	\$ 563,897,511	\$ 13,183,542

CITY OF BELLINGHAM
Statement of Activities
For the Year Ended December 31, 2007

Functions/Program	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
						Governmental Activities	Business-type Activities	Total	Public Facilities District
Primary Government:									
Governmental activities:									
General government	\$ 14,284,854	\$ (656,315)	\$ 8,214,128	\$ 1,027,580	\$ -	\$ (4,386,831)	\$ -	\$ (4,386,831)	
Public safety	35,049,105	124,866	5,536,189	938,193	-	(28,699,589)	-	(28,699,589)	
Physical environment	4,910,829	240,907	2,865,241	110,740	-	(2,175,755)	-	(2,175,755)	
Transportation	9,335,399	132,437	982,665	-	7,604,566	(880,605)	-	(880,605)	
Economic environment	5,645,655	158,105	1,340,234	1,059,837	-	(3,403,689)	-	(3,403,689)	
Mental and physical health	45,929	-	-	-	-	(45,929)	-	(45,929)	
Culture and recreation	13,477,767	-	1,658,473	99,096	2,913,780	(8,806,418)	-	(8,806,418)	
Interest	1,192,772	-	-	258,058	619,081	(315,633)	-	(315,633)	
Total governmental activities	<u>83,942,310</u>	<u>-</u>	<u>20,596,930</u>	<u>3,493,504</u>	<u>11,137,427</u>	<u>(48,714,449)</u>	<u>-</u>	<u>(48,714,449)</u>	
Business-type activities:									
Water	13,141,474	-	14,426,124	-	985,044	-	2,269,694	2,269,694	
Wastewater	13,418,966	-	15,269,074	3,271	409,141	-	2,262,520	2,262,520	
Surface and stormwater	4,121,268	-	4,884,658	-	368,128	-	1,131,518	1,131,518	
Solid waste	1,865,236	-	308,130	10,823	-	-	(1,546,283)	(1,546,283)	
Cemetery	634,208	-	366,050	-	-	-	(268,158)	(268,158)	
Golf course	741,103	-	729,949	-	-	-	(11,154)	(11,154)	
Parking	984,043	-	2,375,143	-	-	-	1,391,100	1,391,100	
Medic one	8,657,338	-	7,291,514	31,499	-	-	(1,334,325)	(1,334,325)	
Development services	2,574,241	-	2,866,133	-	-	-	291,892	291,892	
Total business-type activities	<u>46,137,877</u>	<u>-</u>	<u>48,516,775</u>	<u>45,593</u>	<u>1,762,313</u>	<u>-</u>	<u>4,186,804</u>	<u>4,186,804</u>	
Total primary government	<u>\$ 130,080,187</u>	<u>\$ -</u>	<u>\$ 69,113,705</u>	<u>\$ 3,539,097</u>	<u>\$ 12,899,740</u>	<u>(48,714,449)</u>	<u>4,186,804</u>	<u>(44,527,645)</u>	
Component unit:									
Public Facilities District	\$ 1,019,575	\$ -	\$ 23,242	\$ -	\$ 189,646			(806,687)	
Total component unit	<u>\$ 1,019,575</u>	<u>\$ -</u>	<u>\$ 23,242</u>	<u>\$ -</u>	<u>\$ 189,646</u>			<u>(806,687)</u>	
General revenues:									
Taxes:									
Property taxes						15,905,123	-	15,905,123	-
Retail sales and use taxes						21,854,574	595,633	22,450,207	1,128,194
Interfund taxes						3,763,959	-	3,763,959	-
Business taxes						20,972,718	1,256,117	22,228,835	-
Other taxes						4,085,034	-	4,085,034	-
Unrestricted investment earnings						4,776,518	2,709,735	7,486,253	388,302
Miscellaneous sources/(uses)						7,207,497	1,000,000	8,207,497	-
Gain (loss) on sale of capital assets						-	34,734	34,734	-
Transfers						(202,204)	202,204	-	-
Total general revenues and transfers						<u>78,363,219</u>	<u>5,798,423</u>	<u>84,161,642</u>	<u>1,516,496</u>
Change in net assets						29,648,770	9,985,227	39,633,997	709,809
Net assets - beginning						306,251,720	199,559,092	505,810,812	13,559,751
Prior period adjustments						16,050,527	2,402,175	18,452,702	(1,086,018)
Net assets - ending						<u>\$ 351,951,017</u>	<u>\$ 211,946,494</u>	<u>\$ 563,897,511</u>	<u>\$ 13,183,542</u>

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Street</u>	<u>HUD Grant Fund</u>	<u>LID Assessment Debt Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 10,017,722	\$ 4,247,281	\$ 323,735	\$ 3,852	\$ 13,004,026	\$ 27,596,616
Investments	17,297,057	7,355,226	-	6,670	22,519,719	47,178,672
Receivable (net of allowance for uncollectibles)	560,670	479,336	172,588	140,204	440,961	1,793,759
Interfund receivables	23,940	-	-	-	2,450,000	2,473,940
Prepaid items	1,453,257	1,000	-	-	-	1,454,257
Special assessments - deferred	-	-	-	1,787,362	-	1,787,362
Notes and contracts receivable	-	-	7,960,713	-	202,058	8,162,771
Total assets	<u>29,352,646</u>	<u>12,082,843</u>	<u>8,457,036</u>	<u>1,938,088</u>	<u>38,616,764</u>	<u>90,447,377</u>
LIABILITIES						
Accounts payable	1,120,936	593,227	41,170	251	392,685	2,148,269
Accrued wages and benefits	2,080,089	306,183	-	-	146,865	2,533,137
Interfund payables	-	4,863	-	-	-	4,863
Other liabilities	102,306	554,691	3,670	-	68,148	728,815
Deferred revenue	<u>353,624</u>	<u>-</u>	<u>7,960,713</u>	<u>1,787,362</u>	<u>312,301</u>	<u>10,414,000</u>
Total liabilities	<u>3,656,955</u>	<u>1,458,964</u>	<u>8,005,553</u>	<u>1,787,613</u>	<u>919,999</u>	<u>15,829,084</u>
FUND BALANCES						
Reserved for:						
Prepaid items	1,453,257	1,000	-	-	-	1,454,257
Permanent funds	-	-	-	-	6,372,896	6,372,896
Unreserved fund balance	24,242,434	10,622,879	451,483	150,475	-	35,467,271
Unreserved reported in nonmajor:						
Special revenue funds	-	-	-	-	29,422,119	29,422,119
Debt service funds	-	-	-	-	325,116	325,116
Capital project funds	-	-	-	-	828,930	828,930
Permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747,704</u>	<u>747,704</u>
Total fund balances	<u>25,695,691</u>	<u>10,623,879</u>	<u>451,483</u>	<u>150,475</u>	<u>37,696,765</u>	<u>74,618,293</u>
Total liabilities and fund balances	<u>\$ 29,352,646</u>	<u>\$ 12,082,843</u>	<u>\$ 8,457,036</u>	<u>\$ 1,938,088</u>	<u>\$ 38,616,764</u>	<u>\$ 90,447,377</u>

CITY OF BELLINGHAM
Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Assets
December 31, 2007

Total fund balances - governmental funds	\$ 74,618,293
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore not reported as assets in the funds.	258,417,963
Long-term assets not available to pay for current period expenditures and therefore deferred in the funds.	10,414,000
Internal service funds are used to charge the cost of services to other funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	26,909,499
Interest income from investments not shown in modified accrual governmental funds.	635,180
Accounts receivable income not shown in modified accrual governmental funds.	6,866,773
Long-term liabilities that are not due and payable in the current period are not reported in the funds.	<u>(25,910,691)</u>
Net assets of governmental activities	<u>\$ 351,951,017</u>

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	<u>General</u>	<u>Street</u>	<u>HUD Grant Fund</u>	<u>LID Assessment Debt Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$ 48,385,653	\$ 9,412,372	\$ -	\$ -	\$ 8,679,071	\$ 66,477,096
Licenses and permits	856,089	61,629	-	-	-	917,718
Intergovernmental revenue	1,945,602	4,261,303	1,054,209	-	4,719,875	11,980,989
Charges for services	7,304,633	8,115,067	177,654	-	3,130,738	18,728,092
Fines and forfeits	1,153,695	-	-	-	-	1,153,695
Miscellaneous revenues	8,900,662	792,078	53,724	437,222	2,937,878	13,121,564
Total revenues	<u>68,546,334</u>	<u>22,642,449</u>	<u>1,285,587</u>	<u>437,222</u>	<u>19,467,562</u>	<u>112,379,154</u>
EXPENDITURES						
Current:						
General government services	10,782,582	3,017,993	-	-	280,571	14,081,146
Public safety	29,141,431	-	-	-	3,902,807	33,044,238
Physical environment	361,396	4,331,389	-	-	246,083	4,938,868
Transportation	-	5,234,218	-	-	-	5,234,218
Economic environment	3,278,142	-	1,676,595	-	21,365	4,976,102
Mental and physical health	45,929	-	-	-	-	45,929
Cultural and recreation	11,540,110	-	-	-	1,339,897	12,880,007
Debt service:						
Redemption of general long-term debt	-	-	-	370,000	2,149,893	2,519,893
Interest and other debt service cost	-	-	-	83,751	1,123,604	1,207,355
Capital outlay	<u>281,143</u>	<u>7,719,213</u>	<u>146,390</u>	<u>-</u>	<u>7,673,596</u>	<u>15,820,342</u>
Total expenditures	<u>55,430,733</u>	<u>20,302,813</u>	<u>1,822,985</u>	<u>453,751</u>	<u>16,737,816</u>	<u>94,748,098</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,115,601</u>	<u>2,339,636</u>	<u>(537,398)</u>	<u>(16,529)</u>	<u>2,729,746</u>	<u>17,631,056</u>
OTHER FINANCING SOURCES (USES)						
General long-term debt	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	1,867,759	40,000	211,371	-	2,782,430	4,901,560
Transfers out	<u>(3,498,691)</u>	<u>(790,972)</u>	<u>-</u>	<u>-</u>	<u>(2,237,884)</u>	<u>(6,527,547)</u>
Total other financing sources and (uses)	<u>(1,630,932)</u>	<u>(750,972)</u>	<u>211,371</u>	<u>-</u>	<u>544,546</u>	<u>(1,625,987)</u>
Net change in fund balances	11,484,669	1,588,664	(326,027)	(16,529)	3,274,292	16,005,069
Fund balances - beginning	14,211,022	9,035,215	777,510	167,004	34,422,473	58,613,224
Fund balances - ending	<u>\$ 25,695,691</u>	<u>\$ 10,623,879</u>	<u>\$ 451,483</u>	<u>\$ 150,475</u>	<u>\$ 37,696,765</u>	<u>\$ 74,618,293</u>

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, 2007

Net changes in fund balances - total governmental funds \$ 16,005,069

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$15,820,342 exceeded depreciation of (\$5,649,941) in the current period. 10,170,401

Completed capital projects for 2007 1,058,423

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,253,731

Bond issues are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements issuing debt increases long-term liabilities in the statement of net assets and does not effect the statement of activities. -

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. There were no proceeds in the current period. This is the amount that repayment exceeded proceeds. 2,519,893

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. (3,111,464)

Internal service funds are used by management to charge costs of certain activities, such as fleet, warehouse, facilities, telecommunications, etc. to individual funds. The net revenue (expense) of these funds is reported with governmental activities. 1,752,717

Change in net assets of governmental activities \$ 29,648,770

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
General Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 11,400,000	\$ 11,400,000	\$ 11,563,812	\$ 163,812
Retail sales and use	9,700,000	9,700,000	9,508,838	(191,162)
Interfund	3,623,381	3,623,381	3,763,959	140,578
Business	12,250,000	12,250,000	12,249,332	(668)
Other	10,636,438	10,636,438	11,299,712	663,274
Licenses and permits	810,235	810,235	856,089	45,854
Intergovernmental revenue	1,775,901	2,635,307	1,945,602	(689,705)
Charges for services	6,491,935	7,659,472	7,304,633	(354,839)
Fines and forfeits	1,767,558	1,167,558	1,153,695	(13,863)
Miscellaneous revenues:				
Investment interest	707,100	707,100	989,406	282,306
Unrealized gain (loss) on investments	-	-	223,042	223,042
Other miscellaneous revenues	488,138	500,137	7,688,214	7,188,077
Total revenues	<u>59,650,686</u>	<u>61,089,628</u>	<u>68,546,334</u>	<u>7,456,706</u>
EXPENDITURES				
Office of the mayor	1,138,533	2,508,328	2,127,727	380,601
City council	356,702	356,702	317,809	38,893
Hearing examiner	149,008	149,008	130,246	18,762
Museum	1,517,414	1,531,546	1,438,600	92,946
Library	8,413,572	3,492,282	3,330,620	161,662
Finance	1,715,455	1,715,455	1,514,198	201,257
Human resources	1,433,501	1,483,537	1,296,871	186,666
Information services	2,418,929	2,424,162	2,058,746	365,416
Legal	1,342,133	1,317,133	1,221,206	95,927
Judicial and support services	3,823,959	4,321,713	3,843,591	478,122
Parks and recreation	7,445,026	7,439,428	6,770,889	668,539
Planning	2,843,360	4,518,640	3,218,154	1,300,486
Fire	13,482,323	13,989,125	12,532,309	1,456,816
Police	16,706,686	17,332,655	15,395,849	1,936,806
Non Departmental	535,312	405,312	233,918	171,394
Total expenditures	<u>63,321,913</u>	<u>62,985,026</u>	<u>55,430,733</u>	<u>7,554,293</u>
Excess of revenues over (under) expenditures	<u>(3,671,227)</u>	<u>(1,895,398)</u>	<u>13,115,601</u>	<u>15,010,999</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	378,689	1,928,300	1,867,759	(60,541)
Transfers out	<u>(3,260,824)</u>	<u>(3,215,515)</u>	<u>(3,498,691)</u>	<u>(283,176)</u>
Total other financing sources (uses)	<u>(2,882,135)</u>	<u>(1,287,215)</u>	<u>(1,630,932)</u>	<u>(343,717)</u>
Net change in fund balances	(6,553,362)	(3,182,613)	11,484,669	14,667,282
Fund balance - beginning	12,194,340	16,482,153	14,211,022	(2,271,131)
Fund balance - ending	<u>\$ 5,640,978</u>	<u>\$ 13,299,540</u>	<u>\$ 25,695,691</u>	<u>\$ 12,396,151</u>

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Street Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Taxes	\$ 9,731,365	\$ 9,731,365	\$ 9,412,372	\$ (318,993)
Licenses and permits	59,000	59,000	61,629	2,629
Intergovernmental revenue	6,051,756	13,394,203	4,261,303	(9,132,900)
Charges for services	7,142,892	8,104,867	8,115,067	10,200
Miscellaneous revenues	<u>627,926</u>	<u>720,826</u>	<u>792,078</u>	<u>71,252</u>
Total revenues	<u>23,612,939</u>	<u>32,010,261</u>	<u>22,642,449</u>	<u>(9,367,812)</u>
EXPENDITURES				
Current:				
General government services	3,363,124	3,496,421	3,017,993	478,428
Physical environment	4,680,803	4,938,942	4,331,389	607,553
Transportation	5,874,566	5,902,575	5,234,218	668,357
Capital outlay	<u>9,891,500</u>	<u>23,651,544</u>	<u>7,719,213</u>	<u>15,932,331</u>
Total expenditures	<u>23,809,993</u>	<u>37,989,482</u>	<u>20,302,813</u>	<u>17,686,669</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(197,054)</u>	<u>(5,979,221)</u>	<u>2,339,636</u>	<u>8,318,857</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	40,000	40,000	-
Transfers out	<u>(418,701)</u>	<u>(799,164)</u>	<u>(790,972)</u>	<u>8,192</u>
Total other financing sources (uses)	<u>(378,701)</u>	<u>(759,164)</u>	<u>(750,972)</u>	<u>8,192</u>
Net change in fund balances	(575,755)	(6,738,385)	1,588,664	8,327,049
Fund balance - beginning	<u>1,622,605</u>	<u>9,414,664</u>	<u>9,035,215</u>	<u>(379,449)</u>
Fund balance - ending	<u>\$ 1,046,850</u>	<u>\$ 2,676,279</u>	<u>\$ 10,623,879</u>	<u>\$ 7,947,600</u>

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
HUD Grant Fund
For the Year Ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 1,508,400	\$ 3,267,060	\$ 1,054,209	\$ (2,212,851)
Charges for services	534,184	180,922	177,654	(3,268)
Miscellaneous revenues	<u>63,434</u>	<u>79,964</u>	<u>53,724</u>	<u>(26,240)</u>
Total revenues	<u>2,106,018</u>	<u>3,527,946</u>	<u>1,285,587</u>	<u>(2,242,359)</u>
EXPENDITURES				
Current:				
Economic environment	2,124,348	3,608,302	1,676,595	1,931,707
Capital outlay	<u>122,178</u>	<u>605,720</u>	<u>146,390</u>	<u>459,330</u>
Total expenditures	<u>2,246,526</u>	<u>4,214,022</u>	<u>1,822,985</u>	<u>2,391,037</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>(140,508)</u>	<u>(686,076)</u>	<u>(537,398)</u>	<u>148,678</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	158,105	211,372	211,371	(1)
Transfers out	<u>(14,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>143,775</u>	<u>211,372</u>	<u>211,371</u>	<u>(1)</u>
Net change in fund balances	3,267	(474,704)	(326,027)	148,677
Fund balance - beginning	<u>-</u>	<u>807,469</u>	<u>777,510</u>	<u>(29,959)</u>
Fund balance - ending	<u>\$ 3,267</u>	<u>\$ 332,765</u>	<u>\$ 451,483</u>	<u>\$ 118,718</u>



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CITY OF BELLINGHAM
Statement of Net Assets
Proprietary Funds
December 31, 2007

Page 1 of 2

4-12

ASSETS	Business-type Activities - Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities		
Current assets:								
Cash and cash equivalents	\$ 1,312,863	\$ 5,226,014	\$ 1,405,081	\$ 911,673	\$ 334,926	\$ 1,286,070	\$ 10,476,627	\$ 5,911,775
Investments	2,273,550	9,050,147	2,433,247	1,578,789	580,007	2,227,153	18,142,893	10,237,712
Receivable (net of allowance for uncollectibles)	553,707	603,347	225,486	45,972	585,076	288,742	2,302,330	175,511
Interfund receivables	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	892,804
Prepaid items	7,175	-	-	-	-	-	7,175	51,000
Total current assets	<u>4,147,295</u>	<u>14,879,508</u>	<u>4,063,814</u>	<u>2,536,434</u>	<u>1,500,009</u>	<u>3,801,965</u>	<u>30,929,025</u>	<u>17,268,802</u>
Noncurrent assets:								
Restricted cash and cash equivalents	4,479,857	1,485,597	-	28,511	-	181,528	6,175,493	-
Restricted investments	7,757,988	2,572,681	-	49,374	-	314,361	10,694,404	-
Notes and contracts receivable	-	-	-	-	-	-	-	152,403
Deferred charges	101,176	250,267	-	72,895	-	-	424,338	-
Capital assets (net of accumulated depreciation):								
Land	21,387,537	3,925,297	1,257,927	5,753,951	52,457	1,469,178	33,846,347	40,102
Buildings	7,545,501	41,812,163	-	18,538	371,257	2,995,893	52,743,352	1,926,723
Improvements	50,985,294	34,162,437	20,142,586	457,148	57,580	784,508	106,589,553	165,817
Machinery and equipment	857,382	1,610,615	4,618	110,132	485,430	246,858	3,315,035	7,719,459
Construction in progress	4,376,724	3,871,880	251,186	-	-	138,197	8,637,987	714,293
Total noncurrent assets	<u>97,491,459</u>	<u>89,690,937</u>	<u>21,656,317</u>	<u>6,490,549</u>	<u>966,724</u>	<u>6,130,523</u>	<u>222,426,509</u>	<u>10,718,797</u>
Total assets	<u>101,638,754</u>	<u>104,570,445</u>	<u>25,720,131</u>	<u>9,026,983</u>	<u>2,466,733</u>	<u>9,932,488</u>	<u>253,355,534</u>	<u>27,987,599</u>

CITY OF BELLINGHAM
Statement of Net Assets
Proprietary Funds
December 31, 2007

Page 2 of 2

4-13

	Business-type Activities - Enterprise Funds						Governmental	
LIABILITIES	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities	Totals	Activities - Internal Service Funds
Current liabilities:								
Accounts payable	272,969	279,049	162,409	28,881	124,695	75,999	944,002	272,963
Accrued wages and benefits	107,867	131,374	44,404	4,691	-	97,334	385,670	118,502
Interfund payables	1,946	1,946	973	2,450,000	-	245,080	2,699,945	-
Other accrued liabilities	610,356	167,991	5,027	40,482	204,211	231,315	1,259,382	45,091
Current portion:								
Bonds payable								
(net of unamortized premium/discount)	778,921	1,882,801	-	279,686	-	110,000	3,051,408	-
Compensated absences	142,479	169,229	57,093	2,453	-	104,353	475,607	135,111
Other long-term liabilities	669,325	23,447	-	-	-	-	692,772	95,000
Total current liabilities	2,583,863	2,655,837	269,906	2,806,193	328,906	864,081	9,508,786	666,667
Noncurrent liabilities:								
Bonds payable								
(net of unamortized premium/discount)	14,209,474	6,134,888	-	7,779,666	-	485,000	28,609,028	-
Compensated absences	35,253	48,113	13,975	-	-	16,110	113,451	49,451
Other long-term liabilities	3,107,432	70,343	-	-	-	-	3,177,775	361,982
Total noncurrent liabilities	17,352,159	6,253,344	13,975	7,779,666	-	501,110	31,900,254	411,433
Total liabilities	19,936,022	8,909,181	283,881	10,585,859	328,906	1,365,191	41,409,040	1,078,100
NET ASSETS								
Invested in capital assets, net								
of related debt	72,854,026	77,270,913	21,656,317	3,036,468	966,724	5,039,634	180,824,082	10,566,394
Restricted for debt service	1,739,625	1,961,492	-	52,993	-	96,499	3,850,609	-
Restricted	4,031,479	2,096,787	-	-	-	399,390	6,527,656	-
Unrestricted	3,077,602	14,332,072	3,779,933	(4,648,337)	1,171,103	3,031,774	20,744,147	16,343,105
Total net assets	\$ 81,702,732	\$ 95,661,264	\$ 25,436,250	\$ (1,558,876)	\$ 2,137,827	\$ 8,567,297	211,946,494	\$ 26,909,499

CITY OF BELLINGHAM
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business- type Activities		
Operating revenues:								
Sales of merchandise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,165,802
Less: cost of goods sold	-	-	-	-	-	-	-	(1,324,982)
Customer sales and service fees	14,120,730	14,102,462	4,551,246	77,716	5,012,956	3,941,368	41,806,478	-
Other charges for service	488,528	713,162	298,816	25,118	-	-	1,525,624	1,918,058
Rents, parking and concessions	-	-	-	-	-	2,331,510	2,331,510	-
Trust contributions	-	-	-	-	-	-	-	9,153,664
Other operating revenue	-	-	33,994	-	-	23,832	57,826	4,183,328
Total operating revenues	<u>14,609,258</u>	<u>14,815,624</u>	<u>4,884,056</u>	<u>102,834</u>	<u>5,012,956</u>	<u>6,296,710</u>	<u>45,721,438</u>	<u>16,095,870</u>
Operating expenses:								
General operations	5,544,344	5,735,880	2,279,130	1,161,683	7,343,677	1,514,072	23,578,786	5,783,334
General administration operations	2,280,048	2,385,020	562,606	136,702	600,201	1,720,816	7,685,393	9,444,090
Contracted processing and operations	349,451	525,058	100,357	14,785	-	684,675	1,674,326	-
Maintenance	-	-	-	-	-	784,304	784,304	-
Depreciation	2,029,765	2,404,634	613,130	21,374	117,827	191,275	5,378,005	1,076,997
Property, excise and business taxes	2,222,581	1,874,145	566,045	-	-	-	4,662,771	-
Payments to claimants and beneficiaries	-	-	-	-	-	-	-	422,869
Total operating expenses	<u>12,426,189</u>	<u>12,924,737</u>	<u>4,121,268</u>	<u>1,334,544</u>	<u>8,061,705</u>	<u>4,895,142</u>	<u>43,763,585</u>	<u>16,727,290</u>
Operating income (loss)	<u>2,183,069</u>	<u>1,890,887</u>	<u>762,788</u>	<u>(1,231,710)</u>	<u>(3,048,749)</u>	<u>1,401,568</u>	<u>1,957,853</u>	<u>(631,420)</u>
Nonoperating revenues (expenses):								
External operating subsidies	619	3,271	-	130,937	2,189,000	-	2,323,827	-
Operating assessments and tax levies	-	-	-	1,256,117	-	-	1,256,117	-
Insurance recoveries	-	-	-	1,000,000	-	-	1,000,000	-
Investment interest	803,435	950,065	171,339	139,100	66,249	183,185	2,313,373	728,096
Net incr/(decr) in fair value of investments	141,206	160,834	31,746	21,520	7,498	33,553	396,357	141,121
Interest expense and related charges	(715,285)	(494,229)	-	(530,692)	-	(38,453)	(1,778,659)	-
Gain (loss) on sale of capital assets	-	-	34,734	-	-	-	34,734	(57,281)
Other nonoperating revenues	68,557	453,446	603	85,182	716,689	40,572	1,365,049	148,419
Other nonoperating expenses	-	-	-	-	(595,633)	-	(595,633)	-
Total nonoperating revenue (expense)	<u>298,532</u>	<u>1,073,387</u>	<u>238,422</u>	<u>2,102,164</u>	<u>2,383,803</u>	<u>218,857</u>	<u>6,315,165</u>	<u>960,355</u>
Income (loss) before contributions and transfers	2,481,601	2,964,274	1,001,210	870,454	(664,946)	1,620,425	8,273,018	328,935
Capital contributions	732,735	409,141	368,128	-	-	-	1,510,004	-
Transfers in	-	-	-	-	1,005,892	228,654	1,234,546	1,478,564
Transfers out	(109,616)	(165,319)	(51,967)	-	(30,435)	(675,004)	(1,032,341)	(54,782)
Change in net assets	3,104,720	3,208,096	1,317,371	870,454	310,511	1,174,075	9,985,227	1,752,717
Total net assets - beginning	<u>75,215,997</u>	<u>93,874,074</u>	<u>23,731,807</u>	<u>(2,429,330)</u>	<u>1,903,315</u>	<u>7,263,229</u>	<u>199,559,092</u>	<u>25,226,391</u>
Prior period adjustments	3,382,015	(1,420,906)	387,072	-	(75,999)	129,993	2,402,175	(69,609)
Total net assets - ending	<u>\$ 81,702,732</u>	<u>\$ 95,661,264</u>	<u>\$ 25,436,250</u>	<u>\$ (1,558,876)</u>	<u>\$ 2,137,827</u>	<u>\$ 8,567,297</u>	<u>\$ 211,946,494</u>	<u>\$ 26,909,499</u>

4-14

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



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CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

Page 1 of 2

	Business-type Activities - Enterprise Funds						Governmental	
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	\$ 14,172,038	\$ 14,223,969	\$ 4,976,206	\$ 77,611	\$ 4,915,298	\$ 6,151,737	\$ 44,516,859	\$ 7,093,756
Receipts from interfund services provided	485,758	713,162	-	25,118	-	-	1,224,038	10,285,704
Payments for merchandise	-	-	-	-	-	-	-	(1,349,146)
Payments for wages and operating expenses	(10,414,246)	(10,572,494)	(3,348,412)	(1,340,451)	(7,953,262)	(4,650,280)	(38,279,145)	(15,507,704)
Net cash provided (used) by operating activities	4,243,550	4,364,637	1,627,794	(1,237,722)	(3,037,964)	1,501,457	7,461,752	522,610
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	-	-	-	-	1,005,892	228,654	1,234,546	1,116,957
Transfers out	(109,616)	(165,319)	(51,967)	-	(30,435)	(675,004)	(1,032,341)	(54,782)
Payments for interest	-	-	-	-	-	(25,993)	(25,993)	-
Payments to other governmental units	-	(81)	-	-	(391,420)	-	(391,501)	-
Receipts from insurance companies	-	-	-	1,000,000	-	-	1,000,000	104,654
Receipts from rent and misc. revenues	68,556	453,448	603	85,182	2,553	40,572	650,914	43,765
Receipts from other governmental units	7,906	2,787	-	223,071	2,389,669	-	2,623,433	-
General obligation bond revenue	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-
Contributions from private sources	-	-	-	-	30,060	-	30,060	-
Loan proceeds	-	-	-	-	-	-	-	-
Principal paid on loans	-	-	-	-	-	-	-	-
Receipts for taxes	-	-	-	1,256,117	595,633	-	1,851,750	-
Net cash provided (used) by noncapital financing activities	(33,154)	290,835	(51,364)	2,564,370	3,601,952	(431,771)	5,940,868	1,210,594
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal payment on bonds	(700,000)	(1,820,000)	-	(275,000)	-	(100,000)	(2,895,000)	-
Bond refunding	-	-	-	-	-	-	-	-
General obligation bond revenue	-	-	-	-	-	-	-	-
Revenue bond issue revenue	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-
Payments for interest	(769,004)	(395,644)	-	(522,433)	-	(13,395)	(1,700,476)	-
Principal payments on notes	(500,000)	-	-	-	-	-	(500,000)	-
Purchases of capital assets	(2,971,761)	(3,648,272)	(541,622)	-	(294,076)	(1,022)	(7,456,753)	(1,750,169)
Proceeds from the sale of capital assets	-	-	34,734	-	-	-	34,734	99,742
Interfund loan	(846,840)	846,840	-	-	-	-	-	-
Loan proceeds	-	-	-	-	-	-	-	-
Principal paid on loans	(133,536)	(23,447)	-	-	-	(72,189)	(229,172)	-
Net cash provided (used) by capital financing activities	(5,921,141)	(5,040,523)	(506,888)	(797,433)	(294,076)	(186,606)	(12,746,667)	(1,650,427)
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sales and maturity of investments	9,305,311	9,763,932	1,337,382	996,867	293,456	1,541,569	23,238,517	8,399,406
Purchase of investments	(8,677,403)	(10,053,889)	(2,104,789)	(1,408,381)	(501,715)	(2,198,440)	(24,944,617)	(8,855,747)
Interest and dividends received	801,196	934,685	159,243	132,287	62,915	172,369	2,262,695	712,029
Receipts of principal loan payments	-	-	-	-	-	-	-	5,997
Net cash provided (used) in investment activities	1,429,104	644,728	(608,164)	(279,227)	(145,344)	(484,502)	556,595	261,685
Net increase (decrease) in cash and equivalents	(281,641)	259,677	461,378	249,988	124,568	398,578	1,212,548	344,462
Cash and cash equivalents - beginning of year	6,074,361	6,451,934	943,703	690,196	210,358	1,069,020	15,439,572	5,567,313
Cash and cash equivalents - end of year	5,792,720	6,711,611	1,405,081	940,184	334,926	1,467,598	16,652,120	5,911,775
Cash at end of year consists of								
Cash and cash equivalents	1,312,863	5,226,014	1,405,081	911,673	334,926	1,286,070	10,476,627	5,911,775
Restricted cash	4,479,857	1,485,597	-	28,511	-	181,528	6,175,493	-
Total cash at end of year	\$ 5,792,720	\$ 6,711,611	\$ 1,405,081	\$ 940,184	\$ 334,926	\$ 1,467,598	\$ 16,652,120	\$ 5,911,775

CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

Page 2 of 2

	Business-type Activities Enterprise Funds						Total	Governmental Activities Internal Service Funds
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 2,183,069	\$ 1,890,887	\$ 762,788	\$ (1,231,710)	\$ (3,048,749)	\$ 1,401,568	\$ 1,957,853	\$ (631,420)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation	2,029,765	2,404,634	613,130	21,374	117,827	191,275	5,378,005	1,076,997
Accumulated long-term leave liability	(14)	5,099	200	-	-	(1,415)	3,870	8,177
Change in assets and liabilities:								
(Increase) decrease in accounts receivable other	49,538	121,507	92,150	(105)	(97,658)	(144,973)	20,459	(35,983)
(Increase) decrease in due from other funds	-	-	-	-	-	-	-	-
(Increase) decrease in due from other governmental units	-	-	-	-	-	-	-	-
(Increase) decrease in inventory of supplies	-	-	-	-	-	-	-	115,194
(Increase) decrease in prepayments	(1,000)	-	-	-	-	-	(1,000)	1,000
Increase (decrease) in accounts payable	(49,905)	(78,819)	139,249	(28,090)	(9,384)	655	(26,294)	(25,394)
Increase (decrease) in revenues collected in advance	-	-	-	-	-	47,905	47,905	-
Increase (decrease) in due to other funds	1,946	1,946	973	-	-	14,212	19,077	-
Increase (decrease) in due to other governmental units	-	-	-	-	-	-	-	2,178
Increase (decrease) in other accrued liabilities	22,913	20,465	19,957	809	-	(25,844)	38,300	11,861
Increase (decrease) in other fees and taxes	(1,762)	(2,236)	(653)	-	-	16,189	11,538	-
Increase (decrease) in other current liabilities	9,000	1,154	-	-	-	1,885	12,039	-
Increase (decrease) in other long-term liabilities	-	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 4,243,550</u>	<u>\$ 4,364,637</u>	<u>\$ 1,627,794</u>	<u>\$ (1,237,722)</u>	<u>\$ (3,037,964)</u>	<u>\$ 1,501,457</u>	<u>\$ 7,461,752</u>	<u>\$ 522,610</u>
Noncash investing activities:								
Net change in fair value of investments	141,206	160,834	31,746	21,520	7,498	33,553	396,357	141,121

CITY OF BELLINGHAM
Statement of Net Assets
Fiduciary Funds
December 31, 2007

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,616,182	\$ 166,349
Investments:		
Government securities	6,262,321	-
Receivable (net of allowance for uncollectibles)	130,384	141
Interfund receivables	230,868	-
Total assets	10,239,755	166,490
LIABILITIES		
Accounts payable	696	19,113
Accrued wages and benefits	53,385	-
Other liabilities	46,272	147,377
Total liabilities	100,353	166,490
NET ASSETS		
Held in trust for:		
Employees' pension benefits	\$ 10,139,402	\$ -

CITY OF BELLINGHAM
Statement of Changes in Net Assets
Fiduciary Funds
For the Year Ended December 31, 2007

	Pension Trust Funds
ADDITIONS	
Contributions:	
Other sources	\$ 1,666,071
Employer	1,460,262
Total contributions	3,126,333
Investment income:	
Interest	455,678
Net appreciation (depreciation) in fair value	84,781
Total investment income	540,459
Total additions	3,666,792
 DEDUCTIONS	
Benefits	2,224,387
Administration expense	24,704
Total deductions	2,249,091
Change in net assets held in trust for:	
Employees' pension benefits	1,417,701
Net assets - beginning	8,721,701
Net assets - ending	\$ 10,139,402



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**Notes to the Financial Statements
December 31, 2007
Index to the Notes**

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.	Reporting entity _____	4-22
B.	Government-wide and fund financial statements _____	4-23
C.	Measurement focus, basis of accounting and financial statement presentation _____	4-24
D.	Assets, liabilities and net assets or equity _____	4-25

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A.	Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets _____	4-28
B.	Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities _____	4-28

NOTE III – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A.	Budgetary information _____	4-29
B.	Deficit fund equity _____	4-30
C.	Excess of expenditures over appropriations _____	4-30

NOTE IV – DETAILED NOTES ON ALL FUNDS

A.	Deposits and investments _____	4-30
B.	Receivables _____	4-33
C.	Property taxes _____	4-33
D.	Capital assets _____	4-34
E.	Interfund receivables, payables and transfers _____	4-36
F.	Operating leases _____	4-37
G.	Significant construction commitments _____	4-37
H.	Long-term debt _____	4-38
I.	Segment information _____	4-46

NOTE V – OTHER INFORMATION

A.	Risk management _____	4-47
B.	Contingencies _____	4-48
C.	Interlocal agreements _____	4-50
D.	Employee retirement systems and pension plans _____	4-51
E.	Post employment benefits other than pension benefit _____	4-61
F.	Endowments _____	4-64
G.	New funds and closed funds _____	4-64
H.	Accounting and reporting changes / prior period adjustments _____	4-64
I.	Restricted Net Assets _____	4-65

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

I-A Reporting entity

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

The City is a general-purpose government and provides public safety, fire prevention, street improvement, parks and recreation, judicial administration, planning, economic development and general administrative services. The City owns and operates water and sewer systems, a golf course, a museum, a library, a parking system, a cemetery and an aquatic facility. The City operates an ambulance service (medic one), 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 14, 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, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether or not:

- The City appoints a voting majority of the organization's governing body and 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 unit, an entity for which the City is considered financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Discretely presented component unit -The Bellingham-Whatcom Public Facilities District (PFD) is included in the accompanying financial statements. The 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 City, through an interlocal agreement with the PFD, provides administrative services and financial management. Separately issued financial statements can be obtained from the City of Bellingham at 210 Lottie, Bellingham, WA 98225.

The City contributes resources and shares managerial responsibility with other local governments in the Whatcom County Council of Governments.

The operations of the Bellingham School District are essentially conducted within the City's borders. It is a separate municipal corporation and no financial interdependency exists.

The governing authority for the Bellingham Housing Authority is appointed jointly by the Mayor and Whatcom County Executive. Accountability for this organization does not extend beyond making the appointments. The City has entered into loan agreements with the Housing Authority (see note V-B for details). Financial reports may be obtained by contacting the Housing Authority at 208 Unity Street, Bellingham, Washington 98225.

I-B Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. 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.

The statement of activities shows the degree that the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and some other items are reported as *general revenues*, not as program revenues.

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

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *street fund* is responsible for maintenance of all City streets. This fund's revenues are derived from state sales tax, grants and interfund payments for administrative and engineering services.

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

The *LID special assessment fund* accounts for the resources accumulated and payments made for principal and interest and related costs on long-term general obligation debt of local improvement districts.

The government reports the following major proprietary funds:

The *water and wastewater funds* account for the activities of the City's two major utilities. Their revenues are received from the sales of materials and supplies. Expenses are for maintenance and extension of drainage, water and sewer service system. These funds also reflect the operation of revenue bonds outstanding, the funds available for redemption of bonds, cumulative reserve and construction funds.

The *solid waste fund* accounts for litter compliance expenses and the operations of the Clean Green site where City and County residents bring grass, shrub and tree trimmings. This fund also accounts for remedial costs of cleaning up several landfill sites. The City has issued two general obligation bonds for the City's share of remedial 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.

The *storm and surface water 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 storm water facilities, updates of the storm water master plan and acquisition of additional wetland and open space.

The *medic one fund* accounts for countywide ambulance service governed by an interlocal agreement between the City and Whatcom County. Revenues are generated by fees for service and are supplemented by a voter approved sales tax and by contributions from the City and County.

Additionally, the government reports the following fund types:

Special revenue funds account for revenues derived from specific taxes, grants or other sources. They are legally restricted to financing specific activities of the City.

Debt service funds account for the resources accumulated and payments made for principal and interest and related costs on long-term general obligation debt of governmental funds.

Capital projects funds account for financial resources that are designated for the acquisition or construction of general government capital improvements.

Permanent funds account for resources that are restricted to the extent those only earnings, not principal, may be used in support of an established purpose. Activities of the fund must benefit the government or its citizenry.

Enterprise funds account for activities that operate in a manner similar to private business enterprises where the intent is to provide goods or services to the general public and be reimbursed primarily through user charges.

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

Pension trust funds account for the activities of the police pension funds and the firefighters 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 transportation impact funds.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds report only assets and liabilities and have no measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues except for grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered available if they can be collected 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 made. Certain indirect costs have been included as part of the program expenses reported for the various functional activities.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to spend restricted funds only when unrestricted amounts are insufficient or unavailable.

I-D Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments.

Investments for the City as well as for its component unit are reported at fair value, based on the fair market value at fiscal year end. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Investments are reported separately on the balance sheet. For purposes of the statement of cash flows, the City considers cash on hand and the state investment pools to be cash equivalents. 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 was assigned to the general fund:

Library gift	CERB loans	Special assessment (LID) funds
Guaranty deposit	Clearing funds	

Receivables and payables

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

Property tax is recorded as a receivable when levied, offset by deferred revenue. During the year, property tax revenues are recognized when received. There is no allowance for uncollectible taxes. The City considers delinquent taxes fully collectible.

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Receivables have been recorded net of an allowance for uncollectible amounts. Allowances for uncollectible amounts are calculated as either a write-off – bad debt expense, or a write-down – reduction in service charge due to contract limit.

Interest receivable consists of amounts earned, but not received, on investments and notes and contracts at the end of the year. Notes and contracts receivable consists of amounts owed on open account from private individuals or organizations for goods and services rendered.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as an 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.

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 assets in compliance with applicable bond covenants. The amount of these restricted assets is reported in the long-term debt note.

Capital assets

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

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives 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 individual cost for each asset category as follows:

Asset category	Asset threshold
Land	capitalize all
Fleet-replacement equipment	\$ 5,000
Machinery and equipment	\$10,000
Network IT equipment	\$25,000
Land improvements, infrastructure, buildings and improvements, intangibles, improvements other than buildings, capital leases, leasehold improvements	\$50,000

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

Asset category	Useful life (years)
Buildings	50
Improvements other than buildings	
Infrastructure	20-40
Leasehold improvements	10
Other improvements	5-50
Software	7
Machinery and equipment	
Information technology equipment	4
Equipment	5-20

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.

Compensated absences

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

There is no liability for unpaid accumulated sick leave. The City policy is not to pay accumulated sick leave when employees separate from service. Sick leave may accumulate to a maximum of 1040 hours. Effective January 1, 1997 an optional sick leave cash out program was established for employees with accumulated banks of at least 50% of the maximum. These employees have the option of cashing out 24 to 48 hours of sick leave accumulated and not used in the twelve months prior to December 15 of each year. Employee banks will be reduced by the number of hours cashed out. If an employee’s bank is at 960 hours or more, no reduction to their bank balance is made for cashed out hours.

Long-term obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-types activities or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest

method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

II-A Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes reconciliation between *fund balance - total governmental funds and net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$25,910,691 difference are as follows:

Bonds, notes payable, governmental loans	\$26,045,546
Special assessments	925,000
Accrued interest payable	115,356
Net pension obligation	(5,232,855)
Compensated absences	<u>4,057,644</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$25,910,691</u>

II-B Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balance - total governmental funds and changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$1,253,731 difference are as follows:

Accounts receivable	\$ 444,283
Deferred property taxes	104,313
Deferred assessments	(307,213)
Deferred notes	480,477
Net pension obligation	412,118
Accrued investment interest	<u>119,753</u>
Net adjustment to increase <i>net changes in fund balance – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$1,253,731</u>

Another element of that reconciliation states that “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.” The details of this (\$3,111,464) difference are as follows:

Compensated absences	(\$235,615)
Wages and Benefits	(2,890,432)
Accrued interest on debt	<u>14,583</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>(\$3,111,464)</u></u>

NOTE III – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

III-A Budgetary information

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

Annual appropriated budgets are adopted at the fund level. Legal budgetary control is established at the fund level, except for the general fund, which is at the department level. 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 and activities by object class. Appropriations for all funds lapse at year end.

The City’s budget procedures are mandated by RCW 35.33. On or before November 1, the Mayor submits a proposed budget to the City Council. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months. They are balanced with revenue estimates made by the Budget Manager. 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 no later than December 31. Within 30 days of adoption, the final budget is available to the public.

The Mayor is authorized to transfer budgeted amounts between accounts. However, any revisions that alter the total expenditures of a fund or department within the general fund, or affect the number of authorized employee positions, salary ranges, hours or other conditions of employment 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 or department. It must do so by ordinance approved by a simple majority after first holding public meetings providing the public the opportunity to speak.

Encumbrances are committed amounts for goods and services ordered or contracted. Encumbrances do not constitute expenditures or liabilities. The City reappropriates current year encumbrances in the following year as an amendment to the budget. Encumbrances outstanding as of December 31, 2007 were reappropriated in the following year by Ordinance 2008-04-035.

Encumbrances outstanding as of December 31, 2007

<u>Fund type</u>	<u>Amount</u>
General fund	\$ 773,858
Special revenue funds	5,398,046
Construction funds	122,127
Enterprise funds	4,631,471
Internal service funds	<u>791,542</u>
Total encumbrances	\$ 11,717,044

III-B Deficit fund equity

As of December 31, 2007 the solid waste fund had deficit net assets of \$1,558,876. This is due to issuing bonds in 2005 to finance the City’s share of the environmental clean up by the Port of Bellingham, WA, of the Cornwall Avenue and Central Waterfront landfill sites in the amount of \$3.7 million and the Holly Street landfill site in the amount of \$1.5 million. These remediation expenses did not increase assets. The deficit will be eliminated as the bonds payable liability is reduced. 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.

III-C Excess of expenditures over appropriations

There has been no material violations of finance related legal or contractual provisions in any major City fund.

NOTE IV – DETAILED NOTES ON ALL FUNDS

IV-A Deposits and investments

The City’s deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC). The FDIC insures the City’s deposits up to \$100,000; the WPDPC covers amounts over \$100,000. Numbers in section IV-A are from the year-end GASB 31 report from the City’s securities custodian and primary banker, U.S. Bank. These numbers may differ non-materially from the general ledger numbers in the statements.

(Note: Starting in 2007 the City began accounting for the Bellingham-Whatcom Public Facilities District as a discrete component unit requiring the separate reporting of City and PFD assets and financial statements.)

Total deposits and investments at December 31, 2007

<u>Classification</u>	<u>Component unit</u>	
	<u>City</u>	<u>Public Facilities District</u>
Investments at fair value	\$ 92,500,292	\$ 7,695,952
Cash in bank	54,334,410	4,444,034
Total deposits and Investments	\$ 146,834,702	\$ 12,139,986

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

- Investment deposits including certificates of deposit, with qualified public depositories as defined in Chapter 39.58 RCW.
- Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States (such as the Government National Mortgage Association).
- Obligations of government sponsored corporations which are eligible as collateral for advances to member banks, as determined by the Board of Governors of the Federal Reserve System. These include but are not limited to Federal Home Loan Bank notes and bonds, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation.
- Bankers' acceptance purchased on the secondary market.
- Repurchase agreements, if the transaction is structured so that the City of Bellingham obtains control over the underlying securities.

- Bonds of the State of Washington and any local government in the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- General obligation bonds of a state other than the State of Washington and general obligation bonds of a local government of a state other than the State of Washington, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency.
- State Investment Pool.
- Other investments authorized by law.

The City's investments are in compliance with all applicable state investment laws and City investment policies.

The State Treasurer's Office administers the Washington State Local Government Investment Pool (LGIP) authorized under Chapter 43.250 RCW. The LGIP operates in a manner consistent with the SEC Rule 2a-7. It is a \$5 billion dollar fund that invests money on behalf of over 500 cities, counties, colleges and special taxing districts. In its management of LGIP the State Treasurer adheres, at all times, to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity to meet cash flow demands and attainment of the highest possible yield within the constraints of the first two goals.

The City also invests in the U.S Bank Municipal Investor (USBMI) which like the LGIP operates as an un-rated 2a-7 like pool. The USBMI follows RCW guidance for the investment of municipal funds and adheres, like the LGIP, at all times to the principles appropriate for the prudent investment of public funds.

All investments are valued at fair value as of December 31, 2007. The fair value of the positions in the LGIP and the USBMI are the same as the value of the pool shares. All of the City's investments are defined as being insured or registered in the name of the City, or held by the City or by its agent in the City's name.

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

Fair market value at 12/31/07

Type of investment	City	Component unit		Moody's rating
		Public Facilities	District	
Federal agencies				
Federal Farm Credit Bank	\$ 6,114,411	\$	508,714	Aaa
Federal Home Loan Bank	39,523,882		3,288,356	Aaa
Federal Home Loan Mtg. Corp.	22,943,248		1,908,860	Aaa
Federal National Mortgage Assn	17,196,167		1,430,708	Aaa
	\$ 85,777,708	\$	7,136,638	
Municipal bonds				
CUSIP 37889PY3	\$ 1,848,617		153,803	Aaa
CUSIP 452151KV4	1,830,374		152,286	Aa3
CUSIP 667728AG4	1,721,874		143,259	Aaa
CUSIP 29270CPS8	696,541		57,952	Aaa
CUSIP 862811TN6	625,178		52,014	Aaa
	\$ 6,722,584	\$	559,314	
Rule 2a-7 like pools per GASB 31				
Washington State Investment Pool	\$ 29,255,404		2,392,812	Unrated
US Bank Municipal Investor	25,079,006		2,051,222	Unrated
	\$ 54,334,410	\$	4,444,034	
Total	\$ 146,834,702	\$	12,139,986	

Interest rate risk: To minimize risk of loss arising from interest rate fluctuations the City purchases a combination of short and longer term investments and staggers their maturities. City Investment Policy requires that unless matched to a specific cash flow (for Reserve and CIP funds); the City will not directly invest in securities maturing more than five years from the date of purchase. The City is in compliance with this policy. At year end, December 31, 2007 the overall average maturity for all of the City's investments was 1.82 years. The average maturity of the basic investment categories of the City is as follows:

	Average maturity in years
Federal agency securities	2.97
Municipal bonds	1.90
Rule 2a-7 like pools per GASB 31	0.00
Weighted average maturity of all investments	1.82

Credit risk: Per the City's Investment Policy, "Safety of principal is the foremost objective of the City of Bellingham. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses in individual securities do not exceed the income generated from the remainder of the portfolio." The City's policy further states, "Investments shall be made with judgment and care—under circumstances then prevailing—which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Per RCW 39.59.020 state law requires that the City only invest in bonds which at the time of purchase have one of the three highest credit rating of a nationally recognized rating agency. Per RCW 39.59.030 state law requires that the City only invest in mutual funds with portfolios consisting of only United States government bonds or United States government bonds issued by federal agencies with average maturities of less than four years and possessing one of the four highest credit ratings of a nationally recognized rating agency. As noted above, all of the City's investments (except for funds in the LGIP and USBMI investment pools which are unrated) are in Category 1 and carry the lowest amount of risk. The City's investments and deposit accounts are in and have been in compliance with its own investment policy and all applicable state laws including RCW 36.29.020, as amended, and as limited by RCW 39.58.080, as amended, RCW's 35.39.030, 39.59.020, 39.59.030, 39.60.010, 43.84.808 and 43.250.

Concentration of credit risk: Per the City's Investment Policy the City is directed to "diversify its investments by security type and institution. With the exception of U.S. Treasury securities and the State Investment Pool, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution." The City is in compliance with this policy, all of the City's investments are investments issues or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. For this reason per the City's Investment Policy, "All security transactions, including collateral for repurchase agreements, entered into by the City of Bellingham shall be conducted on a delivery-verses-payment (DVP) basis. Securities will be held by a third party custodian designated by the Finance Director." The City's securities custodian is U.S. Bank Safe Keeping. The City is in compliance with its DVP and safe keeping policies. As stated at the beginning of this section, the City's deposits and certificates of deposit are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (WPDPC).

IV-B Receivables

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

Receivables:	General	Street	HUD Grant	LID special assess.	Water	Waste- water	Storm & surface water	Solid waste	Medic one	Nonmajor and other funds	Total
Interest	\$ -	\$ -	\$ -	\$ -	\$ 134,730	\$ 156,103	\$ 32,680	\$ 21,867	\$ 7,790	\$ 255,883	\$ 609,053
Taxes	384,056	-	-	-	-	-	-	-	-	156,513	540,569
Accounts	88,900	-	-	-	418,977	446,396	192,806	105	898,821	292,618	2,338,623
Special assmts	-	-	-	140,204	-	-	-	-	-	-	140,204
Due from other governments	87,714	479,336	172,588	-	-	848	-	24,000	-	330,725	1,095,211
Gross receivables	560,670	479,336	172,588	140,204	553,707	603,347	225,486	45,972	906,611	1,035,739	4,723,660
Less: allowance for uncollectibles	-	-	-	-	-	-	-	-	(321,535)	-	(321,535)
Net total receivables	\$ 560,670	\$ 479,336	\$ 172,588	\$ 140,204	\$ 553,707	\$ 603,347	\$ 225,486	\$ 45,972	\$ 585,076	\$ 1,035,739	\$ 4,402,125

As of December 31, 2007, \$20,821 of the special assessment receivable is delinquent.

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

Deferred revenue reported in the governmental funds as of December 31, 2007

Deferred revenue:	General	Special revenue	Debt service	Permanent	Total
Delinquent property taxes receivable	\$ 353,624	\$ 89,906	\$ 11,270	\$ 9,067	\$ 463,867
Notes/contracts receivable	-	7,960,713	202,058	-	8,162,771
Special assessments not yet due	-	-	1,787,362	-	1,787,362
Total deferred revenue for governmental funds	\$ 353,624	\$ 8,050,619	\$ 2,000,690	\$ 9,067	\$10,414,000

IV-C Property taxes

RCW 84.55 is the governing legislation for property tax in the State of Washington. In 1997 the RCW was modified by Referendum No. 47 which allows the "banking" of unused levy capacity. The difference between the levy increase and the allowed maximum accumulates in a "bank." Any, or all, of this bank may be added to future levies. For the 2007 tax levy the City's bank was \$56,500.

In November 2001 the state voters approved Initiative 747, again modifying the RCW, reducing the maximum levy increase from 6% to 1%, or the Implicit Price Deflator (IPD), whichever is less. The IPD for 2007 was 3.42%. Council authorized a 1% increase for 2007.

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

- Increases in non-voted property taxes are limited to the lesser of 1% per year, or the IPD. Adjustments for new construction are excluded from this calculation. The 1% limitation may be exceeded by a "lid lift" if the levy is below the \$3.60 limit and is approved by a simple majority of the voters.
- The Washington State Constitution limits total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

The City's regular levy for 2007 was \$2.48177 per \$1,000, based on the 2007 assessed valuation of \$6,868,648,539, for a total regular levy of \$17,046,406. This amount includes the fire pension levy of \$.225 per

\$1,000 for a total of \$1,545,446 and also the 2007 Greenways III levy lid lift, an additional \$.57000 per \$1,000, a total of \$3,915,130. Greenways III levy has a term of ten years.

Special levies approved by the voters are not subject to the limitations listed above. In 2007 the City levied an additional \$.05486 per \$1,000 to redeem and make interest payments on the 2001 UTGO fire station bonds for a total additional levy of \$372,806. The fire station bonds mature in 2011.

Taxes are levied annually in November for the next fiscal year beginning January 1, on property values listed with the County Assessor as of May 31. The Assessor establishes assessed values at 100% of fair market value. A revaluation of all property is required at least once every four years. On January 1 of each year taxes become an enforceable lien against properties. Tax bills are mailed on February 15 and taxes are due in two equal installments on April 30 and October 31. The Whatcom County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed monthly on cumulative balances less than \$10,000, or weekly on balances exceeding \$10,000.

IV-D Capital assets

Capital asset activity for the year ended December 31, 2007 is summarized as follows:

Primary Government

Governmental activities:	Beginning balance 1/1/2007	Increases	Decreases	Ending balance 12/31/2007
Capital assets not depreciated:				
Land	\$ 100,230,762	\$ 3,304,849	\$ -	\$ 103,535,611
Construction in progress	26,820,944	10,820,014	5,694,376	31,946,582
Total assets not depreciated	127,051,706	14,124,863	5,694,376	135,482,193
Capital assets depreciated:				
Buildings	41,270,950	-	1,163,274	40,107,676
Improvements other than buildings	164,322,515	8,339,053	12,954,652	159,706,916
Machinery and equipment	18,986,254	2,031,966	2,637,966	18,380,254
Total assets being depreciated	224,579,719	10,371,019	16,755,892	218,194,846
Less accumulated depreciation for:				
Buildings	11,783,026	803,921	844,239	11,742,708
Improvements other than buildings	67,185,580	4,569,860	7,963,682	63,791,758
Machinery and equipment	9,831,397	1,353,156	2,026,337	9,158,216
Total accumulated depreciation	88,800,003	6,726,937	10,834,258	84,692,682
Total capital assets net of accumulated depreciation	135,779,716	3,644,082	5,921,634	133,502,164
Total governmental activities capital assets, net of accumulated depreciation	\$ 262,831,422	\$ 17,768,945	\$ 11,616,010	\$ 268,984,357

Business-type activities:	Beginning balance 1/1/2007	Increases	Decreases	Ending balance 12/31/2007
Capital assets not depreciated:				
Land	\$ 32,612,011	\$ 1,234,336	\$ -	\$ 33,846,347
Construction in progress	12,989,834	4,132,158	8,484,005	8,637,987
Total assets not depreciated	45,601,845	5,366,494	8,484,005	42,484,334
Capital assets depreciated:				
Buildings	93,200,978	-	647,986	92,552,992
Improvements other than buildings	165,472,388	10,792,929	2,940,997	173,324,320
Machinery and equipment	6,909,314	360,454	1,463,153	5,806,615
Total depreciated assets	265,582,680	11,153,383	5,052,136	271,683,927
Less accumulated depreciation for:				
Buildings	38,481,021	1,866,285	537,666	39,809,640
Improvements other than buildings	65,013,764	3,178,813	1,457,810	66,734,767
Machinery and equipment	2,565,121	332,907	406,448	2,491,580
Total accumulated depreciation	106,059,906	5,378,005	2,401,924	109,035,987
Total capital assets net of accumulated depreciation	159,522,774	5,775,378	2,650,212	162,647,940
Total business-type activities capital assets, net accumulated depreciation	<u>\$ 205,124,619</u>	<u>\$ 11,141,872</u>	<u>\$ 11,134,217</u>	<u>\$ 205,132,274</u>

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

Governmental activities:

General governmental	\$ 298,567
Public safety	620,793
Public works	4,009,235
Economic environment	33,633
Cultural and recreational	687,712
Internal service fund capital assets are charged to the various functions based on their usage of the assets	1,076,997

Total depreciation expense - governmental activities

\$ 6,726,937

Business-type activities:

Cemetery	\$ 14,390
Water	2,029,765
Wastewater	2,404,634
Storm and surface water	613,130
Solid waste	21,374
Golf	43,101
Parking	110,993
Medic one	117,827
Development services	22,791

Total depreciation expense - business-type activities

\$ 5,378,005

Discretely presented component unit

Capital asset activity year ended December 31, 2007 is summarized as follows:

Bellingham-Whatcom Public Facilities District

	Beginning balance 1/1/2007	Increases	Decreases	Ending balance 12/31/2007
Capital assets not depreciated:				
Land	\$ 1,329,860	\$ -	\$ -	\$ 1,329,860
Construction in progress	1,045,026	3,354,956	6,055	4,393,927
Total assets not depreciated	2,374,886	3,354,956	6,055	5,723,787
Capital assets depreciated:				
Buildings	5,228,697	-	1,159,450	4,069,247
Improvements other than buildings	3,461,516	195,824	-	3,657,340
Total assets being depreciated	8,690,213	195,824	1,159,450	7,726,587
Less accumulated depreciation for:				
Buildings	2,205,567	177,024	73,432	2,309,159
Improvements other than buildings	94,795	87,454	-	182,249
Total accumulated depreciation	2,300,362	264,478	73,432	2,491,408
Total capital assets net of accumulated depreciation	6,389,851	(68,654)	1,086,018	5,235,179
Total governmental activities capital assets, net of accumulated depreciation	<u>\$ 8,764,737</u>	<u>\$ 3,286,302</u>	<u>\$ 1,092,073</u>	<u>\$ 10,958,966</u>

IV-E Interfund receivables, payables and transfers

Loans between funds are classified as interfund loans receivable and payable on the statement of net assets. 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.

Interfund balances at December 31, 2007

	Interfund loans receivable	Interfund loans payable	Due from other funds	Due to other funds
General	\$ -	\$ -	\$ 23,940	\$ -
Street	-	-	-	4,863
Water	-	-	-	1,946
Wastewater	-	-	-	1,946
Storm & surface water	-	-	-	973
Solid waste	-	2,450,000	-	-
Nonmajor governmental	2,450,000	-	-	-
Nonmajor enterprise	-	230,868	-	14,212
Fiduciary	230,868	-	-	-
Total government-wide	\$ 2,680,868	\$ 2,680,868	\$ 23,940	\$ 23,940

The interfund loan receivable and payable balances shown above includes one loan that is not scheduled to be collected in the subsequent year.

- Firefighters pension fund made a \$700,000 loan to the golf course fund in 2000 for the purpose of remodeling the clubhouse. There is \$230,868 remaining on this loan at year end, \$157,896 will not be repaid in 2008.

Reconciliation of due to/from and interfund loans between governmental and enterprise funds

Due to general fund from enterprise funds	\$	(19,077)
Less amount due from enterprise funds to permanent funds		(2,450,000)
Balance due to governmental funds from enterprise funds	\$	(2,469,077)

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 In	Transfers Out									Total
	General	Street	Nonmajor governmental	Water	Waste-water	Storm & surface water	Medic one	Nonmajor enterprise	Internal service	
General	\$ -	\$ 362,784	\$ 639,000	\$ 94,399	\$ 119,399	\$ 51,967	\$ -	\$ 600,210	\$ -	\$ 1,867,759
Street	-	-	40,000	-	-	-	-	-	-	40,000
HUD Grant	211,371	-	-	-	-	-	-	-	-	211,371
Nonmajor governmental	1,746,692	213,376	822,362	-	-	-	-	-	-	2,782,430
Medic one	1,005,892	-	-	-	-	-	-	-	-	1,005,892
Nonmajor enterprise	228,654	-	-	-	-	-	-	-	-	228,654
Internal service	306,082	214,812	736,522	15,217	45,920	-	30,435	74,794	54,782	1,478,564
Total	\$ 3,498,691	\$ 790,972	\$ 2,237,884	\$ 109,616	\$ 165,319	\$ 51,967	\$ 30,435	\$ 675,004	\$ 54,782	\$ 7,614,670

IV-F Operating leases

The City leases two office space facilities, one storage unit, and has two fiber optic agreements for bandwidth connectivity under non-cancelable 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 assets. Total operating lease expenditures for 2007 were \$46,593. Future minimum lease payments are summarized as follows:

Year ending December 31,	
2008	\$ 60,693
2009	62,100
2010	15,026
Total	\$ 137,819

IV-G Significant construction commitments

The City's outstanding significant construction commitments by fund type as of December 31, 2007, are summarized below:

Construction Commitments	
Governmental activities	\$ 3,822,187
Enterprise activities	3,361,997
Total	\$ 7,184,184

IV-H Long-term debt

General obligation bonds

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

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 20-year serial bonds. General obligation bonds are created by a 60% majority vote of the people and, therefore, financed by a special tax levy; or created by ordinance, adopted by the City Council and normally financed from general fund revenues (councilmanic bonds).

The original amount of general obligation bonds issued in prior years was \$40,845,000. No new general obligation bonds were issued in 2007. The City currently has eight outstanding general obligation bond issues.

1996 LTGO Roeder refunding bonds were issued May 1, 1996 in the amount of \$4,195,000. These bonds are tax exempt and the proceeds of this issue refunded the 1988 Roeder Avenue and 1992 Police bond issues. The 1988 Roeder Avenue bonds financed a portion of the construction of a connector on Roeder Avenue south to Chestnut Street. The 1992 Police bonds financed part of the cost of constructing new facilities and renovating existing facilities for the City's police department. The Roeder Avenue portion of this issue is financed from street fund revenues and will mature in 2008. The Police portion of the issue is financed from general fund revenues and will mature in 2012.

1999 LTGO Municipal court bonds were issued May 15, 1999 in the amount of \$3,420,000. These bonds are tax exempt and the proceeds of this issue had two purposes, \$2,920,000 for the purchase and remodel of the City Hall Annex (Municipal Court building), and \$500,000 towards the construction of the new Harris Street Fire Station. The proceeds were deposited in accordance with the bond ordinance into the City Hall Annex construction fund and the Fire construction fund. These bonds are financed from general fund revenues and will mature in 2010.

2001 UTGO Fire bonds were issued April 1, 2001 in the amount of \$2,800,000. These bonds are tax exempt and the proceeds of this issue financed the acquisition of land and construction of the City's sixth fire station on Deemer Road. The issue also provided for new fire apparatus to equip the facility. The proceeds were deposited in accordance with the bond ordinance into the fire construction fund. These bonds are financed by a voted general obligation levy and will mature in 2011.

2002 LTGO Parking refunding bonds were issued August 8, 2002 in the amount of \$1,045,000. These bonds are tax exempt and the proceeds of this issue refunded the 1992 parking revenue bond which financed a portion of the costs of constructing, equipping and installing improvements and additions to the existing off-street parking facilities of the city. The proceeds were deposited in accordance with the bond into the parking fund. This issue is financed by the parking fund, a business-type activity and will mature in 2012.

2004 LTGO Sportsplex acquisition bonds were issued February 5, 2004 in the amount of \$4,315,000. These bonds are tax exempt and the proceeds of this issue were used to purchase the Sportsplex ice arena and indoor soccer complex and pay bond issuance costs. The proceeds were deposited in accordance with the bond ordinance into the Sportsplex construction fund. These bonds are financed from lease revenues received for the Sportsplex complex, a governmental activity and will mature in 2028.

2004 LTGO PFD/Civic/Aquatic refunding bonds were issued November 1, 2004 in the amount of \$16,375,000. These bonds are tax-exempt and the proceeds of this bond issue funded three purposes. \$9,370,000 was for the development of a regional center and is financed by the Bellingham-Whatcom Public Facilities District (PFD) with a state sales tax rebate. These issue proceeds were deposited in accordance with the bond ordinance into the public facilities fund. \$6,015,000 was used for improvements to the City-owned civic field complex and is financed with REET funds. These issue proceeds were deposited in accordance with the bond ordinance into the civic field construction fund. \$990,000 was used to refund outstanding callable bonds of the 1994 aquatic facility bond issue that financed the construction of the Arne Hanna Aquatic Center and is also financed with REET funds. These issue proceeds were deposited in accordance with the bond

ordinance into the 1994 aquatic facility debt service fund. These bonds are financed by governmental activities and will mature in 2026.

2005 LTGO Solid Waste Series A bonds were issued December 8, 2005 in the amount of \$1,545,000. These bonds are tax-exempt and the proceeds were used for the purpose of providing a portion of the funds for financing the environmental clean up of the Holly Street landfill site. The proceeds were deposited in accordance with the bond ordinance into the solid waste fund. These bonds are financed by the solid waste fund, a business-type activity, and will mature in 2025.

2005 LTGO Solid Waste Series B bonds were issued December 8, 2005 in the amount of \$7,150,000. These bonds are taxable and the proceeds were used for the purpose of financing the City’s share of the environmental clean up by the Port of Bellingham, Washington, of the Cornwall Avenue and Central Waterfront landfill sites and to finance the acquisition of the Colony Wharf property adjacent to the Roeder Avenue landfill site. The proceeds were deposited in accordance with the bond ordinance into the solid waste fund. These bonds are financed by the solid waste fund, a business-type activity, and will mature in 2023.

General obligation bonds currently outstanding

Name of issuance	Purpose	Issue date	Maturity date	Interest rates	Debt outstanding
1996 LTGO Roeder refunding	Governmental activities	05/01/96	12/01/12	4.20 - 5.65%	\$ 1,650,000
1999 LTGO Municipal Court	Governmental activities	05/15/99	08/01/10	4.25 - 4.75%	1,500,000
2001 UTGO Fire bond	Governmental activities	04/01/01	12/01/11	4.00 - 4.40%	1,255,000
2002 LTGO Parking refunding	Business-type activities	08/08/02	10/01/12	3.74%	595,000
2004 LTGO Sportsplex acquisition	Governmental activities	02/05/04	12/01/28	2.00 - 4.625%	3,915,000
2004 LTGO PFD/Civic/Aquatic ref	Governmental activities	11/01/04	12/01/26	3.00 - 5.00%	14,935,000
2005 LTGO Solid Waste Series A	Business-type activities	12/08/05	12/01/25	4.15 - 5.40%	1,545,000
2005 LTGO Solid Waste Series B	Business-type activities	12/08/05	12/01/25	4.15 - 5.40%	6,610,000
Total general obligation bonds					\$ 32,005,000

Annual debt service requirements to maturity

Year ending December 31	Governmental activities			Business-type activities			
	Principal	Interest	Total requirements	Principal	Interest	Total requirements	
2008	\$ 1,890,000	\$ 1,005,753	\$ 2,895,753	\$ 395,000	\$ 433,042	\$ 828,042	
2009	1,820,000	929,469	2,749,469	410,000	415,049	825,049	
2010	1,935,000	857,401	2,792,401	435,000	396,145	831,145	
2011	1,510,000	777,860	2,287,860	455,000	375,970	830,970	
2012	1,245,000	719,355	1,964,355	480,000	354,762	834,762	
2013-2017	5,450,000	2,944,066	8,394,066	2,030,000	1,458,378	3,488,378	
2018-2022	4,505,000	1,759,225	6,264,225	2,620,000	861,134	3,481,134	
2023-2027	4,595,000	685,156	5,280,156	1,925,000	167,960	2,092,960	
2028	305,000	14,107	319,107	-	-	-	
Total \$ 23,255,000			\$ 9,692,392	\$ 32,947,392	\$ 8,750,000	\$ 4,462,440	\$ 13,212,440

Notes payable

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

Denke property note payable - the City entered into an agreement for the acquisition of watershed property on September 27, 2004. The note was issued in the amount of \$3,000,000 to be paid \$500,000 a year for four

years and a final payment of \$1,000,000 to be paid in 2009. This purpose of this note is for a business-type activity and is financed through water fund revenues.

Notes payable debt currently outstanding

<u>Name of issuance</u>	<u>Purpose</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rates</u>	<u>Debt outstanding</u>
Drake property note payable	Governmental activities	12/31/92	12/31/22	7.00%	\$ 166,539
Denke property note payable	Business-type activities	09/27/04	12/15/09	-	1,500,000
Total notes payable debt					\$ 1,666,539

Annual debt service requirements to maturity

<u>Year ending December 31</u>	<u>Governmental activities</u>			<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>
2008	\$ 6,512	\$ 11,451	\$ 17,963	\$ 500,000	\$ -	\$ 500,000
2009	6,983	10,981	17,964	1,000,000	-	1,000,000
2010	7,487	10,476	17,963	-	-	-
2011	8,029	9,935	17,964	-	-	-
2012	8,609	9,354	17,963	-	-	-
2013-2017	53,330	36,486	89,816	-	-	-
2018-2022	75,589	14,215	89,804	-	-	-
Total	\$ 166,539	\$ 102,898	\$ 269,437	\$ 1,500,000	\$ -	\$ 1,500,000

Government loans

The City has Public Work Trust Fund construction loan agreements with the State Department of Community Development. There are currently six Public Work Trust Fund loans and the original amount of loans entered into in prior years was \$7,632,309. Loans for governmental activity purposes are financed through the street fund and loans for business-type activity purposes are financed through the water and wastewater funds.

Woburn Street PWTF loan was issued in 1988 through 1990 in amounts totaling \$1,000,000. The loan was authorized for a 20 year period with interest at 1%. The proceeds were deposited into the arterial street fund for the purpose of extending Woburn Street making it a contiguous arterial street between Lakeway Drive and Sunset Drive. The loan is for a governmental activity and matures in 2008.

Chuckanut PWTF loan was issued in June 1989 in the amount of \$593,809. The loan was authorized for a 20 year period with interest at 1%. The proceeds were deposited into the water fund for the purpose for the purpose of replacing and upgrade an existing undersized water main along Chuckanut to Larabee Park for better water volume, pressure and quality. The loan is for a business type activity and matures in 2009.

Silverbeach PWTF loan was issued in 1991 through 1992 in amounts totaling \$445,500. The loan was authorized for a 20 year period with interest at 2%. The proceeds were deposited into the wastewater fund for the purpose of replacing and upgrading the Silverbeach trunk sewer which is a major line. The loan is for a business type activity and matures in 2011.

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

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

Middle Fork Diversion PWTF loan was issued beginning in 2006 in the amount \$680,000. The total loan will be \$3,400,000. The loan was authorized for a 20 year period with interest at .5%. The proceeds were deposited into the water fund to finance a project that will allow for the passage of fish through the Middle Fork diversion dam. The loan is for a business type activity and matures in 2026.

The City also has contractual debt owed to the Washington State Community Economic Revitalization Board (CERB). This assessment type debt is for local improvements to industrial areas. Property owners benefiting from the improvements will repay the loans as specified in notes secured by mortgages. The City guarantees repayment of these loans from general fund revenues. They are, therefore, classified as general debt. There is currently one CERB loan.

Woburn Industrial Park CERB loan was made in August 1989 in the amount of \$1,133,082. This loan financed improvement to public facilities consisting of construction of 4,300 linear feet of new streets, water and sewer lines, and storm water drainage systems. The loan was authorized for a 20 year period with interest at 7.7% and will mature in 2009.

Government loan debt currently outstanding

Name of issuance	Purpose	Issue date	Maturity date	Interest rate	Debt Outstanding
Woburn Street PWTF Loan	Governmental activities	07/14/88	07/01/08	1.00%	52,924
Chuckanut PWTF Loan	Business-type activities	07/01/89	07/01/09	1.00%	62,506
Silverbeach PWTF Loan	Business-type activities	06/01/91	07/01/11	2.00%	93,789
Street Resurfacing PWTF Loan	Governmental activities	07/01/02	07/01/22	0.50%	2,369,024
Water Main Repl PWTF Loan	Business-type activities	07/01/02	07/01/22	0.50%	1,534,250
Middle Fork Div. PWTF Loan	Business-type activities	11/30/06	07/01/26	0.50%	680,000
CERB Loan - Woburn	Governmental activities	08/30/89	12/31/09	7.70%	202,059
Total governmental loan debt					\$ 4,994,552

Annual debt service requirements to maturity

Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
2008	308,143	27,933	336,076	192,772	13,572	206,344
2009	262,710	19,123	281,833	192,773	12,100	204,873
2010	157,935	10,266	168,201	161,520	10,628	172,148
2011	157,935	9,476	167,411	161,520	9,469	170,989
2012	157,935	8,686	166,621	138,073	8,310	146,383
2013-2017	789,675	31,587	821,262	690,364	31,194	721,558
2018-2022	789,674	11,845	801,519	690,364	13,934	704,298
2023-2026	-	-	-	143,159	1,790	144,949
Total	\$2,624,007	\$118,916	\$2,742,923	\$2,370,545	\$100,997	\$2,471,542

Special assessment bonds

The City also issues special assessment debt to provide funds for the construction of water and sewer utilities in residential areas without existing infrastructure. Special assessment bonds are created by ordinance, adopted by council and financed by assessment on property owners. Debt service requirements for local improvement district (LID) assessment bonds are met by assessments levied against property owners. The City has no financial obligation for defaults by property owners on special assessment debt, except for insuring the funding of the guaranty fund. The assessments are liens against the property and subject to foreclosure.

Local Improvement District No. 1099 bonds were issued December 1, 1994 in the amount of \$4,447,020. These bonds are tax exempt and the proceeds of this issue were used to repay a loan incurred to finance the construction of full standard street improvements of approximately 10,000 linear feet between Northridge Way and Woburn Street. These bonds will mature in 2016.

Local Improvement District No. 1106 bonds were issued December 30, 1996 in the amount of \$4,357,957. These bonds are tax exempt and the proceeds of this issue were used to pay the LID portion of Bakerview Road LID (I-5 to Deemer Road) project. The project consists of road, sidewalk, traffic signal, storm, sewer, water, and sanitary sewer improvements. These bonds will mature in 2018.

Local Improvement District No. 1107/1108 bonds were issued December 1, 1997 in the amount of \$1,317,472. These bonds are tax exempt and the proceeds of this issue were used to finance projects including sewer related improvements in the Telegraph Road area and road related improvements in the Barkley Blvd. and Racine Street area. These bonds will mature in 2014.

Special assessment bonds currently outstanding

Name of issuance	Purpose	Issue date	Maturity date	Interest rates	Debt outstanding
LID 1099 Barkley	Governmental activities	12/01/94	12/01/16	4.90%-7.50%	\$ 265,000
LID 1106 Bakerview Road	Governmental activities	12/30/96	12/30/18	4.10%-6.00%	525,000
LID 1107/1108 Telegr/Brkly	Governmental activities	12/01/97	12/01/14	4.15%-5.65%	135,000
Total special assessment debt					\$ 925,000

Special assessment bonds are serial bonds but are called “yearly based on assessments received.” As of December 31, 2007 the City has called bonds ahead of the estimated schedule of redemption.

Estimated annual debt service requirements to maturity

Year ending December 31	Governmental activities		
	Principal	Interest	Total requirements
2008	\$ -	\$ 58,925	\$ 58,925
2009	-	58,925	58,925
2010	25,000	58,925	83,925
2011	55,000	57,538	112,538
2012	105,000	54,458	159,458
2013-2016	740,000	111,074	851,074
Total	\$ 925,000	\$ 399,845	\$ 1,324,845

Revenue bonds

The City also issued bonds where the government pledged income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council and financed from enterprise fund revenues. The original amount of revenue bonds issued was \$30,240,000. The water/sewer revenue bonds are issued to finance capital projects and watershed property acquisitions.

1999 Water and Sewer Refunding bonds were issued May 1, 1999 in the amount of \$8,220,000. These bonds are tax exempt and the proceeds were used to advance refund outstanding callable bonds for the 1992 Water and Sewer bond issues. The 1992 bonds were used to finance the construction of a secondary sewage treatment plant by additions and modification to the existing City Wastewater Treatment Plant. The bonds are financed by business type activities and will mature in 2011.

2004 Water and Sewer Revenue Improvement and Refunding bonds were issued May 1, 2004 in the amount of \$10,690,000. These bonds are tax exempt and the proceeds of this issue had two purposes. \$4,545,000 was used to pay a portion of projects including the construction of a 2.5 million gallon reservoir with offsite piping, on the lower portion of King Mountain that will serve the south Cordata area, and

preliminary engineering for five other transmission mains which include Yew Street, Meridian Street, Academy Road, June Road and 21st Street. \$6,145,000 was used to refund the remaining callable portion of the 1994 Water and Sewer Refunding bonds. The 1994 bonds were used for three purposes, to finance the water chlorination facility; refund outstanding bonds issued in 1979 for the Georgia-Pacific transmission line; refund the outstanding callable bonds for the 1990 bonds issued for the secondary treatment plant. The bonds are financed by business type activities and will mature in 2024.

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

Revenue bonds currently outstanding

<u>Name of issuance</u>	<u>Purpose</u>	<u>Issue date</u>	<u>Maturity date</u>	<u>Interest rates</u>	<u>Debt outstanding</u>
1999 Water/sewer refunding	Business-type activities	05/01/99	08/01/11	3.70%-4.60%	\$ 5,130,000
2004 Water/sewer impr & ref	Business-type activities	05/01/04	08/01/24	2.25%-5.00%	7,195,000
2006 Water/sewer revenue	Business-type activities	06/15/06	08/01/26	2.25%-5.00%	10,745,000
Total revenue bonds outstanding					\$ 23,070,000

Annual debt service requirements to maturity

<u>Year ending</u> <u>December 31</u>	<u>Business-type activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total requirements</u>
2008	\$ 2,675,000	\$ 967,095	\$ 3,642,095
2009	2,775,000	868,415	3,643,415
2010	2,910,000	758,533	3,668,533
2011	3,040,000	644,028	3,684,028
2012	940,000	507,488	1,447,488
2013-2017	4,800,000	1,932,619	6,732,619
2018-2022	3,385,000	1,071,446	4,456,446
2023-2026	2,545,000	257,597	2,802,597
Total \$ 23,070,000 \$ 7,007,221 \$ 30,077,221			

To service revenue debt, \$2,157,270 is available in the reserve accounts of the water and wastewater enterprise funds as of December 31, 2007 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, maintaining a current ratio coverage of 3.10. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Summary of long-term debt changes for the year ending December 31, 2007

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
Bonds payable:					
General obligation bonds	\$ 25,045,000	\$ -	\$ 1,790,000	\$ 23,255,000	\$ 1,890,000
Special assessment bonds	1,295,000	-	370,000	925,000	-
Total bonds payable	26,340,000	-	2,160,000	24,180,000	1,890,000
Notes payable	172,612	-	6,073	166,539	6,512
Government loans	2,977,827	-	353,820	2,624,007	308,143
Claims and litigation	370,725	197,730	111,473	456,982	95,000
Compensated absences	3,987,205	300,545	45,544	4,242,206	3,244,641
Governmental activities long-term liabilities	<u>33,848,369</u>	<u>498,275</u>	<u>2,676,910</u>	<u>31,669,734</u>	<u>5,544,296</u>
Business-type activities					
Bonds payable:					
Revenue bonds	25,590,000	-	2,520,000	23,070,000	2,675,000
Less deferred amounts					
for issuance premiums	155,934	-	21,296	134,638	21,297
for issuance discounts	(233,129)	-	(34,575)	(198,554)	(34,575)
General obligation bonds	9,125,000	-	375,000	8,750,000	395,000
Less deferred amounts					
for issuance discounts	(100,962)	-	(5,314)	(95,648)	(5,314)
Total bonds payable	34,536,843	-	2,876,407	31,660,436	3,051,408
Notes payable	2,000,000	-	500,000	1,500,000	500,000
Government loans	2,527,528	-	156,983	2,370,545	192,772
Compensated absences	559,086	48,978	19,003	589,061	475,607
Total business-type activities long-term liabilities	<u>\$ 39,623,457</u>	<u>\$ 48,978</u>	<u>\$ 3,552,393</u>	<u>\$ 36,120,042</u>	<u>\$ 4,219,787</u>

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 \$49,451 and short-term liabilities of \$135,111 for internal service fund compensated absences are included in the above amounts. Also for the governmental activities, compensated absences are generally liquidated by the general fund.

The government-wide statement of net assets includes \$3,051,408 of long-term liabilities due within one year for business-type activities in bonds payable, net of unamortized premium/discount. The remaining amount of \$692,772 is displayed as other long-term liabilities in that section.

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

Discretely presented component unit

Bellingham-Whatcom Public Facilities District issued a limited sales tax obligation bond in the amount of \$9,995,000 on December 20, 2007. The issue funds a portion of the cost of constructing an Art and Children’s Museum and to pay 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 to pay costs of issuance of the Bonds. These bonds are financed by state sales tax rebate revenue and will mature in 2027.

Limited sales tax obligation bonds currently outstanding

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

Annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2008	\$ -	\$ 387,577	\$ 387,577
2009	-	409,173	409,173
2010	-	409,173	409,173
2011	-	409,173	409,173
2012	-	409,173	409,173
2013-2017	-	2,045,862	2,045,862
2018-2022	3,300,000	1,843,662	5,143,662
2023-2026	6,695,000	932,707	7,627,707
Total	\$ 9,995,000	\$ 6,846,500	\$ 16,841,500

IV-I Segment information

The City has one nonmajor enterprise fund that meets the criteria established for segment information. The water and wastewater funds are presented in the basic financial statements as major funds. The parking system operates parking facilities throughout the City. The covenants of the 2002 LTGO parking system refunding bond pledge the revenues of the parking system to pay the principal and interest on the bond.

Condensed statement of net assets

Assets:	
Current assets	\$ 2,284,294
Restricted assets	33,300
Capital assets	4,302,889
	<u>6,620,483</u>
Total assets	
Liabilities:	
Current	169,765
Long-term	599,887
	<u>769,652</u>
Total liabilities	
Net assets:	
Invested in capital assets, net of related debt	3,707,889
Restricted	33,300
Unrestricted	2,109,642
	<u>5,850,831</u>
Total net assets	

Condensed statement of revenues, expenses and changes in net assets

Operating revenues (pledged against bond)	\$ 2,355,115
Depreciation expense	(110,993)
Other operating expenses	(847,992)
	<u>1,396,130</u>
Operating income	
Nonoperating revenues (expenses):	
Investment earnings	104,510
Interest expense	(25,058)
Other nonoperating revenues	20,029
Operating transfers out	(587,696)
	<u>907,915</u>
Change in net assets	
Beginning net assets	4,946,767
	<u>(3,851)</u>
Ending net assets	
	<u>\$ 5,850,831</u>

Condensed statement of cash flows

Net cash provided (used) by:	
Operating activities	\$ 1,366,082
Noncapital financing activities	(593,660)
Capital and related financing activities	(101,022)
Investing activities	(390,039)
	<u>281,361</u>
Beginning cash and cash equivalents	469,159
	<u>\$ 750,520</u>

NOTE V – OTHER INFORMATION**V-A Risk management**

The City is exposed to various risks of losses related to torts, theft, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1977 the City decided to limit commercial insurance coverage because of its prohibitive costs and also because the City wished to maintain control over claim settlements. Since then the City has established the following four internal service funds to account for and finance its uninsured risks of loss:

The claims, litigation and property loss fund is the source for payment of third party claims and judgments, excess liability insurance premiums and property insurance premiums. Currently the City maintains commercial property insurance for fire and other hazards including limited earthquake and flood coverage on City properties having an estimated total replacement value of \$163 million in 2007 and \$162 million in 2008. The current policy includes a \$25,000 deductible with a loss limit per occurrence of \$30 million. During the current and preceding two years, no City property losses exceeded the City's insurance coverage. During this same three year period, no City property losses exceeded the deductible amount of the insurance policy.

Departments of the City contribute premiums based on claims history, department size and other factors. The level of contributions is established to pay prior and current year claims and to provide a reserve for future losses, including catastrophic losses. For 2007 department contributions, judgments and settlements flowing into the fund totaled \$700,597. For this same year, the City purchased excess liability insurance with a retained self-insurance limit of \$1,000,000 and \$10,000,000 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. There is a sub-limit for earthquake and flood of \$15 million.

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

The City has recorded in its financial statements all other material liabilities, including an estimate for all known claims liabilities. This estimate includes non-incremental claims adjustment expenses. In the opinion of management, the City's insurance policies and self insurance are adequate to pay all known or pending claims.

The unemployment compensation fund was established to reimburse the State of Washington Employment Security Department on a quarterly basis, for claims paid by them to former employees. State statutes mandate that most employers pay a tax or contribution to support the unemployment insurance system. No City department contributions were made in 2007. At December 31, 2007, the total estimated liability is \$100,000.

The worker's compensation fund is the source for payment of employee injury claims and other related costs. The City is self-insured for this program and administers its claims by retaining the services of a Third Party Administrator. Currently, as selected in a 2006 competitive process, the City uses Eberle Vivian, Inc. for these services. Claims are administered within the guidelines established by the State of Washington. The workers' compensation program has reinsurance with a \$500,000 per occurrence deductible.

Premiums are assessed to City departments based upon the number of hours worked by covered employees. Rates are revised annually to generate revenues sufficient to cover anticipated expenditures and provide a reserve for incurred but unreported future expenses. City department contributions for 2007 totaled \$750,451. The department contribution rates are based on an internal formula derived from Washington State standard rates. In 2007 the City paid \$342,166 in claims (for claims incurred in 2007 and prior years) and \$241,516 in administrative and other costs related to the worker's compensation program.

The City has calculated its December 31, 2007 estimated liability for currently filed workers' compensation claims at \$249,495.

The health benefits fund is the source for payment of employee health care and related costs. Medical insurance for employees is provided through premium paid plans, purchased through the Association of Washington City's Employee Benefit Trust. Both the City and employees contribute to the cost of medical insurance premiums. Dental insurance benefits for non-uniformed employees are provided through the Association of Washington City's Employee Benefits Trust. The self-insured vision plan for non-uniformed employees is administered through an independent Third Party Administrator. For uniformed employees dental and vision insurance, the City provides funding to the employees' unions who purchase this insurance on behalf of the employees.

City departments pay monthly premiums to the health benefits fund to cover premiums paid to third parties and vision care claims, administrative overhead and other obligations. Department contributions for 2007 totaled \$7,246,183 for the medical program, \$1,104,929 for the dental program and \$46,213 for the vision program. At December 31, 2007, \$1,116,304 was available for all purposes.

For all of the City's funds, claims expenditures and liabilities are accrued when the amount of that loss can be reasonably estimated. When the loss contingency is less likely, information is disclosed and net assets are reserved for an estimate of the possible loss.

**Changes in estimated claims liabilities,
probable and possible losses for the past two years**

Fund	Beginning liability	Current year claims and changes in estimates	Actual claims payments	Ending liability
Claims and litigation				
2005-2006	675,133	146,439	450,847	370,725
2006-2007	370,725	197,730	111,473	456,982
<i>The City complies with GASB Statement 10, Accounting and Reporting for Risk Financing and Related Insurance Issues.</i>				

Estimated changes in reserves

Fund	Beginning reserve	Current year claims and changes in estimates	Actual claims payments	Ending reserve
Unemployment compensation				
2005-2006	90,000	48,230	63,230	75,000
2006-2007	75,000	68,752	68,752	75,000
Workers' compensation				
2005-2006	884,804	98,551	401,801	581,554
2006-2007	581,554	10,107	342,166	249,495

V-B Contingencies

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

New Whatcom Waterfront Development project - In 2004 the City entered into an interlocal agreement with the Port of Bellingham to redevelop 137 acres of heavy industrial property located in the center of the City's

downtown waterfront. The 20-year vision is to create a new city neighborhood with homes, shops, offices and light industry, as well as parks and promenades, a healthy shoreline habitat along Bellingham Bay, and a new marina. The City has agreed to provide new roads, utilities, parks and trails. The specific elements of the public infrastructure to be provided by the City will be delineated in the Development Agreement. The Port agreed to purchase the Georgia-Pacific property, conduct a comprehensive environmental cleanup of the site and the waterway in keeping with goals defined by the Bellingham Bay Pilot Project, and to develop new visitor and permanent moorage. In addition the project has received support from the state for railway relocation, demolition and planning, and environmental cleanup. The federal government has awarded funds for major transportation improvements needed to access this site. In 2006, the State Legislature approved a local infrastructure financing tax (LIFT) that will provide up to \$1 million for 25 years for capital projects in the redevelopment area.

Grant contingencies -The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Bellingham-Whatcom Public Facilities (PFD) contingent loan agreement – The City of Bellingham has signed a contingent loan and bridge loan agreement (contract 2007-0552) with the PFD providing for three separate loans.

Contingent loan commitment for bonds - In 2007 the PFD issued \$9,995,000 of limited sales tax obligation bonds. The issue funds a portion of the cost of constructing an Art and Children's Museum and to pay 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 to pay costs of issuance of the Bonds. The contingent loan agreement provides that the City is to make a loan to the PFD in the event that the PFD is unable to timely provide for the payment of principal of or interest on any of its Bonds.

Bridge loan – The Campaign for the Arts (CFA) has committed to raising \$4,000,000 for PFD projects. The City shall make a bridge loan to the PFD, at the PFD's request, in an amount up to the \$2,800,000. The loan shall have a term of five years.

Financing loan – The City will make a loan to the PFD in an amount up to \$2,800,000 to provide financing for the project that enabled PFD to issue bonds in an amount under \$10,000,000, thereby providing total project funds of \$12,500,000. The loan shall be repaid over a period of ten years or less from the date of the loan.

Home rehabilitation program loan guarantee - The City has an agreement with Key Bank of Washington to guarantee Bellingham Home Rehabilitation Program loans. The City is committed to reimburse the bank for 90% of the outstanding balance of defaulted program loans. At December 31, 2007 the outstanding balance of these loans are \$52,241 and the resultant contingent liability is \$47,017.

Housing Authority loan contingent agreements - The City of Bellingham has signed two contingent loan agreements with the Housing Authority of the City of Bellingham (Housing Authority).

In 1998 the Housing Authority issued \$20,755,000 of housing refunding revenue bonds. The issue refunds the 1994 Cascade Meadows bonds and 1992 Pacific Rim bonds. The agreement is authorized by Ordinance 10925.

In 2001 the Housing Authority issued \$5,350,000 of revenue bonds. The issue funds the acquisition and rehabilitation of a 91-unit apartment complex known as Varsity Village. The agreement is authorized by Ordinance 2001-11-083.

Rental income is applied to bond repayment and maintenance of reserve accounts. The agreements obligate the City, upon request from the Housing Authority, to restore the reserve accounts to the reserve requirement (1998 issue -105%, 2001 issue - 110%) or to pay regularly scheduled debt service if Authority funds are insufficient. The Housing Authority and the City would agree on repayment terms at that time. During the life of the agreements and earlier agreements with the Housing Authority, the Housing Authority has not utilized this loan provision. The City estimates no potential loss from the agreements.

Affordable housing program - The City of Bellingham has made surplus land available to non-profit agencies and individuals as part of its affordable housing program. The City conveyed the properties by quit claim deeds

conditioned by liens foreclosable as mortgages if the properties cease to be used for low-income housing. The City considers it improbable that these liens may be invoked in the future.

Executed agreements as of December 31, 2007

Fund	Agency	Initiated		Amount
Community development	Opportunity Council	December	1990	\$ 145,000
Community development	Bellingham Housing Authority	October	1991	46,000
General fund	Bellingham Housing Authority	October	1991	84,000
LID guaranty	Habitat for Humanity	June	1992	5,000
LID guaranty	Ted and Laurie Scherrer	July	1993	5,000
Total affordable housing agreements				\$ 285,000

V-C Interlocal agreements

Whatcom Medic One

The City of Bellingham and Whatcom County have entered into an agreement to provide countywide basic and advanced life support ambulance service. The City operates and manages the service under advisement of a cooperative board composed of four City officials, three County officials and three officials from related associations. The City is responsible for setting fees, preparing annual budgets and providing accounting and reporting information. The County reviews this information for mutual acceptability.

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. 1/3rd of this new tax remains with the cities for law enforcement and 2/3rds of this new tax is remitted to the County to be used for countywide emergency medical services. The 2007 interlocal agreement between the County and City reflect a higher County monetary contribution, with the City matching this amount with an in-kind contribution of city resources assigned to provide reserve medic unit response. Per the interlocal agreement the contribution amounts stated for 2007 will increase at the rate of 1% per year. In 2007 Whatcom County contributed \$1,349,562 to Whatcom Medic One operations and the City contributed \$1,005,892. Beginning in 2007 the EMS sales tax is being used to fund the unfunded portion of Whatcom Medic One’s budget. In 2007 the EMS sales tax funded \$837,999 of Whatcom Medic One’s operations. Responsibility for legal liability is determined by the location to which an aid unit responds. In the event either party gives notice of termination, the City will pay the County its appropriate share of the appraised value of existing equipment. The City would continue to operate medic one within the City limits if the agreement were to expire. The City accounts for financial data in the medic one enterprise fund as required by contract.

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 is the responsibility of the Bellingham Police Chief. City fire department personnel operate “Prospect Communications Center” and administration 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 voting members consist of three members from the County, three from the City, one representing County fire districts and one elected official to be selected by the other members. The City of Bellingham Fire Chief serves as the nonvoting member. The Administrative board has the authority to establish broad policy guidelines and for establishing the annual financial contributions to be made by the member jurisdictions. In 2007 the City contributed \$1,580,124 to the public safety fund as its share of operations, approximately 38% of total revenues.

V-D Employee retirement systems and 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 defined benefit public employee retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a comprehensive annual financial report containing historical trend information and may be obtained from the Department of Retirement Systems, Administrative Services Division, P.O. Box 48380, Olympia, WA 98504. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

All of the pension plans for the City are regulated by the Washington State Legislature. They act based on recommendations from the Legislature's pension committee. The pension plans for the City are administered by the DRS.

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

Plan description:

PERS is a cost sharing multiple employer defined benefit pension plan with an option for a defined contribution component in Plan 3. Membership in the plan includes:

- elected officials
- state employees
- employees of the Supreme, Appeals and Superior courts (other than judges in a judicial retirement system)
- employees of legislative committees
- college and university employees not in national higher education retirement programs
- judges of district and municipal courts
- non-certified employees of school districts
- employees of local government

The PERS system includes three plans. Participants who joined the system prior to September 30, 1977, are Plan 1 members. Those joining thereafter are enrolled in Plan 2 or Plan 3. Retirement benefits are financed from employee and employer contributions and investment earnings. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of five years of eligible service. The defined benefits portion of Plan 3 is vested depending on years of service and age, but the minimum is five years of service.

Plan 1 members are eligible for retirement at any age after 30 years of service, or at age 60 with five years of service, or at age 55 with 25 years of service. The annual pension is 2% of the highest average 24 consecutive months of compensation per year of service, capped at 60%. If qualified, after reaching age 66, a cost-of-living allowance is granted based on years of service credit and is capped at 3% annually.

Plan 2 members may retire at age 65 with five years of service, or they may choose to retire at age 55 with 20 years of service. The annual pension is 2% per year of service of the highest average 60 months of compensation. Plan 2 retirements prior to age 65 are actuarially reduced. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

Plan 3 has a dual benefit structure. Member contributions finance a defined contribution component and employer contributions finance a defined benefit component.

The member-financed, defined contribution component provides an investment program the employee can access any time he/she separates from covered employment. The amount of retirement income generated by the defined contribution component depends on how much is contributed and the performance of investments.

The employer-financed, defined benefit component provides for a lifetime monthly benefit at age 65 or a reduced lifetime monthly benefit as early as age 55. Reduction factors vary based on the number of service credit years and age. The benefit amount is based on years of service credit and the retiree's average final compensation. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

For Plans 1, 2 and 3, the defined benefit amount could be affected by the pay out options chosen by the retiree.

Funding policy:

The State Pension Funding Council sets Plan 1 employer contribution rates as required to fully amortize the total costs of the plan. Employee contribution rates for Plan 1 are established by statute at 6% and do not vary. The employer and employee contribution rates for Plan 2 are set by the director of the DRS based on recommendations by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law. The methods used to determine the contribution rates are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

**Required contribution rates, as a percentage of current year covered payroll
December 31, 2007**

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer	6.13%	6.13%	6.13%
Employee	6.00%	4.15%	Variable

*The employer rates include the employer administrative expense fee currently set at 0.19%.
Both the City and the employees made the required contributions.*

December 31, 2006

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer	3.69%	3.69%	3.69%
Employee	6.00%	3.50%	Variable

*The employer rates include the employer administrative expense fee currently set at 0.19%.
Both the City and the employees made the required contributions.*

December 31, 2005

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer	2.44%	2.44%	2.44%
Employee	6.00%	2.25%	Variable

*The employer rates do not include the employer administrative expense fee currently set at 0.19%.
Both the City and the employees made the required contributions.*

**City's employer and employee required contributions for the years ending
December 31, 2007**

		PERS Plan 1	PERS Plan 2	PERS Plan 3
2007	Employer	\$ 146,409	\$ 1,136,923	\$ 326,349
	Employee	151,807	751,277	374,215
2006	Employer	77,842	560,540	147,533
	Employee	152,433	525,870	318,870
2005	Employer	55,490	329,432	80,428
	Employee	177,248	296,016	281,102

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

Plan description:

LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated, local law enforcement officers and fire fighters. LEOFF is comprised solely of non-state employees.

The LEOFF system includes two plans. Participants who joined the system prior to September 30, 1977 are Plan 1 members. Those joining thereafter are enrolled in Plan 2. Retirement benefits are financed from

employee and employer contributions, investing earnings and state contributions. Retirement benefits in both Plan 1 and Plan 2 are vested after completion of 5 years of eligible service.

A board comprised of the mayor, the finance director, a city council member and two regularly employed or retired firefighters, elected by secret ballot of the employed and retired firefighters, administers the Plan 1 fire pension fund and fire long-term care fund. There is one elected firefighter alternate if needed.

A board comprised of the mayor, the finance director, a city council member and three regularly employed or retired members of the police department, elected by secret ballot of the employed and retired members of the police department, administers the Plan 1 police pension fund and police long-term care fund.

Plan 1 members are eligible to retire with 5 years of service at age 50. The benefits per year of service, with a cost-of-living allowance capped at 3% annually, are as follows:

<u>Term of service</u>	<u>Percent of final average</u>
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

Plan 2 members are eligible to retire at age 50 with 20 years of service, or at age 55 with 5 years of service. Retirement benefits prior to age 55 are actuarially reduced. The benefit is 2% of average salary per year of service. The average salary is based on the highest 5 year period. There is no cap on years of service credit and a cost-of-living allowance is granted, capped at 3% annually.

Funding policy:

Plan 1 employer and employee contribution rates are established by statute at 6%. State contribution rates for Plan 1 are set by the Pension Funding Council to fully amortize the total costs of the plan. Employer, employee and state contribution rates for Plan 2 are set by the director of the DRS based on recommendations by the Office of the State Actuary to continue to fully fund the plan. All employers are required to contribute at the level required by state law. The methods used to determine the contribution rates are established under statute in accordance with Chapters 41.26 and 41.45 RCW.

**Required contribution rates, as a percentage of current year covered payroll
December 31, 2007**

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer	0.16%	5.35%
Employee	0.00%	8.64%

City and employees both made the required contributions.

December 31, 2006

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer	0.18%	4.90%
Employee	0.00%	7.85%

City and employees both made the required contributions.

December 31, 2005

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer	0.19%	4.39%
Employee	0.00%	6.99%

City and employees both made the required contributions.

**City's employer and employee required contributions for the years ending
December 31, 2007**

		LEOFF Plan 1	LEOFF Plan 2
2007	Employer	\$ 2,697	\$ 927,388
	Employee	-	1,490,495
2006	Employer	3,597	785,997
	Employee	-	1,255,288
2005	Employer	4,450	582,728
	Employee	-	921,477

Firefighters Pension Fund/Police Officers Pension Fund

Plan description:

The City of Bellingham is the administrator of the firefighter and police pension retirement systems. In the financial reports of the City they appear as pension trust funds. Separate financial statements are not issued. Both systems are closed single-employer defined benefit pension systems that were established in conformance with RCW 41.18 and 41.20. Since this is a closed plan, members do not make contributions. The amortization method is the "level" method at 7% annually prior to January 1, 2001, 6% through December 31, 2004 and 5.5% through December 31, 2007. The amortization period is "30 year closed" beginning January 1, 1997. As of December 31, 2007 there are 19 years remaining.

No new employees have been covered by either of these plans since March 1, 1970. Pension obligations for all firefighters and law enforcement officers retired since March 1, 1970 (whether hired before or since that date) have been assumed by LEOFF (except for certain minimal benefits in excess of the LEOFF benefits). The City's liability under the firefighters pension plan and police officers pension plan is limited to benefits for covered firefighters and local law enforcement officers retired prior to March 1, 1970 and excess benefits over LEOFF I for fire fighters and law enforcement officers retired after March 1, 1970.

A member of the firefighters pension fund is eligible for retirement after completion of service for a period of 5 years or more and attainment of age 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. A member of the police officers pension fund is eligible for benefits after completing 25 years of service. Disability benefits can be received if disabled for a minimum of 6 months. An individual becomes vested after 5 years of service. Since there have been no new employees covered under these systems since 1970, all employees are fully vested.

The firefighters pension fund and the police officers pension fund make three types of payments:

- pensions to eligible members retired prior to March 1, 1970, or deceased members' spouses
- amounts to certain eligible members retired after that date if the amount received from LEOFF does not equal or exceed the amount entitled from the prior pension fund
- medical services for retired firefighters and law enforcement officers, excluding those enrolled in the retirement systems since October 1, 1977

The City also pays for active firefighters' and law enforcement officers' expenses in excess of those covered by the medical insurance carrier. The medical services are an obligation that may be paid directly from the City's general fund if so desired. The pension benefits are tied to the current pay rates and/or the cost of living index.

Benefits are calculated based on length of service (a percentage for each year of service) and on the final average salary (calculated over the last two years of credited service). There were no changes in benefit provisions in the current year.

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

**Covered individuals of the retirement system
Single employer – closed plan*
December 31, 2007**

Type of plan	Firefighter	Police Officer
Retirees and beneficiaries currently receiving benefits	49	25
Current active employees (12/31/07):		
Pension (before 1970)	0	0
Medical only (1970-1977)	11	7

* Retirees and spouses actually receiving money on the 12/31/07 payroll less Pre-LEOFF employees.

Summary of significant accounting policies:

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

Investments:

Firefighters and police officers pension funds are included in Note IV-A. The fair value of the investments of these funds is determined by their market value.

Contributions and reserves:

The firefighters pension fund has three sources of revenues. The City is levying property taxes (.225 per \$1,000 of assessed valuation) for funding the firefighters pension system, \$1,541,703 in 2007. Another dedicated source of revenue is the fire insurance premium tax as authorized by RCW 41.16.050, \$107,531 in 2007. The City contributed \$79,564 to the firefighters pension fund from the general fund in 2007. Of the total contributions made in 2007, \$836,978 was expended on medical services for Plan 1 firefighters and \$7,587 was paid for administrative expenses. This left a net contribution of \$804,669 toward funding Fire's annual required contribution (ARC).

The police officers pension fund has two sources of revenues. A minor dedicated resource for funding the police officers pension fund is the sale of unclaimed property as authorized by RCW 63.32.030, \$16,837 in 2007. The City contributed \$1,007,110 to the police officers pension fund from the general fund in 2007. Of the total contributions made in 2007, \$576,238 was expended on medical services for Plan 1 law enforcement officers and \$13,615 was paid for administrative expenses. This left a net contribution of \$434,094 toward funding Police's ARC.

The general fund is responsible for ensuring that the fund has adequate cash to pay its obligations each year. There have been no required employee contributions to the firefighters or police officers pension plans since March 1, 1970.

Funding status and progress:

An actuarial valuation of these funds is performed every other year. Since these funds have been funded on a "pay as you go" basis, only seven years of ARC data is available for the schedule of contributions. Therefore, the transition amount was determined in accordance with GASB 27. The amount of the pension liability at transition is zero. 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 funds for benefits. The ARC is computed using the entry age normal cost method. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The actuarial value of assets is the "fair market" value.

The administrative costs of the police officers and firefighters pension funds are financed by the funding sources listed in the above contributions and reserves section.

Actuarial valuations of these funds are performed every two years, with the most recent valuation being performed on January 1, 2007. Accordingly, the next scheduled valuation is to be performed on January 1, 2009. The actuarial assumptions involving investment earnings and salary growth for both police officers and firefighters pension funds have been determined in accordance with the recommendation of the system's retained actuary. Under LEOFF, 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 are for Urban Wage Earners and Clerical Worker, Seattle-Everett, Washington, which is the basis of LEOFF increases. The following assumptions are used in the most current study:

- 5.5% investment return on present and future assets
- 4.0% per year salary inflation compounded annually
- CPI increases of 3.0% per year

Schedule of funding progress
Pension benefits (\$ in thousands)

	Valuation date	Actuarial value of assets	Actuarial liabilities entry age	Unfunded actuarial liabilities (UAL)	Funded ratio	Covered payroll	UAL as a % of covered payroll
Police Officers	1/1/1997	\$ 484	\$ 3,182	\$ 2,698	15.2%	\$ 237	1138%
	1/1/1999	985	2,685	1,700	36.7%	69	2464%
	1/1/2001	992	3,137	2,145	31.6%	71	3021%
	1/1/2003	1,196	2,828	1,632	42.0%	-	N/A
	1/1/2005	1,298	2,626	1,328	49.0%	-	N/A
	1/1/2007	2,684	2,142	(542)	125.3%	-	N/A
Firefighters	1/1/1997	\$ 668	\$ 8,590	\$ 7,922	7.8%	\$ 486	1630%
	1/1/1999	1,310	8,228	6,918	15.9%	104	6652%
	1/1/2001	1,868	8,224	6,356	22.7%	56	11350%
	1/1/2003	2,806	7,637	4,831	37.0%	-	N/A
	1/1/2005	3,176	8,381	5,205	38.0%	-	N/A
	1/1/2007	3,512	8,204	4,692	42.8%	-	N/A

Schedule of employer contributions*

	Year ending	Police auction income	Actual fire insurance premiums	Actual employer contribution	Total employer contribution	Annual required contribution (ARC)	Percentage of ARC contributed
Police Officers	12/31/97	\$ 9,770	N/A	\$ 473,399	\$ 483,169	\$ 221,132	218.5%
	12/31/98	1,344	N/A	373,425	374,769	221,132	169.5%
	12/31/99	9,358	N/A	38,400	47,758	137,716	34.7%
	12/31/00	10,512	N/A	211,766	222,278	137,716	161.4%
	12/31/01	11,079	N/A	207,793	218,872	158,387	138.2%
	12/31/02	11,671	N/A	211,303	222,974	158,387	140.8%
	12/31/03	16,002	N/A	156,115	172,117	125,523	137.1%
	12/31/04	6,824	N/A	262,588	269,412	125,523	214.6%
	12/31/05	20,538	N/A	158,236	178,774	100,937	177.1%
	12/31/06	13,249	N/A	1,403,564	1,416,813	100,937	1403.7%
12/31/07	16,837	N/A	430,872	447,709	(43,044)	-1040.1%	
Firefighters	12/31/97	N/A	\$ 80,022	\$ 676,574	\$ 756,596	\$ 648,916	116.6%
	12/31/98	N/A	71,328	817,548	888,876	648,916	137.0%
	12/31/99	N/A	90,408	525,705	616,113	558,724	110.3%
	12/31/00	N/A	54,441	711,227	765,668	558,724	137.0%
	12/31/01	N/A	63,130	737,934	801,064	467,985	171.2%
	12/31/02	N/A	70,060	804,175	874,235	467,985	186.8%
	12/31/03	N/A	81,714	702,264	783,978	371,524	211.0%
	12/31/04	N/A	92,997	386,518	479,515	371,524	129.1%
	12/31/05	N/A	91,529	443,354	534,883	395,775	135.1%
	12/31/06	N/A	96,349	648,285	744,634	395,775	188.1%
12/31/07	N/A	107,531	784,289	891,820	372,881	239.2%	

*Data available beginning in 1997

Annual pension cost and net pension obligation

	Police Officers		Firefighters	
	12/31/06	12/31/07	12/31/06	12/31/07
Annual required contribution (ARC)				
Annual normal cost - beginning of year	\$ -	\$ -	\$ -	\$ -
Amortization of UAL - beginning of year	95,675	(40,800)	375,142	353,442
Interest at end of year	5,262	(2,244)	20,633	19,439
Required contribution at end of year (ARC)	100,937	(43,044)	395,775	372,881
Interest on net pension obligation	(41,937)	(113,594)	(105,470)	(122,694)
Adjustment to net pension obligation	54,955	155,580	141,177	168,042
Annual pension cost (APC)	113,955	(1,058)	431,482	418,229
Employer contributions	(1,416,813)	(447,709)	(744,634)	(891,820)
Change in net pension obligation	(1,302,858)	(448,767)	(313,152)	(473,591)
Net pension obligation - beginning of year	(762,494)	(2,065,352)	(1,917,640)	(2,230,792)
Net pension obligation - end of year	\$ (2,065,352)	\$ (2,514,119)	\$ (2,230,792)	\$ (2,704,383)

Trend information

	Year ending	Annual pension cost (APC)	Contribution as a % of APC	Net pension obligation (NPO)
Police Officers	12/31/97	\$ 221,132	218.5%	\$ (262,037)
	12/31/98	222,524	168.4%	(414,282)
	12/31/99	139,917	34.1%	(322,123)
	12/31/00	139,687	159.1%	(404,714)
	12/31/01	162,584	134.6%	(461,002)
	12/31/02	163,648	136.3%	(520,328)
	12/31/03	132,053	130.0%	(560,392)
	12/31/04	133,255	202.2%	(696,549)
	12/31/05	112,829	158.0%	(762,494)
	12/31/06	113,955	1243.3%	(2,065,352)
	12/01/07	(1,058)	-42316.5%	(2,514,119)
Firefighters	12/31/97	\$ 648,916	116.6%	\$ (107,680)
	12/31/98	649,488	136.9%	(347,068)
	12/31/99	560,568	109.9%	(402,613)
	12/31/00	561,188	136.4%	(607,093)
	12/31/01	474,280	168.9%	(933,877)
	12/31/02	478,642	182.6%	(1,329,470)
	12/31/03	388,211	202.0%	(1,725,237)
	12/31/04	395,330	121.3%	(1,809,422)
	12/31/05	426,665	125.0%	(1,917,640)
	12/31/06	431,482	172.6%	(2,230,792)
	12/31/07	418,229	213.2%	(2,704,383)

Annual development of pension cost

Year ending	ARC at EOY*	Interest on NPO*	ARC adjust	Annual pension	Employer contribution	Change in NPO	NPO balance	Gain/loss	Amort factor @30 yrs	Amort of gain/loss	Ending balance
Police Officers											
12/31/97	\$ 221,132	\$ -	\$ -	\$ 221,132	\$ 483,169	\$ (262,037)	\$ (262,037)	\$ (262,037)	13.2777%	\$ -	\$ (262,037)
12/31/98	221,132	(18,343)	19,735	222,524	374,769	(152,245)	(414,282)	(153,637)	13.2777%	(19,735)	(414,282)
12/31/99	137,716	(29,000)	31,201	139,917	47,758	92,159	(322,123)	89,958	13.2777%	(31,201)	(322,123)
12/31/00	137,716	(22,549)	24,520	139,687	222,278	(82,591)	(404,714)	(84,562)	13.1371%	(24,520)	(404,714)
12/31/01	158,387	(24,283)	28,480	162,584	218,872	(56,288)	(461,002)	(60,485)	14.2105%	(28,480)	(461,002)
12/31/02	158,387	(27,660)	32,921	163,648	222,974	(59,326)	(520,328)	(64,587)	14.0032%	(32,921)	(520,328)
12/31/03	125,523	(31,220)	37,750	132,053	172,117	(40,064)	(560,392)	(46,594)	13.7834%	(37,750)	(560,392)
12/31/04	125,523	(33,624)	41,356	133,255	269,412	(136,157)	(696,549)	(143,889)	13.5504%	(41,356)	(696,549)
12/31/05	100,937	(38,310)	50,202	112,829	178,774	(65,945)	(762,494)	(77,837)	13.8750%	(50,202)	(762,494)
12/31/06	100,937	(41,937)	54,955	113,955	1,416,813	(1,302,858)	(2,065,352)	(1,315,876)	13.5832%	(54,955)	(2,065,352)
12/31/07	(43,044)	(113,594)	155,580	(1,058)	447,709	(448,767)	(2,514,119)	(490,753)	13.2752%	(155,580)	(2,514,119)
Firefighters											
12/31/97	\$ 648,916	\$ -	\$ -	\$ 648,916	\$ 756,596	\$ (107,680)	\$ (107,680)	\$ (107,680)	13.2777%	\$ -	\$ (107,680)
12/31/98	648,916	(7,538)	8,110	649,488	888,876	(239,388)	(347,068)	(239,960)	13.2777%	(8,110)	(347,068)
12/31/99	558,724	(24,295)	26,139	560,568	616,113	(55,545)	(402,613)	(57,389)	13.2777%	(26,139)	(402,613)
12/31/00	558,724	(28,183)	30,647	561,188	765,668	(204,480)	(607,093)	(206,944)	13.1371%	(30,647)	(607,093)
12/31/01	467,985	(36,426)	42,721	474,280	801,064	(326,784)	(933,877)	(333,079)	14.2105%	(42,721)	(933,877)
12/31/02	467,985	(56,033)	66,690	478,642	874,235	(395,593)	(1,329,470)	(406,250)	14.0032%	(66,690)	(1,329,470)
12/31/03	371,524	(79,768)	96,455	388,211	783,978	(395,767)	(1,725,237)	(412,454)	13.7834%	(96,455)	(1,725,237)
12/31/04	371,524	(103,514)	127,320	395,330	479,515	(84,185)	(1,809,422)	(107,991)	13.5504%	(127,320)	(1,809,422)
12/31/05	395,775	(99,518)	130,408	426,665	534,883	(108,218)	(1,917,640)	(139,108)	13.8750%	(130,408)	(1,917,640)
12/31/06	395,775	(105,470)	141,177	431,482	744,634	(313,152)	(2,230,792)	277,445	13.5832%	(141,177)	(2,230,792)
12/31/07	372,881	(122,694)	168,042	418,229	891,820	(473,591)	(2,704,383)	(518,939)	13.2752%	(168,042)	(2,704,383)

*ARC = Annual required contribution *EOY = End of year *NPO = Net pension obligation

City of Bellingham
Combining Statement of Net Assets
Pension Trust Funds
December 31, 2007

	<u>Firefighters Pension</u>	<u>Police Officers Pension</u>	<u>Firefighters LT Care</u>	<u>Police Officers LT Care</u>	<u>Total Pension Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,412,489	\$ 1,144,550	\$ 506,788	\$ 552,355	\$ 3,616,182
Investments:					
Government securities	2,446,077	1,982,073	877,630	956,541	6,262,321
Receivable	79,126	26,622	11,789	12,847	130,384
Interfund receivables	230,868	-	-	-	230,868
Total assets	<u>4,168,560</u>	<u>3,153,245</u>	<u>1,396,207</u>	<u>1,521,743</u>	<u>10,239,755</u>
LIABILITIES					
Accounts payable	346	350	-	-	696
Accrued wages and benefits	41,344	12,041	-	-	53,385
Other liabilities	46,272	-	-	-	46,272
Total liabilities	<u>87,962</u>	<u>12,391</u>	<u>-</u>	<u>-</u>	<u>100,353</u>
NET ASSETS					
Held in trust for employees pension benefits	4,080,598	3,140,854	1,396,207	1,521,743	10,139,402
Total net assets	<u>4,080,598</u>	<u>3,140,854</u>	<u>1,396,207</u>	<u>1,521,743</u>	<u>10,139,402</u>
Total liabilities and net	<u>\$ 4,168,560</u>	<u>\$ 3,153,245</u>	<u>\$ 1,396,207</u>	<u>\$ 1,521,743</u>	<u>\$ 10,239,755</u>

City of Bellingham
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
December 31, 2007

	<u>Firefighters Pension</u>	<u>Police Officers Pension</u>	<u>Firefighters LT Care</u>	<u>Police Officers LT Care</u>	<u>Totals</u>
ADDITIONS					
Contributions:					
Other sources	\$ 1,649,234	\$ 16,837	\$ -	\$ -	\$ 1,666,071
Employer	79,564	1,007,110	188,844	184,744	1,460,262
Total contributions	<u>1,728,798</u>	<u>1,023,947</u>	<u>188,844</u>	<u>184,744</u>	<u>3,126,333</u>
Investment income:					
Interest	177,471	144,854	63,752	69,601	455,678
Net increase in fair value of investments	<u>33,022</u>	<u>26,854</u>	<u>11,951</u>	<u>12,954</u>	<u>84,781</u>
Net investment income	<u>210,493</u>	<u>171,708</u>	<u>75,703</u>	<u>82,555</u>	<u>540,459</u>
Total additions	<u>1,939,291</u>	<u>1,195,655</u>	<u>264,547</u>	<u>267,299</u>	<u>3,666,792</u>
DEDUCTIONS					
Benefits	1,362,788	724,864	95,158	41,577	2,224,387
Administration expense	7,589	13,615	1,750	1,750	24,704
Total deductions	<u>1,370,377</u>	<u>738,479</u>	<u>96,908</u>	<u>43,327</u>	<u>2,249,091</u>
NET INCREASE					
Net change in net assets held in trust					
for employees' pension benefits	568,914	457,176	167,639	223,972	1,417,701
Net assets held in trust for employees' pension benefits, January 1, 2006					
	<u>3,511,684</u>	<u>2,683,678</u>	<u>1,228,568</u>	<u>1,297,771</u>	<u>8,721,701</u>
Net assets held in trust for employees' pension benefits, December 31, 2006					
	<u>\$ 4,080,598</u>	<u>\$ 3,140,854</u>	<u>\$ 1,396,207</u>	<u>\$ 1,521,743</u>	<u>\$ 10,139,402</u>

V-E Post employment benefits other than pension benefit

In addition to the pension benefits described in Note V-D, the City of Bellingham provides, or will provide, post employment health care benefits in accordance with RCW 41.26.150, to 145 LEOFF I employees who established membership after June 8, 1961 and on or before September 30, 1977. Of these, currently 73 Fire and 47 Police retirees meet those eligibility requirements.

In 2007 the City provided health coverage for LEOFF I retirees under the age of 65 through a health benefit plan purchased through the Association of Washington Cities (AWC). Post age 65 Medicare eligible retirees are covered by Medicare. The City reimburses the LEOFF-I's Medicare insurance premiums and also purchases a supplemental insurance plan through the AWC, with the City continuing to reimburse Medicare Part B premiums to Medicare eligible LEOFF-I's. Through the LEOFF-I Pension Boards, the City also pays eligible usual and customary medical expenses in excess of those covered by the applicable insurance plan. These medical benefits are funded on a pay-as-you-go basis. Dental costs and dependents are not covered.

The fixed insurance premiums paid in 2007 were:

\$1,016.40 per month for retirees not enrolled in Medicare, and \$676.05 per month for retirees enrolled in Medicare, for Association of Washington Cities (AWC) health benefit coverage.

\$93.50 per month for Medicare Part B insurance for appropriate Medicare eligible retirees.

During 2007, expenditures of \$1,398,293 were recognized for post employment health care, and expenditures of \$136,735 were recognized for post employment long-term care expenses.

Post employment health care benefits

	Fire	Police	Total
Drugs, medication and first aid	\$ 27,944	\$ 17,003	\$ 44,947
Medical/rehab equipment	9,670	8,609	18,279
Medical/hospital services	13,637	5,375	19,012
Medicare Plus for pensioners	38,727	23,564	62,291
AWC medical premiums	743,368	514,589	1,257,957
Less expense for active employees	(2,835)	(1,358)	(4,193)
Total health care benefits	\$ 830,511	\$ 567,782	\$ 1,398,293

Post employment long-term care benefits

	Fire	Police	Total
Medical, hospital services	\$ 95,158	\$ 41,577	\$ 136,735

In 2004 the City offered employees a Retirement Health Savings Plan (RHS). Enrollment is optional, and the program is funded solely by employee contributions. It allows employees to accumulate assets on a tax-free basis to pay for medical expenses not covered by insurance or other sources. RHS contributions are tax-free (no income or social security taxes) and the employee pays no taxes on account earnings. In addition, no taxes are owed on plan withdrawals. ICMA is the administrator for the plan and RHS assets remain invested in the investment options of the employee's choice until withdrawn.

Reimbursement is available for medical expenses for enrollees and their eligible family members. Enrollees may withdraw funds to reimburse themselves for eligible medical expenses not covered by another source:

- Upon reaching age 55 while still employed
- After the employee leaves employment with the City of Bellingham

Enrolled employees may contribute from \$20 per month to a maximum of 25% of their monthly pay into this program. Once an employee elects to enroll in this program, the election to both participate in the program and the funding level the employee selects is irrevocable, and may not be revised during the remainder of the employee's employment with the City of Bellingham. The fact that the election is irrevocable supplies the tax-free treatment of contributions and is a requirement of the IRS.

Funding status and progress:

An actuarial valuation of these funds is performed every other year. Since these funds have been funded on a "pay as you go" basis, and GASB 45 is effective in the current year, only the current year of ARC data is available for the schedule of contributions. The transition amount was determined in accordance with GASB 45. The amount of the Other Post-Employment Benefits (OPEB) liability at transition is zero. 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 funds for benefits. The ARC is computed using the entry age normal cost method. Under this method the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The actuarial value of assets is the "fair market" value. The unfunded actuarial liability (UAL), equal to the difference between the present value of benefits and the actuarial value of assets, is being amortized on a closed basis over 30 years, beginning in 2006, at 5.5% per annum.

The administrative costs of the police officers and firefighters OPEB funds are financed by the funding sources listed in the above contributions and reserves section.

As of January 1, 2007, an actuarial valuation of these funds was performed by Northwest Plan Services, Inc. The Schedule of Funding Progress was not updated for January 1, 2008 because it is updated every two years, with the last update being January 1, 2007. The actuarial assumptions involving investment earnings and medical expense growth for both police officers and firefighters OPEB funds have been determined in accordance with the recommendation of the system's retained actuary. The most current Northwest Plan Services, Inc. study includes:

- 5.5% investment return on present and future assets
- Medical expense inflation is assumed to be
 - 10% for 2007
 - 9% for 2008
 - 8% for 2009
 - 7% for 2010
 - 6% for 2011 and future years

**Schedule of Funding Progress
OPEB benefits (\$ in thousands)**

	Valuation date	Actuarial value of assets	Actuarial Liabilities entry age	Unfunded actuarial liabilities (UAL)	Funded Ratio	Covered payroll	UAL as a % of covered payroll
Police Officers	1/1/2007	\$1,298	\$15,500	\$14,202	8.4%	-	N/A
Firefighters	1/1/2007	1,228	21,255	20,027	5.8%	-	N/A

Annual OPEB cost and net OPEB obligation

	OPEB Police Officers		OPEB Firefighters	
	12/31/2006	12/31/2007	12/31/2006	12/31/2007
Annual required contribution (ARC)				
Annual normal cost - beginning of year	\$ -	\$ -	\$ -	\$ -
Amortization of UAL - beginning of year	877,934	877,934	1,238,030	1,238,030
Interest at end of year	48,287	48,287	68,092	68,092
Required contribution at end of year (ARC)	926,221	926,221	1,306,122	1,306,122
Interest on net OPEB obligation		(17,042)		(11,811)
Adjustment to net OPEB obligation		20,491		14,201
Annual OPEB cost (AOC)	926,221	963,754	1,306,122	1,332,134
Employer contributions	1,236,077	760,982	1,520,859	1,025,822
Change in net OPEB obligation	(309,856)	202,722	(214,737)	306,312
Net OPEB obligation - beginning of year		(309,856)		(214,737)
Net OPEB obligation - end of year	(309,856)	(107,084)	(214,737)	91,575

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 was as follows:

	Year ending	Annual OPEB cost (AOC)	Contribution as a % of AOC	Net OPEB obligation (NPO)
Police Officers	12/31/2007	\$963,754	79.0%	(\$107,084)
Firefighters	12/31/2007	1,332,134	77.0%	91,575

V-F Endowments

Beyond greenways 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 \$20,000,000 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 second was the beyond greenways endowment fund with 10% of the levy property tax receipts, interest earned but not yet needed for operation purposes and any principal donations that are intended to be kept in a nonexpendable trust.

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

As of December 31, 2007 a total of \$2,339,698 in property taxes and donations has been receipted into the endowment fund. Interest in the amount of \$197,304 remains unspent.

Natural resource protect and restore fund – As a result of the Olympic Pipeline disaster occurring in June 1999, an agreement was reached in December 2003 between the City of Bellingham and the Department of Ecology, State of Washington, 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 \$4,000,000 endowment was received December 16, 2003.

According to the terms of the agreement, the corpus (or original lump revenue) cannot be expended for fifty (50) years. Only the interest earned by that corpus or any other outside revenues received (such as donations) may be expended for (a) or (b) as defined above. As of December 31, 2007, interest in the amount of \$550,400 remains unspent.

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

V-G New funds and closed funds

Fund 232 – In 2007 the City made the final payment on the PW Trust loan for Roeder Avenue and the debt service fund was closed.

Fund 165/965 - In 2007 the City made a decision to treat the Bellingham Whatcom Public Facilities District as a full accrual fund (See accounting and reporting changes note for details). Fund 165 was closed and Fund 965 was created.

V-H Accounting and reporting changes/prior period adjustments

Bellingham-Whatcom Public Facilities District - In 2007 the Bellingham-Whatcom Public Facilities District (PFD) issued debt for the first time. This prompted a review of the City's accounting treatment of the PFD. The GFOA and Washington State Auditor's Office were consulted as part of this review. The PFD will no longer be reported as a blended component unit with other City Special Revenue funds. For the purposes of the 2007 CAFR and going forward the PFD will be treated as a full accrual, discrete component unit with all revenue, expenses, liabilities, and assets reported separately from the City. The PFD will be reported in its own distinct column and row in the government wide statements to delineate its legal separation from the City.

Asset policy - In 2007 the City completed a major revision of its Capital and Attractive Assets Policy (Fin 9.00.03). A final draft of these policy changes was reviewed and approved by the City's auditors, the Washington State Auditors Office. Some of these changes impact the reporting of assets in the Financial Statements and Notes including:

1. "Art Collections" and "Significant Works of Art" owned by the City are no longer classified as capital assets per an election allowable in GASB 34.
2. Per GASB 51 the City no longer capitalizes studies and plans.
3. Prior to this revision the City has a single capitalization threshold of \$5,000. The new policy sets different thresholds ranging from \$5,000 for fleet replacement to \$50,000 for categories such as infrastructure, intangible assets, and 'buildings and improvements'.

Each of these changes resulted in prior period downward adjustments to capital assets held by City funds to reflect these new capitalization levels. Assets on the City's books with values less than the new capitalization levels for their categories were removed from assets along with their accumulated depreciation.

Land values - In 2007 the City hired an asset consultant to value all of the parcels of land that were carried in the City's asset management system at no value (\$0.00). The values derived by the Consultant resulted in upward prior period adjustments to land holdings of the impacted funds.

V-I Restricted net assets

The government-wide statement of net assets reports \$53,749,524 of restricted net assets, of which \$19,201,249 is restricted by enabling legislation.



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CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,856,281	\$ 119,237	\$ 318,761	\$ 1,709,747	\$ 13,004,026
Investments	18,800,362	206,489	552,015	2,960,853	22,519,719
Receivable (net of allowance for uncollectibles)	420,624	11,270	-	9,067	440,961
Interfund receivables	-	-	-	2,450,000	2,450,000
Prepaid items	-	-	-	-	-
Special assessments - deferred	-	-	-	-	-
Notes and contracts receivable	-	202,058	-	-	202,058
Total assets	<u>30,077,267</u>	<u>539,054</u>	<u>870,776</u>	<u>7,129,667</u>	<u>38,616,764</u>
 LIABILITIES					
Accounts payable	350,229	610	41,846	-	392,685
Accrued wages and benefits	146,865	-	-	-	146,865
Interfund payables	-	-	-	-	-
Other liabilities	68,148	-	-	-	68,148
Deferred revenue	89,906	213,328	-	9,067	312,301
Total liabilities	<u>655,148</u>	<u>213,938</u>	<u>41,846</u>	<u>9,067</u>	<u>919,999</u>
 FUND BALANCE					
Reserved fund balance	-	-	-	6,372,896	6,372,896
Unreserved fund balance	29,422,119	325,116	828,930	747,704	31,323,869
Total fund balance	<u>29,422,119</u>	<u>325,116</u>	<u>828,930</u>	<u>7,120,600</u>	<u>37,696,765</u>
 Total liabilities and fund balance	<u>\$ 30,077,267</u>	<u>\$ 539,054</u>	<u>\$ 870,776</u>	<u>\$ 7,129,667</u>	<u>\$ 38,616,764</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES					
Taxes	\$ 7,960,114	\$ 370,637	\$ -	\$ 348,320	\$ 8,679,071
Intergovernmental revenue	4,166,547	553,328	-	-	4,719,875
Charges for services	3,039,629	90,329	780	-	3,130,738
Miscellaneous revenues	2,162,053	382,426	71,505	321,894	2,937,878
Total revenues	<u>17,328,343</u>	<u>1,396,720</u>	<u>72,285</u>	<u>670,214</u>	<u>19,467,562</u>
EXPENDITURES					
Current:					
General government services	280,571	-	-	-	280,571
Public safety	3,902,807	-	-	-	3,902,807
Physical environment	246,083	-	-	-	246,083
Economic environment	21,365	-	-	-	21,365
Cultural and recreation	1,339,897	-	-	-	1,339,897
Debt service:					
Redemption of general long-term debt	-	2,149,893	-	-	2,149,893
Interest and other debt service cost	-	1,123,604	-	-	1,123,604
Capital outlay	6,658,399	-	1,015,197	-	7,673,596
Total expenditures	<u>12,449,122</u>	<u>3,273,497</u>	<u>1,015,197</u>	<u>-</u>	<u>16,737,816</u>
Excess (deficiency) of revenues Over (under) expenditures	<u>4,879,221</u>	<u>(1,876,777)</u>	<u>(942,912)</u>	<u>670,214</u>	<u>2,729,746</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	872,119	1,910,311	-	-	2,782,430
Transfers out	(1,881,884)	(300,000)	-	(56,000)	(2,237,884)
Total other financing sources (uses)	<u>(1,009,765)</u>	<u>1,610,311</u>	<u>-</u>	<u>(56,000)</u>	<u>544,546</u>
Net change in fund balances	3,869,456	(266,466)	(942,912)	614,214	3,274,292
Fund balances - beginning	25,552,663	591,582	1,771,842	6,506,386	34,422,473
Fund balances - ending	<u>\$ 29,422,119</u>	<u>\$ 325,116</u>	<u>\$ 828,930</u>	<u>\$ 7,120,600</u>	<u>\$ 37,696,765</u>



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SPECIAL REVENUE FUNDS**112 – Arterial Street Construction**

Responsible for upgrading arterial roadways. Recurring revenue comes from state shared fuel tax. Project funding is supplemented by street related grants. Established by Ordinance 7727.

113 – Paths & Trails Reserve

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

123 – Park Site Acquisition

Acquisition of land for parks, playgrounds, open space or greenbelts in areas deemed appropriate by the City Council. The source of revenue is a charge of \$50.00 per lot in subdivisions that do not dedicate or set aside property for park purposes. Established by Ordinance 8414.

124 – Technology Replacement and Reserve

Created to fund the acquisition or replacement of computer system hardware and software. Amounts approved by City Council are transferred from other funds. Originally established by Ordinance 9961 and modified by Ordinance 2007-11-091. *Goal for ending fund balance is \$300,000 for use in the event of an emergency as determined by Council in their sole discretion involving technology resource.*

125 – Capital Maintenance

A cumulative reserve to meet needs for repairs, maintenance, non-capital remodeling and non-capital improvements to facilities. Established in the 1987 Budget by Ordinance 9629.

126 – Library Gift

Accumulates cash gifts to the library from private sources. Expenditures are made to provide books or other materials for the library. Established by Ordinance 7573 and transferred to special revenue classification by Ordinance 2001-11-086.

131 – Olympic Pipeline Incident

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

132 – Squalicum Park/Olympic

Created to account for the proceeds of a portion of the settlement from Olympic Pipeline to be used for Squalicum Park. This fund will be closed after all proceeds placed in the fund have been disbursed. Established by Ordinance 2004-01-002.

133 – Olympic Restoration

Created for the purpose of accounting for funds to complete restoration projects on Whatcom Creek pursuant to the Olympic Pipeline Whatcom Creek Restoration Plan. Established by Ordinance 2005-10-083.

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.

135 – Little Squalicum – Oeser Settlement

Created to account for the settlement funds from the Oeser property settlement. Established by Ordinance 2006-01-001.

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.

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 efficient communication services for Bellingham's police, fire and EMS units, and participating public safety agencies in the surrounding County. This separate fund facilitates reporting financial operations to user agencies and to the 911 Center's Board of Administration. Funded by user agencies. Established by Ordinance 9165.

172 – Beyond Greenway Levy

Funded by increased property tax of \$.57 per thousand of assessed valuation, to be collected over nine years, not to exceed \$20,000,000. Continues the acquisition, improvement and maintenance of greenways areas begun by the original greenway levy. Voter approved levy passed in 1997. The fund was established by Ordinance 1998-02-004.

173 – Greenway III Levy

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

177 – Park Impact Fee

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

178 – Sportsplex

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

180 – Tourism

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

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007

Page 1 of 2

	Arterial Street <u>Construction</u>	Paths and Trails <u>Reserve</u>	Park Site <u>Acquisition</u>	Technology Replacement and Reserve <u>and Reserve</u>	Capital <u>Maintenance</u>	Library <u>Gift</u>	Olympic Pipeline <u>Incident</u>	Squalicum <u>Park/Olympic</u>	Olympic <u>Restoration</u>	Olympic- Whatcom Falls <u>Park Addition</u>	Little Squalicum Oeser <u>Settlement</u>	First 1/4% Real <u>Estate Excise</u>
ASSETS												
Cash and cash equivalents	\$ 195,675	\$ 13,862	\$ 84,915	\$ 750,985	\$ 1,499,531	\$ 10,366	\$ 244,629	\$ 7,947	\$ 7,617	\$ 87,144	\$ 111,593	\$ 1,532,368
Investments	338,859	24,006	147,051	1,300,518	2,596,813	17,951	423,636	13,762	13,192	150,912	193,251	2,653,677
Receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-	93,077	-	-	30,640	-
Total assets	<u>534,534</u>	<u>37,868</u>	<u>231,966</u>	<u>2,051,503</u>	<u>4,096,344</u>	<u>28,317</u>	<u>668,265</u>	<u>114,786</u>	<u>20,809</u>	<u>238,056</u>	<u>335,484</u>	<u>4,186,045</u>
LIABILITIES												
Accounts payable	43,005	-	-	31,991	44,689	287	6,353	-	-	-	5,333	43,908
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	1,548
Total liabilities	43,005	-	-	31,991	44,689	287	6,353	-	-	-	5,333	45,456
FUND BALANCE												
Unreserved fund balance	<u>491,529</u>	<u>37,868</u>	<u>231,966</u>	<u>2,019,512</u>	<u>4,051,655</u>	<u>28,030</u>	<u>661,912</u>	<u>114,786</u>	<u>20,809</u>	<u>238,056</u>	<u>330,151</u>	<u>4,140,589</u>
Total fund balance	<u>491,529</u>	<u>37,868</u>	<u>231,966</u>	<u>2,019,512</u>	<u>4,051,655</u>	<u>28,030</u>	<u>661,912</u>	<u>114,786</u>	<u>20,809</u>	<u>238,056</u>	<u>330,151</u>	<u>4,140,589</u>
Total liabilities and fund balance	<u>\$ 534,534</u>	<u>\$ 37,868</u>	<u>\$ 231,966</u>	<u>\$ 2,051,503</u>	<u>\$ 4,096,344</u>	<u>\$ 28,317</u>	<u>\$ 668,265</u>	<u>\$ 114,786</u>	<u>\$ 20,809</u>	<u>\$ 238,056</u>	<u>\$ 335,484</u>	<u>\$ 4,186,045</u>

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007

Page 2 of 2

	Second 1/4% Real	Police Federal	Asset Forfeit/Drug Enforcement	Criminal Justice	Public Safety Dispatch	Beyond Greenway Levy	Greenway III Levy	Park Impact Fees	Sportsplex	Tourism	Total Nonmajor Special Revenue Funds
ASSETS	<u>Estate Excise</u>	<u>Equitable</u>	<u>Enforcement</u>	<u>Justice</u>	<u>Dispatch</u>	<u>Levy</u>	<u>Levy</u>	<u>Fees</u>	<u>Sportsplex</u>	<u>Tourism</u>	<u>Funds</u>
Cash and cash equivalents	\$ 1,827,359	\$ 57,844	\$ 32,258	\$ 165,000	\$ 803,499	\$ 1,329,495	\$ 1,203,695	\$ 684,796	\$ 31,369	\$ 174,334	\$ 10,856,281
Investments	3,164,528	100,172	55,864	285,739	1,391,458	2,302,352	2,084,499	1,185,894	54,324	301,904	18,800,362
Receivable (net of allowance for uncollectibles)	<u>30,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,537</u>	<u>169,437</u>	<u>75,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,624</u>
Total assets	<u>5,022,248</u>	<u>158,016</u>	<u>88,122</u>	<u>450,739</u>	<u>2,216,494</u>	<u>3,801,284</u>	<u>3,363,766</u>	<u>1,870,690</u>	<u>85,693</u>	<u>476,238</u>	<u>30,077,267</u>
LIABILITIES											
Accounts payable	46,480	-	6,563	-	20,224	10,936	778	-	-	89,682	350,229
Accrued wages and benefits	-	-	-	-	146,865	-	-	-	-	-	146,865
Other liabilities	-	-	-	-	-	-	-	-	66,600	-	68,148
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,334</u>	<u>75,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,906</u>
Total liabilities	46,480	-	6,563	-	167,089	25,270	76,350	-	66,600	89,682	655,148
FUND BALANCE											
Unreserved fund balance	<u>4,975,768</u>	<u>158,016</u>	<u>81,559</u>	<u>450,739</u>	<u>2,049,405</u>	<u>3,776,014</u>	<u>3,287,416</u>	<u>1,870,690</u>	<u>19,093</u>	<u>386,556</u>	<u>29,422,119</u>
Total fund balance	<u>4,975,768</u>	<u>158,016</u>	<u>81,559</u>	<u>450,739</u>	<u>2,049,405</u>	<u>3,776,014</u>	<u>3,287,416</u>	<u>1,870,690</u>	<u>19,093</u>	<u>386,556</u>	<u>29,422,119</u>
Total liabilities and fund balance	<u>\$ 5,022,248</u>	<u>\$ 158,016</u>	<u>\$ 88,122</u>	<u>\$ 450,739</u>	<u>\$ 2,216,494</u>	<u>\$ 3,801,284</u>	<u>\$ 3,363,766</u>	<u>\$ 1,870,690</u>	<u>\$ 85,693</u>	<u>\$ 476,238</u>	<u>\$ 30,077,267</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007

Page 1 of 2

	Arterial Street Construction	Paths and Trails Reserve	Park Site Acquisition	Technology Replacement and Reserve	Capital Maintenance	Library Gift	Olympic Pipeline Incident	Squalicum Park/Olympic	Olympic Restoration	Olympic- Whatcom Falls Park Addition	Little Squalicum Oeser Settlement	First 1/4% Real Estate Excise
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,709,804
Intergovernmental revenue	567,099	-	-	-	-	-	-	280,822	-	-	54,347	25,095
Charges for services	-	-	14,117	-	-	-	-	1,625	-	-	-	-
Miscellaneous revenues	45,472	1,786	15,700	151,120	230,661	8,221	38,145	33,710	1,143	13,077	16,860	234,075
Total revenues	<u>612,571</u>	<u>1,786</u>	<u>29,817</u>	<u>151,120</u>	<u>230,661</u>	<u>8,221</u>	<u>38,145</u>	<u>316,157</u>	<u>1,143</u>	<u>13,077</u>	<u>71,207</u>	<u>1,968,974</u>
EXPENDITURES												
Current:												
General government services	-	-	-	208,704	34,322	-	-	-	-	-	-	37,545
Physical environment	-	-	-	-	179,329	-	66,754	-	-	-	-	-
Economic environment	-	-	-	-	21,365	-	-	-	-	-	-	-
Cultural and recreation	-	-	-	-	35,564	8,948	-	-	-	-	116,099	106,654
Capital outlay	772,199	-	83,596	212,601	27,495	-	-	1,211,292	-	-	-	1,181,357
Total expenditures	<u>772,199</u>	<u>-</u>	<u>83,596</u>	<u>421,305</u>	<u>298,075</u>	<u>8,948</u>	<u>66,754</u>	<u>1,211,292</u>	<u>-</u>	<u>-</u>	<u>116,099</u>	<u>1,325,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,628)</u>	<u>1,786</u>	<u>(53,779)</u>	<u>(270,185)</u>	<u>(67,414)</u>	<u>(727)</u>	<u>(28,609)</u>	<u>(895,135)</u>	<u>1,143</u>	<u>13,077</u>	<u>(44,892)</u>	<u>643,418</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	-	6,064	-	536,743	300,000	-	-	-	-	-	-	-
Transfers out	(199,676)	-	-	(725,870)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(199,676)</u>	<u>6,064</u>	<u>-</u>	<u>(189,127)</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(359,304)	7,850	(53,779)	(459,312)	232,586	(727)	(28,609)	(895,135)	1,143	13,077	(44,892)	643,418
Fund balance - beginning	850,833	30,018	285,745	2,478,824	3,819,069	28,757	690,521	1,009,921	19,666	224,979	375,043	3,497,171
Fund balance - ending	<u>\$ 491,529</u>	<u>\$ 37,868</u>	<u>\$ 231,966</u>	<u>\$ 2,019,512</u>	<u>\$ 4,051,655</u>	<u>\$ 28,030</u>	<u>\$ 661,912</u>	<u>\$ 114,786</u>	<u>\$ 20,809</u>	<u>\$ 238,056</u>	<u>\$ 330,151</u>	<u>\$ 4,140,589</u>

5-10

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007

Page 2 of 2

	Second 1/4% Real Estate Excise	Police Federal Equitable	Asset Forfeit/Drug Enforcement	Criminal Justice	Public Safety Dispatch	Beyond Greenway Levy	Greenway III Levy	Park Impact Fees	Sportsplex	Tourism	Total Nonmajor Special Revenue Funds
REVENUES											
Taxes	\$ 1,709,804	\$ -	\$ -	\$ -	\$ -	\$ 31,262	\$ 3,486,779	\$ -	\$ -	\$ 1,022,465	\$ 7,960,114
Intergovernmental revenue	150,465	124,744	-	246,790	2,330,949	386,236	-	-	-	-	4,166,547
Charges for services	390	-	-	-	1,580,523	1,030	-	1,441,944	-	-	3,039,629
Miscellaneous revenues	306,150	5,259	39,234	23,301	200,517	416,343	281,125	69,460	7,924	22,770	2,162,053
Total revenues	<u>2,166,809</u>	<u>130,003</u>	<u>39,234</u>	<u>270,091</u>	<u>4,111,989</u>	<u>834,871</u>	<u>3,767,904</u>	<u>1,511,404</u>	<u>7,924</u>	<u>1,045,235</u>	<u>17,328,343</u>
EXPENDITURES											
Current:											
General government services	-	-	-	-	-	-	-	-	-	-	280,571
Public safety	-	4,406	257,710	-	3,640,691	-	-	-	-	-	3,902,807
Physical environment	-	-	-	-	-	-	-	-	-	-	246,083
Economic environment	-	-	-	-	-	-	-	-	-	-	21,365
Cultural and recreation	75,711	-	-	-	-	66,811	38,785	9,403	-	881,922	1,339,897
Capital outlay	<u>1,440,667</u>	<u>-</u>	<u>15,081</u>	<u>-</u>	<u>83,167</u>	<u>1,188,966</u>	<u>441,978</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,658,399</u>
Total expenditures	<u>1,516,378</u>	<u>4,406</u>	<u>272,791</u>	<u>-</u>	<u>3,723,858</u>	<u>1,255,777</u>	<u>480,763</u>	<u>9,403</u>	<u>-</u>	<u>881,922</u>	<u>12,449,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>650,431</u>	<u>125,597</u>	<u>(233,557)</u>	<u>270,091</u>	<u>388,131</u>	<u>(420,906)</u>	<u>3,287,141</u>	<u>1,502,001</u>	<u>7,924</u>	<u>163,313</u>	<u>4,879,221</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	29,037	-	275	-	-	-	872,119
Transfers out	<u>(622,411)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>	<u>(50,652)</u>	<u>(275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,000)</u>	<u>(1,881,884)</u>
Total other financing sources (uses)	<u>(622,411)</u>	<u>-</u>	<u>-</u>	<u>(180,000)</u>	<u>(21,615)</u>	<u>(275)</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>(103,000)</u>	<u>(1,009,765)</u>
Net change in fund balances	28,020	125,597	(233,557)	90,091	366,516	(421,181)	3,287,416	1,502,001	7,924	60,313	3,869,456
Fund balance - beginning	<u>4,947,748</u>	<u>32,419</u>	<u>315,116</u>	<u>360,648</u>	<u>1,682,889</u>	<u>4,197,195</u>	<u>-</u>	<u>368,689</u>	<u>11,169</u>	<u>326,243</u>	<u>25,552,663</u>
Fund balance - ending	<u>\$ 4,975,768</u>	<u>\$ 158,016</u>	<u>\$ 81,559</u>	<u>\$ 450,739</u>	<u>\$ 2,049,405</u>	<u>\$ 3,776,014</u>	<u>\$ 3,287,416</u>	<u>\$ 1,870,690</u>	<u>\$ 19,093</u>	<u>\$ 386,556</u>	<u>\$ 29,422,119</u>

5-11

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Arterial Street Construction Fund
For the Year Ended December 31, 2007

Page 1 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 490,000	\$ 490,000	\$ 567,099	\$ 77,099
Miscellaneous revenues	<u>49,539</u>	<u>49,539</u>	<u>45,472</u>	<u>(4,067)</u>
Total revenues	<u>539,539</u>	<u>539,539</u>	<u>612,571</u>	<u>73,032</u>
EXPENDITURES				
Capital outlay	<u>500,000</u>	<u>1,005,606</u>	<u>772,199</u>	<u>233,407</u>
Total expenditures	<u>500,000</u>	<u>1,005,606</u>	<u>772,199</u>	<u>233,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>39,539</u>	<u>(466,067)</u>	<u>(159,628)</u>	<u>306,439</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(206,740)</u>	<u>(206,740)</u>	<u>(199,676)</u>	<u>7,064</u>
Total other financing sources (uses)	<u>(206,740)</u>	<u>(206,740)</u>	<u>(199,676)</u>	<u>7,064</u>
Net change in fund balances	(167,201)	(672,807)	(359,304)	313,503
Fund balance - beginning	<u>270,880</u>	<u>852,306</u>	<u>850,833</u>	<u>(1,473)</u>
Fund balance - ending	<u>\$ 103,679</u>	<u>\$ 179,499</u>	<u>\$ 491,529</u>	<u>\$ 312,030</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Paths and Trails Reserve Fund
For the Year Ended December 31, 2007

Page 2 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 711	\$ 711	\$ 1,786	\$ 1,075
Total revenues	<u>711</u>	<u>711</u>	<u>1,786</u>	<u>1,075</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>711</u>	<u>711</u>	<u>1,786</u>	<u>1,075</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>4,700</u>	<u>4,700</u>	<u>6,064</u>	<u>1,364</u>
Total other financing sources (uses)	<u>4,700</u>	<u>4,700</u>	<u>6,064</u>	<u>1,364</u>
Net change in fund balances	5,411	5,411	7,850	2,439
Fund balance - beginning	<u>29,014</u>	<u>30,070</u>	<u>30,018</u>	<u>(52)</u>
Fund balance - ending	<u>\$ 34,425</u>	<u>\$ 35,481</u>	<u>\$ 37,868</u>	<u>\$ 2,387</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Park Site Acquisition Fund
For the Year Ended December 31, 2007

Page 3 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for services	\$ 73,000	\$ 73,000	\$ 14,117	\$ (58,883)
Miscellaneous revenues	<u>10,327</u>	<u>10,327</u>	<u>15,700</u>	<u>5,373</u>
Total revenues	<u>83,327</u>	<u>83,327</u>	<u>29,817</u>	<u>(53,510)</u>
EXPENDITURES				
Capital outlay	<u>80,000</u>	<u>269,645</u>	<u>83,596</u>	<u>186,049</u>
Total expenditures	<u>80,000</u>	<u>269,645</u>	<u>83,596</u>	<u>186,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,327</u>	<u>(186,318)</u>	<u>(53,779)</u>	<u>132,539</u>
Net change in fund balances	3,327	(186,318)	(53,779)	132,539
Fund balance - beginning	<u>46,306</u>	<u>286,241</u>	<u>285,745</u>	<u>(496)</u>
Fund balance - ending	<u>\$ 49,633</u>	<u>\$ 99,923</u>	<u>\$ 231,966</u>	<u>\$ 132,043</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Technology Replacement and Reserve Fund
For the Year Ended December 31, 2007

Page 4 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 74,040	\$ 74,040	\$ 151,120	\$ 77,080
Total revenues	<u>74,040</u>	<u>74,040</u>	<u>151,120</u>	<u>77,080</u>
EXPENDITURES				
Current:				
General government services	73,186	73,186	208,704	(135,518)
Capital outlay	<u>345,735</u>	<u>990,018</u>	<u>212,601</u>	<u>777,417</u>
Total expenditures	<u>418,921</u>	<u>1,063,204</u>	<u>421,305</u>	<u>641,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(344,881)</u>	<u>(989,164)</u>	<u>(270,185)</u>	<u>718,979</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	540,768	540,768	536,743	(4,025)
Transfers out	<u>(855,506)</u>	<u>(855,506)</u>	<u>(725,870)</u>	<u>129,636</u>
Total other financing sources (uses)	<u>(314,738)</u>	<u>(314,738)</u>	<u>(189,127)</u>	<u>125,611</u>
Net change in fund balances	(659,619)	(1,303,902)	(459,312)	844,590
Fund balance - beginning	<u>1,774,387</u>	<u>2,483,168</u>	<u>2,478,824</u>	<u>(4,344)</u>
Fund balance - ending	<u>\$ 1,114,768</u>	<u>\$ 1,179,266</u>	<u>\$ 2,019,512</u>	<u>\$ 840,246</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Capital Maintenance Fund
For the Year Ended December 31, 2007

Page 5 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 131,476	\$ 131,476	\$ 230,661	\$ 99,185
Total revenues	<u>131,476</u>	<u>131,476</u>	<u>230,661</u>	<u>99,185</u>
EXPENDITURES				
Current:				
General government services	130,000	298,537	34,322	264,215
Public safety	33,000	33,000	-	33,000
Physical environment	27,800	2,461,614	179,329	2,282,285
Economic environment	-	39,813	21,365	18,448
Culture and recreation	75,000	165,746	35,564	130,182
Capital outlay	<u>-</u>	<u>27,495</u>	<u>27,495</u>	<u>-</u>
Total expenditures	<u>265,800</u>	<u>3,026,205</u>	<u>298,075</u>	<u>2,728,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,324)</u>	<u>(2,894,729)</u>	<u>(67,414)</u>	<u>2,827,315</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>315,000</u>	<u>315,000</u>	<u>300,000</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>315,000</u>	<u>315,000</u>	<u>300,000</u>	<u>(15,000)</u>
Net change in fund balances	180,676	(2,579,729)	232,586	2,812,315
Fund balance - beginning	<u>1,233,788</u>	<u>3,825,721</u>	<u>3,819,069</u>	<u>(6,652)</u>
Fund balance - ending	<u>\$ 1,414,464</u>	<u>\$ 1,245,992</u>	<u>\$ 4,051,655</u>	<u>\$ 2,805,663</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Library Gift Fund
For the Year Ended December 31, 2007

Page 6 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 15,000	\$ 15,000	\$ 8,221	\$ (6,779)
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>8,221</u>	<u>(6,779)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>15,000</u>	<u>15,000</u>	<u>8,948</u>	<u>6,052</u>
Total expenditures	<u>15,000</u>	<u>15,000</u>	<u>8,948</u>	<u>6,052</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(727)</u>	<u>(727)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(727)</u>	<u>(727)</u>
Fund balance - beginning	<u>28,775</u>	<u>28,814</u>	<u>28,757</u>	<u>(57)</u>
Fund balance - ending	<u>\$ 28,775</u>	<u>\$ 28,814</u>	<u>\$ 28,030</u>	<u>\$ (784)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Olympic Pipeline Incident Fund
For the Year Ended December 31, 2007

Page 7 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 25,923	\$ 25,923	\$ 38,145	\$ 12,222
Total revenues	<u>25,923</u>	<u>25,923</u>	<u>38,145</u>	<u>12,222</u>
EXPENDITURES				
Current:				
Physical environment	-	647,665	66,754	580,911
Total expenditures	<u>-</u>	<u>647,665</u>	<u>66,754</u>	<u>580,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>25,923</u>	<u>(621,742)</u>	<u>(28,609)</u>	<u>593,133</u>
Net change in fund balances	25,923	(621,742)	(28,609)	593,133
Fund balance - beginning	<u>45,285</u>	<u>691,721</u>	<u>690,521</u>	<u>(1,200)</u>
Fund balance - ending	<u>\$ 71,208</u>	<u>\$ 69,979</u>	<u>\$ 661,912</u>	<u>\$ 591,933</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Squalicum Park/Olympic Fund
For the Year Ended December 31, 2007

Page 8 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ -	\$ 280,822	\$ 280,822	\$ -
Charges for services	-	-	1,625	1,625
Miscellaneous revenues	<u>41,943</u>	<u>41,943</u>	<u>33,710</u>	<u>(8,233)</u>
Total revenues	<u>41,943</u>	<u>322,765</u>	<u>316,157</u>	<u>(6,608)</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>1,221,777</u>	<u>1,211,292</u>	<u>10,485</u>
Total expenditures	<u>-</u>	<u>1,221,777</u>	<u>1,211,292</u>	<u>10,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,943</u>	<u>(899,012)</u>	<u>(895,135)</u>	<u>3,877</u>
Net change in fund balances	41,943	(899,012)	(895,135)	3,877
Fund balance - beginning	<u>56,400</u>	<u>1,011,693</u>	<u>1,009,921</u>	<u>(1,772)</u>
Fund balance - ending	<u>\$ 98,343</u>	<u>\$ 112,681</u>	<u>\$ 114,786</u>	<u>\$ 2,105</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Olympic Restoration Fund
For the Year Ended December 31, 2007

Page 9 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 7,913	\$ 7,913	\$ 1,143	\$ (6,770)
Total revenues	<u>7,913</u>	<u>7,913</u>	<u>1,143</u>	<u>(6,770)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,913</u>	<u>7,913</u>	<u>1,143</u>	<u>(6,770)</u>
Net change in fund balances	<u>7,913</u>	<u>7,913</u>	<u>1,143</u>	<u>(6,770)</u>
Fund balance - beginning	<u>18,568</u>	<u>19,701</u>	<u>19,666</u>	<u>(35)</u>
Fund balance - ending	<u>\$ 26,481</u>	<u>\$ 27,614</u>	<u>\$ 20,809</u>	<u>\$ (6,805)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Olympic - Whatcom Falls Park Addition Fund
For the Year Ended December 31, 2007

Page 10 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ -	\$ -	\$ 13,077	\$ 13,077
Total revenues	-	-	13,077	13,077
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	13,077	13,077
Net change in fund balances	-	-	13,077	13,077
Fund balance - beginning	-	225,369	224,979	(390)
Fund balance - ending	\$ -	\$ 225,369	\$ 238,056	\$ 12,687

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Little Squalicum Oeser Settlement Fund
For the Year Ended December 31, 2007

Page 11 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ -	\$ 100,267	\$ 54,347	\$ (45,920)
Miscellaneous revenues	<u>1,120</u>	<u>1,120</u>	<u>16,860</u>	<u>15,740</u>
Total revenues	<u>1,120</u>	<u>101,387</u>	<u>71,207</u>	<u>(30,180)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>-</u>	<u>457,960</u>	<u>116,099</u>	<u>341,861</u>
Total expenditures	<u>-</u>	<u>457,960</u>	<u>116,099</u>	<u>341,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,120</u>	<u>(356,573)</u>	<u>(44,892)</u>	<u>311,681</u>
Net change in fund balances	<u>1,120</u>	<u>(356,573)</u>	<u>(44,892)</u>	<u>311,681</u>
Fund balance - beginning	<u>532</u>	<u>375,656</u>	<u>375,043</u>	<u>(613)</u>
Fund balance - ending	<u>\$ 1,652</u>	<u>\$ 19,083</u>	<u>\$ 330,151</u>	<u>\$ 311,068</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
First 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2007

Page 12 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,709,804	\$ 9,804
Intergovernmental revenue	-	100,671	25,095	(75,576)
Miscellaneous revenues	<u>173,049</u>	<u>173,049</u>	<u>234,075</u>	<u>61,026</u>
Total revenues	<u>1,873,049</u>	<u>1,973,720</u>	<u>1,968,974</u>	<u>(4,746)</u>
EXPENDITURES				
Current:				
General government services	174,818	128,854	37,545	91,309
Public safety	35,000	85,000	-	85,000
Culture and recreation	75,000	259,534	106,654	152,880
Capital outlay	<u>1,416,948</u>	<u>3,171,429</u>	<u>1,181,357</u>	<u>1,990,072</u>
Total expenditures	<u>1,701,766</u>	<u>3,644,817</u>	<u>1,325,556</u>	<u>2,319,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>171,283</u>	<u>(1,671,097)</u>	<u>643,418</u>	<u>2,314,515</u>
Net change in fund balances	171,283	(1,671,097)	643,418	2,314,515
Fund balance - beginning	<u>1,222,224</u>	<u>3,503,139</u>	<u>3,497,171</u>	<u>(5,968)</u>
Fund balance - ending	<u>\$ 1,393,507</u>	<u>\$ 1,832,042</u>	<u>\$ 4,140,589</u>	<u>\$ 2,308,547</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Second 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2007

Page 13 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 1,700,000	\$ 1,700,000	\$ 1,709,804	\$ 9,804
Intergovernmental revenue	-	400,000	150,465	(249,535)
Charges for services	-	-	390	390
Miscellaneous revenues	<u>225,914</u>	<u>225,914</u>	<u>306,150</u>	<u>80,236</u>
Total revenues	<u>1,925,914</u>	<u>2,325,914</u>	<u>2,166,809</u>	<u>(159,105)</u>
EXPENDITURES				
Current:				
Culture and recreation	149,000	196,535	75,711	120,824
Capital outlay	<u>1,930,000</u>	<u>6,001,478</u>	<u>1,440,667</u>	<u>4,560,811</u>
Total expenditures	<u>2,079,000</u>	<u>6,198,013</u>	<u>1,516,378</u>	<u>4,681,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(153,086)</u>	<u>(3,872,099)</u>	<u>650,431</u>	<u>4,522,530</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(622,767)</u>	<u>(622,767)</u>	<u>(622,411)</u>	<u>356</u>
Total other financing sources (uses)	<u>(622,767)</u>	<u>(622,767)</u>	<u>(622,411)</u>	<u>356</u>
Net change in fund balances	(775,853)	(4,494,866)	28,020	4,522,886
Fund balance - beginning	<u>1,462,178</u>	<u>4,857,681</u>	<u>4,947,748</u>	<u>90,067</u>
Fund balance - ending	<u>\$ 686,325</u>	<u>\$ 362,815</u>	<u>\$ 4,975,768</u>	<u>\$ 4,612,953</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Police Federal Equitable Fund
For the Year Ended December 31, 2007

Page 14 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ -	\$ 4,406	\$ 124,744	\$ 120,338
Miscellaneous revenues	<u>5,706</u>	<u>5,706</u>	<u>5,259</u>	<u>(447)</u>
Total revenues	<u>5,706</u>	<u>10,112</u>	<u>130,003</u>	<u>119,891</u>
EXPENDITURES				
Current:				
Public safety	<u>-</u>	<u>4,406</u>	<u>4,406</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>4,406</u>	<u>4,406</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,706</u>	<u>5,706</u>	<u>125,597</u>	<u>119,891</u>
Net change in fund balances	5,706	5,706	125,597	119,891
Fund balance - beginning	<u>41,077</u>	<u>32,493</u>	<u>32,419</u>	<u>(74)</u>
Fund balance - ending	<u>\$ 46,783</u>	<u>\$ 38,199</u>	<u>\$ 158,016</u>	<u>\$ 119,817</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Asset Forfeiture/Drug Enforcement Fund
For the Year Ended December 31, 2007

Page 15 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 94,900	\$ 94,900	\$ 39,234	\$ (55,666)
Total revenues	<u>94,900</u>	<u>94,900</u>	<u>39,234</u>	<u>(55,666)</u>
EXPENDITURES				
Current:				
Public safety	137,151	307,192	257,710	49,482
Capital outlay	<u>36,000</u>	<u>36,000</u>	<u>15,081</u>	<u>20,919</u>
Total expenditures	<u>173,151</u>	<u>343,192</u>	<u>272,791</u>	<u>70,401</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(78,251)</u>	<u>(248,292)</u>	<u>(233,557)</u>	<u>14,735</u>
Net change in fund balances	(78,251)	(248,292)	(233,557)	14,735
Fund balance - beginning	<u>301,642</u>	<u>316,341</u>	<u>315,116</u>	<u>(1,225)</u>
Fund balance - ending	<u>\$ 223,391</u>	<u>\$ 68,049</u>	<u>\$ 81,559</u>	<u>\$ 13,510</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Criminal Justice Fund
For the Year Ended December 31, 2007

Page 16 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 248,782	\$ 248,782	\$ 246,790	\$ (1,992)
Miscellaneous revenues	<u>35,078</u>	<u>35,078</u>	<u>23,301</u>	<u>(11,777)</u>
Total revenues	<u>283,860</u>	<u>283,860</u>	<u>270,091</u>	<u>(13,769)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>283,860</u>	<u>283,860</u>	<u>270,091</u>	<u>(13,769)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(180,000)</u>	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(180,000)</u>	<u>-</u>
Net change in fund balances	103,860	103,860	90,091	(13,769)
Fund balance - beginning	<u>235,537</u>	<u>361,273</u>	<u>360,648</u>	<u>(625)</u>
Fund balance - ending	<u>\$ 339,397</u>	<u>\$ 465,133</u>	<u>\$ 450,739</u>	<u>\$ (14,394)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Public Safety Dispatch Fund
For the Year Ended December 31, 2007

Page 17 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 2,175,723	\$ 2,248,223	\$ 2,330,949	\$ 82,726
Charges for services	1,604,358	1,604,358	1,580,523	(23,835)
Miscellaneous revenues	<u>60,668</u>	<u>60,668</u>	<u>200,517</u>	<u>139,849</u>
Total revenues	<u>3,840,749</u>	<u>3,913,249</u>	<u>4,111,989</u>	<u>198,740</u>
EXPENDITURES				
Current:				
Public safety	3,860,437	3,888,436	3,640,691	247,745
Capital outlay	<u>107,000</u>	<u>157,000</u>	<u>83,167</u>	<u>73,833</u>
Total expenditures	<u>3,967,437</u>	<u>4,045,436</u>	<u>3,723,858</u>	<u>321,578</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(126,688)</u>	<u>(132,187)</u>	<u>388,131</u>	<u>520,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	29,037	29,037	29,037	-
Transfers out	<u>(52,554)</u>	<u>(52,554)</u>	<u>(50,652)</u>	<u>1,902</u>
Total other financing sources (uses)	<u>(23,517)</u>	<u>(23,517)</u>	<u>(21,615)</u>	<u>1,902</u>
Net change in fund balances	(150,205)	(155,704)	366,516	522,220
Fund balance - beginning	<u>1,464,583</u>	<u>1,802,630</u>	<u>1,682,889</u>	<u>(119,741)</u>
Fund balance - ending	<u>\$ 1,314,378</u>	<u>\$ 1,646,926</u>	<u>\$ 2,049,405</u>	<u>\$ 402,479</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Beyond Greenway Levy Fund
For the Year Ended December 31, 2007

Page 18 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ 31,262	\$ 31,262
Intergovernmental revenue	500,000	1,365,951	386,236	(979,715)
Charges for services	1,266	1,266	1,030	(236)
Miscellaneous revenues	<u>123,668</u>	<u>123,668</u>	<u>416,343</u>	<u>292,675</u>
Total revenues	<u>624,934</u>	<u>1,490,885</u>	<u>834,871</u>	<u>(656,014)</u>
EXPENDITURES				
Current:				
Culture and recreation	21,299	176,042	66,811	109,231
Capital outlay	<u>589,798</u>	<u>4,280,259</u>	<u>1,188,966</u>	<u>3,091,293</u>
Total expenditures	<u>611,097</u>	<u>4,456,301</u>	<u>1,255,777</u>	<u>3,200,524</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,837</u>	<u>(2,965,416)</u>	<u>(420,906)</u>	<u>2,544,510</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(275)</u>	<u>(275)</u>	<u>(275)</u>	<u>-</u>
Total other financing sources (uses)	<u>(275)</u>	<u>(275)</u>	<u>(275)</u>	<u>-</u>
Net change in fund balances	13,562	(2,965,691)	(421,181)	2,544,510
Fund balance - beginning	<u>1,172,485</u>	<u>4,212,857</u>	<u>4,197,195</u>	<u>(15,662)</u>
Fund balance - ending	<u>\$ 1,186,047</u>	<u>\$ 1,247,166</u>	<u>\$ 3,776,014</u>	<u>\$ 2,528,848</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Greenway III Levy Fund
For the Year Ended December 31, 2007

Page 19 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,500,000	\$ 3,500,000	\$ 3,486,779	\$ (13,221)
Miscellaneous revenues	<u>116,482</u>	<u>116,482</u>	<u>281,125</u>	<u>164,643</u>
Total revenues	<u>3,616,482</u>	<u>3,616,482</u>	<u>3,767,904</u>	<u>151,422</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	38,785	(38,785)
Capital outlay	<u>3,347,186</u>	<u>3,347,186</u>	<u>441,978</u>	<u>2,905,208</u>
Total expenditures	<u>3,347,186</u>	<u>3,347,186</u>	<u>480,763</u>	<u>2,866,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>269,296</u>	<u>269,296</u>	<u>3,287,141</u>	<u>3,017,845</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>275</u>	<u>275</u>	<u>275</u>	<u>-</u>
Total other financing sources (uses)	<u>275</u>	<u>275</u>	<u>275</u>	<u>-</u>
Net change in fund balances	269,571	269,571	3,287,416	3,017,845
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ 269,571</u>	<u>\$ 269,571</u>	<u>\$ 3,287,416</u>	<u>\$ 3,017,845</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Park Impact Fees Fund
For the Year Ended December 31, 2007

Page 20 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,005,660	\$ 1,005,660	\$ 1,441,944	\$ 436,284
Miscellaneous revenues	<u>116,482</u>	<u>116,482</u>	<u>69,460</u>	<u>(47,022)</u>
Total revenues	<u>1,122,142</u>	<u>1,122,142</u>	<u>1,511,404</u>	<u>389,262</u>
EXPENDITURES				
Current:				
Culture and recreation	-	-	9,403	(9,403)
Capital outlay	<u>1,563,198</u>	<u>1,063,198</u>	<u>-</u>	<u>1,063,198</u>
Total expenditures	<u>1,563,198</u>	<u>1,063,198</u>	<u>9,403</u>	<u>1,053,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(441,056)</u>	<u>58,944</u>	<u>1,502,001</u>	<u>1,443,057</u>
Net change in fund balances	(441,056)	58,944	1,502,001	1,443,057
Fund balance - beginning	<u>2,000,000</u>	<u>369,327</u>	<u>368,689</u>	<u>(638)</u>
Fund balance - ending	<u>\$ 1,558,944</u>	<u>\$ 428,271</u>	<u>\$ 1,870,690</u>	<u>\$ 1,442,419</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Sportsplex Fund
For the Year Ended December 31, 2007

Page 21 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 5,372	\$ 5,372	\$ 7,924	\$ 2,552
Total revenues	<u>5,372</u>	<u>5,372</u>	<u>7,924</u>	<u>2,552</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,372</u>	<u>5,372</u>	<u>7,924</u>	<u>2,552</u>
Net change in fund balances	5,372	5,372	7,924	2,552
Fund balance - beginning	<u>8,829</u>	<u>11,261</u>	<u>11,169</u>	<u>(92)</u>
Fund balance - ending	<u>\$ 14,201</u>	<u>\$ 16,633</u>	<u>\$ 19,093</u>	<u>\$ 2,460</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Tourism Fund
For the Year Ended December 31, 2007

Page 22 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 896,035	\$ 896,035	\$ 1,022,465	\$ 126,430
Miscellaneous revenues	11,909	11,909	22,770	10,861
Total revenues	<u>907,944</u>	<u>907,944</u>	<u>1,045,235</u>	<u>137,291</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>899,873</u>	<u>906,541</u>	<u>881,922</u>	<u>24,619</u>
Total expenditures	<u>899,873</u>	<u>906,541</u>	<u>881,922</u>	<u>24,619</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,071</u>	<u>1,403</u>	<u>163,313</u>	<u>161,910</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(103,000)</u>	<u>(103,000)</u>	<u>(103,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(103,000)</u>	<u>(103,000)</u>	<u>(103,000)</u>	<u>-</u>
Net change in fund balances	(94,929)	(101,597)	60,313	161,910
Fund balance - beginning	<u>316,350</u>	<u>326,872</u>	<u>326,243</u>	<u>(629)</u>
Fund balance - ending	<u>\$ 221,421</u>	<u>\$ 225,275</u>	<u>\$ 386,556</u>	<u>\$ 161,281</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007

Page 23 of 23

	<u>Budgeted Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 7,796,035	\$ 7,796,035	\$ 7,960,114	\$ 164,079
Intergovernmental revenue	3,414,505	5,239,122	4,166,547	(1,072,575)
Charges for services	2,684,284	2,684,284	3,039,629	355,345
Miscellaneous revenues	<u>1,327,220</u>	<u>1,327,220</u>	<u>2,162,053</u>	<u>834,833</u>
Total revenues	<u>15,222,044</u>	<u>17,046,661</u>	<u>17,328,343</u>	<u>281,682</u>
EXPENDITURES				
Current:				
General government services	378,004	500,577	280,571	220,006
Public safety	4,065,588	4,318,034	3,902,807	415,227
Physical environment	27,800	3,109,279	246,083	2,863,196
Economic environment	-	39,813	21,365	18,448
Culture and recreation	1,235,172	2,177,358	1,339,897	837,461
Capital outlay	<u>9,915,865</u>	<u>21,571,091</u>	<u>6,658,399</u>	<u>14,912,692</u>
Total expenditures	<u>15,622,429</u>	<u>31,716,152</u>	<u>12,449,122</u>	<u>19,267,030</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(400,385)</u>	<u>(14,669,491)</u>	<u>4,879,221</u>	<u>19,548,712</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	889,780	889,780	872,119	(17,661)
Transfers out	<u>(2,020,842)</u>	<u>(2,020,842)</u>	<u>(1,881,884)</u>	<u>138,958</u>
Total other financing sources (uses)	<u>(1,131,062)</u>	<u>(1,131,062)</u>	<u>(1,009,765)</u>	<u>121,297</u>
Net change in fund balances	(1,531,447)	(15,800,553)	3,869,456	19,670,009
Fund balance - beginning	<u>11,728,840</u>	<u>25,624,334</u>	<u>25,552,663</u>	<u>(71,671)</u>
Fund balance - ending	<u>\$ 10,197,393</u>	<u>\$ 9,823,781</u>	<u>\$ 29,422,119</u>	<u>\$ 19,598,338</u>

DEBT SERVICE FUNDS**214 – 2001 Fire UTGO Bond**

\$2,800,000 voted for land, construction and equipping of fire station #6 in the northern part of the City. Established by Ordinance 2001-03-016.

222 – 1999 Municipal Court LTGO Bond

\$3,420,000 to purchase the city hall annex and remodel the facility for use as a municipal court. \$500,000 of this amount paid a portion of the costs on the Fairhaven fire station replacement. Established by Ordinance 1999-05-029.

223 – 1996 Refunding LTGO Bond

\$4,195,000 for refunding portions of the outstanding Limited Tax General Obligation bonds, 1988 and 1992. Established by Ordinance 10734.

224 – 2004 Sportsplex LTGO Bond

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

225 – 2004 PFD/Civic Field LTGO Bond

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

231 – Drake Note

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

232 – PW Trust Fund Loan - Roeder Avenue

\$1,000,000 funding for construction of a road connector between Roeder Avenue and Chestnut Street. Loan agreement PW 587-962-007. This fund was closed in 2007.

233 – PW Trust Fund Loan - Woburn Street

\$1,000,000 funding for Woburn Street improvements. Loan agreement PW 588-962-003.

234 – CERB Loans

Community Economic Revitalization Board (CERB) loans to aid in financing Hannegan and Woburn business parks. Authorized by Resolution 35-1985.

235 – PW Trust Fund Loan – Street Overlay

Funding for approximately eight miles of street resurfacing and rehabilitation. Loan agreement PW 02-691-004.

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.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2007

	2001	1999	1996	2004	2004		PW	PW		PW		Total
	Fire	Court	Refund	Sportsplex	PFD/Civic		Trust	Trust		Trust Loan		Nonmajor
	UTGO	LTGO	LTGO	LTGO	Fid LTGO	Drake	Loan	Loan	CERB	Street	LID	Debt
ASSETS	<u>Bond</u>	<u>Bond</u>	<u>Bond</u>	<u>Bond</u>	<u>Bond</u>	<u>Note</u>	<u>Roeder</u>	<u>Woburn</u>	<u>Loans</u>	<u>Overlay</u>	<u>Guaranty</u>	<u>Funds</u>
Cash and cash equivalents	\$ 16,087	\$ -	\$ 113	\$ 8,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,907	\$ 119,237
Investments	27,859	-	196	14,078	-	-	-	-	-	-	164,356	206,489
Receivable (net of allowance for uncollectibles)	11,270	-	-	-	-	-	-	-	-	-	-	11,270
Notes and contracts receivable	-	-	-	-	-	-	-	-	202,058	-	-	202,058
Total assets	<u>55,216</u>	<u>-</u>	<u>309</u>	<u>22,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,058</u>	<u>-</u>	<u>259,263</u>	<u>539,054</u>
LIABILITIES												
Accounts payable	303	-	307	-	-	-	-	-	-	-	-	610
Deferred revenue	11,270	-	-	-	-	-	-	-	202,058	-	-	213,328
Total liabilities	11,573	-	307	-	-	-	-	-	202,058	-	-	213,938
FUND BALANCE												
Unreserved fund balance	43,643	-	2	22,208	-	-	-	-	-	-	259,263	325,116
Total fund balance	43,643	-	2	22,208	-	-	-	-	-	-	259,263	325,116
Total liabilities and fund balance	\$ 55,216	\$ -	\$ 309	\$ 22,208	\$ -	\$ -	\$ -	\$ -	\$ 202,058	\$ -	\$ 259,263	\$ 539,054

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2007

	2001	1999	1996	2004	2004		PW	PW		PW		Total
	Fire	Court	Refund	Sportsplex	PFD/Civic		Trust	Trust		Trust Loan		Nonmajor
	UTGO	LTGO	LTGO	LTGO	Fld LTGO	Drake	Loan	Loan	CERB	Street	LID	Service
	Bond	Bond	Bond	Bond	Bond	Note	Roeder	Woburn	Loans	Overlay	Guaranty	Funds
REVENUES												
Taxes	\$ 370,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,637
Intergovernmental revenue	-	-	-	-	553,328	-	-	-	-	-	-	553,328
Charges for services	-	-	-	-	-	-	-	-	90,329	-	-	90,329
Miscellaneous revenues	6,005	3	45,713	262,343	1	-	21,263	-	22,514	-	24,584	382,426
Total revenues	<u>376,642</u>	<u>3</u>	<u>45,713</u>	<u>262,343</u>	<u>553,329</u>	<u>-</u>	<u>21,263</u>	<u>-</u>	<u>112,843</u>	<u>-</u>	<u>24,584</u>	<u>1,396,720</u>
EXPENDITURES												
Debt service:												
Redemption of general long-term debt	285,000	460,000	415,000	100,000	530,000	6,073	52,632	52,924	90,329	157,935	-	2,149,893
Interest and other debt service cost	65,109	88,993	112,430	161,897	646,552	11,890	526	1,058	22,514	12,635	-	1,123,604
Total expenditures	<u>350,109</u>	<u>548,993</u>	<u>527,430</u>	<u>261,897</u>	<u>1,176,552</u>	<u>17,963</u>	<u>53,158</u>	<u>53,982</u>	<u>112,843</u>	<u>170,570</u>	<u>-</u>	<u>3,273,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>26,533</u>	<u>(548,990)</u>	<u>(481,717)</u>	<u>446</u>	<u>(623,223)</u>	<u>(17,963)</u>	<u>(31,895)</u>	<u>(53,982)</u>	<u>-</u>	<u>(170,570)</u>	<u>24,584</u>	<u>(1,876,777)</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	-	547,543	466,050	-	622,411	17,860	31,895	53,982	-	170,570	-	1,910,311
Transfers out	-	-	-	-	-	-	-	-	-	-	(300,000)	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>547,543</u>	<u>466,050</u>	<u>-</u>	<u>622,411</u>	<u>17,860</u>	<u>31,895</u>	<u>53,982</u>	<u>-</u>	<u>170,570</u>	<u>(300,000)</u>	<u>1,610,311</u>
Net change in fund balances	26,533	(1,447)	(15,667)	446	(812)	(103)	-	-	-	-	(275,416)	(266,466)
Fund balances - beginning	17,110	1,447	15,669	21,762	812	103	-	-	-	-	534,679	\$ 591,582
Fund balance - ending	<u>\$ 43,643</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 22,208</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,263</u>	<u>\$ 325,116</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2001 Fire UTGO Bond Fund
For the Year Ended December 31, 2007

Page 1 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 350,230	\$ 350,230	\$ 370,637	\$ 20,407
Miscellaneous revenues	<u>32,471</u>	<u>32,471</u>	<u>6,005</u>	<u>(26,466)</u>
Total revenues	<u>382,701</u>	<u>382,701</u>	<u>376,642</u>	<u>(6,059)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	285,000	285,000	285,000	-
Interest and other debt service cost	<u>65,230</u>	<u>65,230</u>	<u>65,109</u>	<u>121</u>
Total expenditures	<u>350,230</u>	<u>350,230</u>	<u>350,109</u>	<u>121</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,471</u>	<u>32,471</u>	<u>26,533</u>	<u>(5,938)</u>
Net change in fund balance	32,471	32,471	26,533	(5,938)
Fund balance - beginning	<u>5,158</u>	<u>17,139</u>	<u>17,110</u>	<u>(29)</u>
Fund balance - ending	<u>\$ 37,629</u>	<u>\$ 49,610</u>	<u>\$ 43,643</u>	<u>\$ (5,967)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
1999 Municipal Court LTGO Bond Fund
For the Year Ended December 31, 2007

Page 2 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ -	\$ -	\$ 3	\$ 3
Total revenues	<u>-</u>	<u>-</u>	<u>3</u>	<u>3</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	460,000	460,000	460,000	-
Interest and other debt service cost	<u>89,418</u>	<u>89,418</u>	<u>88,993</u>	<u>425</u>
Total expenditures	<u>549,418</u>	<u>549,418</u>	<u>548,993</u>	<u>425</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(549,418)</u>	<u>(549,418)</u>	<u>(548,990)</u>	<u>428</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>549,418</u>	<u>549,418</u>	<u>547,543</u>	<u>(1,875)</u>
Total other financing sources (uses)	<u>549,418</u>	<u>549,418</u>	<u>547,543</u>	<u>(1,875)</u>
Net change in fund balance	-	-	(1,447)	(1,447)
Fund balance - beginning	<u>-</u>	<u>1,449</u>	<u>1,447</u>	<u>(2)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 1,449</u>	<u>\$ -</u>	<u>\$ (1,449)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
1996 Refund LTGO Bond Fund
For the Year Ended December 31, 2007

Page 3 of 12

	<u>Budgeted Fund Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>GAAP Basis</u>	Final Budget - Positive <u>(Negative)</u>
REVENUES				
Miscellaneous revenues	\$ 45,683	\$ 45,683	\$ 45,713	\$ 30
Total revenues	<u>45,683</u>	<u>45,683</u>	<u>45,713</u>	<u>30</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	415,000	415,000	415,000	-
Interest and other debt service cost	<u>112,548</u>	<u>112,548</u>	<u>112,430</u>	<u>118</u>
Total expenditures	<u>527,548</u>	<u>527,548</u>	<u>527,430</u>	<u>118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(481,865)</u>	<u>(481,865)</u>	<u>(481,717)</u>	<u>148</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>481,865</u>	<u>481,865</u>	<u>466,050</u>	<u>(15,815)</u>
Total other financing sources (uses)	<u>481,865</u>	<u>481,865</u>	<u>466,050</u>	<u>(15,815)</u>
Net change in fund balance	-	-	(15,667)	(15,667)
Fund balance - beginning	<u>-</u>	<u>15,696</u>	<u>15,669</u>	<u>(27)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 15,696</u>	<u>\$ 2</u>	<u>\$ (15,694)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 Sportsplex Acq. LTGO Bond Fund
For the Year Ended December 31, 2007

Page 4 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 262,277	\$ 262,277	\$ 262,343	\$ 66
Total revenues	<u>262,277</u>	<u>262,277</u>	<u>262,343</u>	<u>66</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	100,000	100,000	100,000	-
Interest and other debt service cost	<u>162,019</u>	<u>162,019</u>	<u>161,897</u>	<u>122</u>
Total expenditures	<u>262,019</u>	<u>262,019</u>	<u>261,897</u>	<u>122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>258</u>	<u>258</u>	<u>446</u>	<u>188</u>
Net change in fund balance	258	258	446	188
Fund balance - beginning	<u>21,577</u>	<u>21,799</u>	<u>21,762</u>	<u>(37)</u>
Fund balance - ending	<u>\$ 21,835</u>	<u>\$ 22,057</u>	<u>\$ 22,208</u>	<u>\$ 151</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 PFD/Civic Field LTGO Bond Fund
For the Year Ended December 31, 2007

Page 5 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 553,328	\$ 553,328
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total revenues	<u>-</u>	<u>-</u>	<u>553,329</u>	<u>553,329</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	530,000	530,000	530,000	-
Interest and other debt service cost	<u>646,650</u>	<u>646,650</u>	<u>646,552</u>	<u>98</u>
Total expenditures	<u>1,176,650</u>	<u>1,176,650</u>	<u>1,176,552</u>	<u>98</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,176,650)</u>	<u>(1,176,650)</u>	<u>(623,223)</u>	<u>553,427</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,176,650</u>	<u>1,176,650</u>	<u>622,411</u>	<u>(554,239)</u>
Total other financing sources (uses)	<u>1,176,650</u>	<u>1,176,650</u>	<u>622,411</u>	<u>(554,239)</u>
Net change in fund balance	-	-	(812)	(812)
Fund balance - beginning	<u>-</u>	<u>813</u>	<u>812</u>	<u>(1)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 813</u>	<u>\$ -</u>	<u>\$ (813)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Drake Note Fund
For the Year Ended December 31, 2007

Page 6 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	6,073	6,073	6,073	-
Interest and other debt service cost	<u>11,891</u>	<u>11,891</u>	<u>11,890</u>	<u>1</u>
Total expenditures	<u>17,964</u>	<u>17,964</u>	<u>17,963</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,964)</u>	<u>(17,964)</u>	<u>(17,963)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>17,964</u>	<u>17,964</u>	<u>17,860</u>	<u>(104)</u>
Total other financing sources (uses)	<u>17,964</u>	<u>17,964</u>	<u>17,860</u>	<u>(104)</u>
Net change in fund balance	-	-	(103)	(103)
Fund balance - beginning	<u>-</u>	<u>103</u>	<u>103</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ -</u>	<u>\$ (103)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
PW Trust Fund Loan - Roeder Avenue Fund
For the Year Ended December 31, 2007

Page 7 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 21,264	\$ 21,264	\$ 21,263	\$ (1)
Total revenues	<u>21,264</u>	<u>21,264</u>	<u>21,263</u>	<u>(1)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	52,632	52,632	52,632	-
Interest and other debt service cost	<u>527</u>	<u>527</u>	<u>526</u>	<u>1</u>
Total expenditures	<u>53,159</u>	<u>53,159</u>	<u>53,158</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,895)</u>	<u>(31,895)</u>	<u>(31,895)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>31,895</u>	<u>31,895</u>	<u>31,895</u>	<u>-</u>
Total other financing sources (uses)	<u>31,895</u>	<u>31,895</u>	<u>31,895</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
PW Trust Fund Loan - Woburn Street Fund
For the Year Ended December 31, 2007

Page 8 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	52,924	52,924	52,924	-
Interest and other debt service cost	<u>1,059</u>	<u>1,059</u>	<u>1,058</u>	<u>1</u>
Total expenditures	<u>53,983</u>	<u>53,983</u>	<u>53,982</u>	<u>1</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,983)</u>	<u>(53,983)</u>	<u>(53,982)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>53,983</u>	<u>53,983</u>	<u>53,982</u>	<u>(1)</u>
Total other financing sources (uses)	<u>53,983</u>	<u>53,983</u>	<u>53,982</u>	<u>(1)</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
CERB Loans Fund
For the Year Ended December 31, 2007

Page 9 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for services	\$ 90,329	\$ 90,329	\$ 90,329	\$ -
Miscellaneous revenues	22,514	22,514	22,514	-
Total revenues	<u>112,843</u>	<u>112,843</u>	<u>112,843</u>	<u>-</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	90,329	90,329	90,329	-
Interest and other debt service cost	22,514	22,514	22,514	-
Total expenditures	<u>112,843</u>	<u>112,843</u>	<u>112,843</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
PW Trust Fund Loan - Street Overlay Fund
For the Year Ended December 31, 2007

Page 10 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	157,935	157,935	157,935	-
Interest and other debt service cost	<u>12,635</u>	<u>12,635</u>	<u>12,635</u>	<u>-</u>
Total expenditures	<u>170,570</u>	<u>170,570</u>	<u>170,570</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,570)</u>	<u>(170,570)</u>	<u>(170,570)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>170,570</u>	<u>170,570</u>	<u>170,570</u>	<u>-</u>
Total other financing sources (uses)	<u>170,570</u>	<u>170,570</u>	<u>170,570</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
LID Guaranty Fund
For the Year Ended December 31, 2007

Page 11 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual Amounts GAAP Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous revenues	\$ 31,888	\$ 31,888	\$ 24,584	\$ (7,304)
Total revenues	<u>31,888</u>	<u>31,888</u>	<u>24,584</u>	<u>(7,304)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,888</u>	<u>31,888</u>	<u>24,584</u>	<u>(7,304)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	31,888	(268,112)	(275,416)	(7,304)
Fund balance - beginning	<u>529,914</u>	<u>535,604</u>	<u>534,679</u>	<u>(925)</u>
Fund balance - ending	<u>\$ 561,802</u>	<u>\$ 267,492</u>	<u>\$ 259,263</u>	<u>\$ (8,229)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Nonmajor Debt Service Funds
For the Year Ended December 31, 2007

Page 12 of 12

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 350,230	\$ 350,230	\$ 370,637	\$ 20,407
Intergovernmental revenue	-	-	553,328	553,328
Charges for services	90,329	90,329	90,329	-
Miscellaneous revenues	<u>416,097</u>	<u>416,097</u>	<u>382,426</u>	<u>(33,671)</u>
Total revenues	<u>856,656</u>	<u>856,656</u>	<u>1,396,720</u>	<u>540,064</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	2,149,893	2,149,893	2,149,893	-
Interest and other debt service cost	<u>1,124,491</u>	<u>1,124,491</u>	<u>1,123,604</u>	<u>887</u>
Total expenditures	<u>3,274,384</u>	<u>3,274,384</u>	<u>3,273,497</u>	<u>887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,417,728)</u>	<u>(2,417,728)</u>	<u>(1,876,777)</u>	<u>540,951</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,482,345	2,482,345	1,910,311	(572,034)
Transfers out	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>2,482,345</u>	<u>2,182,345</u>	<u>1,610,311</u>	<u>(572,034)</u>
Net change in fund balances	64,617	(235,383)	(266,466)	(31,083)
Fund balance - beginning	<u>556,649</u>	<u>592,603</u>	<u>591,582</u>	<u>(1,021)</u>
Fund balance - ending	<u>\$ 621,266</u>	<u>\$ 357,220</u>	<u>\$ 325,116</u>	<u>\$ (32,104)</u>



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CAPITAL PROJECT FUNDS

341 – Civic Field Improvements

Created to account for the multi-year project to remodel and improve the civic field complex. The primary resources for the project are transfers from other funds and a general obligation bond issue. Established by Ordinance 2003-11-076.

CITY OF BELLINGHAM
Balance Sheet
Civic Field Improvement Fund
December 31, 2007

	Civic Field <u>Improvement</u>
ASSETS	
Cash and cash equivalents	\$ 318,761
Investments	<u>552,015</u>
Total assets	<u><u>870,776</u></u>
LIABILITIES	
Accounts payable	<u>41,846</u>
Total liabilities	<u>41,846</u>
FUND BALANCE	
Unreserved fund balance	<u>828,930</u>
Total fund balance	<u>828,930</u>
Total liabilities and fund balance	<u><u>\$ 870,776</u></u>

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balances
Civic Field Improvement Fund
For the Year Ended December 31, 2007

	<u>Civic Field Improvement</u>
REVENUES	
Charges for services	\$ 780
Miscellaneous revenues	<u>71,505</u>
Total revenues	<u>72,285</u>
EXPENDITURES	
Capital outlay	<u>1,015,197</u>
Total expenditures	<u>1,015,197</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(942,912)</u>
Net change in fund balances	(942,912)
Fund balance - beginning	<u>1,771,842</u>
Fund balance - ending	<u><u>\$ 828,930</u></u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Civic Field Improvement Fund
From Inception and For the Year Ended December 31, 2007

	<u>Project Authorized</u>	<u>Prior Years' Actual</u>	<u>Current Year Actual</u>	<u>Total To Date Actual</u>
REVENUES				
Intergovernmental revenue	\$ -	\$ 42,062	\$ -	\$ 42,062
Charges for services	200	2,880	780	3,660
Miscellaneous revenues	<u>42,302</u>	<u>454,986</u>	<u>71,505</u>	<u>526,491</u>
Total revenues	<u>42,502</u>	<u>499,928</u>	<u>72,285</u>	<u>572,213</u>
EXPENDITURES				
Current:				
Culture and recreation	48,800	95	-	95
Debt service:				
Interest and other debt service cost	90,567	87,145	-	87,145
Capital outlay	<u>13,591,494</u>	<u>10,120,946</u>	<u>1,015,197</u>	<u>11,136,143</u>
Total expenditures	<u>13,730,861</u>	<u>10,208,186</u>	<u>1,015,197</u>	<u>11,223,383</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,688,359)</u>	<u>(9,708,258)</u>	<u>(942,912)</u>	<u>(10,651,170)</u>
OTHER FINANCING SOURCES (USES)				
Bond issue proceeds	11,169,330	6,028,553	-	6,028,553
Premium on bond	170,091	170,092	-	170,092
Transfers in	<u>7,793,565</u>	<u>5,281,455</u>	<u>-</u>	<u>5,281,455</u>
Total other financing sources (uses)	<u>19,132,986</u>	<u>11,480,100</u>	<u>-</u>	<u>11,480,100</u>
Net change in fund balances	5,444,627	1,771,842	(942,912)	828,930
Fund balance - beginning			<u>1,771,842</u>	
Fund balance - ending			<u>\$ 828,930</u>	

PERMANENT FUNDS**701 – Greenway Maintenance Endowment**

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

702 – Natural Resource Protection and Restoration

This permanent fund was created in 2004 to account for the \$4,000,000 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 projects as they are identified. Established by Ordinance 2004-01-001.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Permanent Funds
December 31, 2007

	<u>Beyond Greenway Endowment</u>	<u>Natural Resource Protect & Restore</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 935,358	\$ 774,389	\$ 1,709,747
Investments	1,619,806	1,341,047	2,960,853
Receivable (net of allowance for uncollectibles)	9,067	-	9,067
Interfund receivables	<u>-</u>	<u>2,450,000</u>	<u>2,450,000</u>
Total assets	<u>2,564,231</u>	<u>4,565,436</u>	<u>7,129,667</u>
LIABILITIES			
Deferred revenue	<u>9,067</u>	<u>-</u>	<u>9,067</u>
Total liabilities	<u>9,067</u>	<u>-</u>	<u>9,067</u>
FUND BALANCE			
Reserved fund balance	2,357,860	4,015,036	6,372,896
Unreserved fund balance	<u>197,304</u>	<u>550,400</u>	<u>747,704</u>
Total fund balance	<u>2,555,164</u>	<u>4,565,436</u>	<u>7,120,600</u>
Total liabilities and fund balance	<u>\$ 2,564,231</u>	<u>\$ 4,565,436</u>	<u>\$ 7,129,667</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2007

	<u>Beyond Greenway Endowment</u>	<u>Natural Resource Protect & Restore</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 348,320	\$ -	\$ 348,320
Miscellaneous revenues	112,610	209,284	321,894
Total revenues	<u>460,930</u>	<u>209,284</u>	<u>670,214</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>460,930</u>	<u>209,284</u>	<u>670,214</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(56,000)</u>	<u>-</u>	<u>(56,000)</u>
Total other financing sources (uses)	<u>(56,000)</u>	<u>-</u>	<u>(56,000)</u>
Net change in fund balance	404,930	209,284	614,214
Fund balance - beginning	<u>2,150,234</u>	<u>4,356,152</u>	<u>6,506,386</u>
Fund balance - ending	<u>\$ 2,555,164</u>	<u>\$ 4,565,436</u>	<u>\$ 7,120,600</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Beyond Greenway Endowment Fund
For the Year Ended December 31, 2007

Page 1 of 3

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ -	\$ 350,000	\$ 348,320	\$ (1,680)
Miscellaneous revenues	<u>58,416</u>	<u>58,416</u>	<u>112,610</u>	<u>54,194</u>
Total revenues	<u>58,416</u>	<u>408,416</u>	<u>460,930</u>	<u>52,514</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,416</u>	<u>408,416</u>	<u>460,930</u>	<u>52,514</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>
Net change in fund balance	58,416	352,416	404,930	52,514
Fund balance - beginning	<u>2,161,273</u>	<u>2,153,957</u>	<u>2,150,234</u>	<u>(3,723)</u>
Fund balance - ending	<u>\$ 2,219,689</u>	<u>\$ 2,506,373</u>	<u>\$ 2,555,164</u>	<u>\$ 48,791</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Natural Resource Protect and Restore Fund
For the Year Ended December 31, 2007

Page 2 of 3

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Miscellaneous revenues	\$ 189,803	\$ 189,803	\$ 209,284	\$ 19,481
Total revenues	<u>189,803</u>	<u>189,803</u>	<u>209,284</u>	<u>19,481</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>189,803</u>	<u>189,803</u>	<u>209,284</u>	<u>19,481</u>
Net change in fund balance	189,803	189,803	209,284	19,481
Fund balance - beginning	<u>1,809,337</u>	<u>1,909,452</u>	<u>4,356,152</u>	<u>2,446,700</u>
Fund balance - ending	<u>\$ 1,999,140</u>	<u>\$ 2,099,255</u>	<u>\$ 4,565,436</u>	<u>\$ 2,466,181</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Nonmajor Permanent Funds
For the Year Ended December 31, 2007

Page 3 of 3

	Budgeted Fund Amounts		Actual Amounts <u>GAAP Basis</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	Original	Final		
REVENUES				
Taxes	\$ -	\$ 350,000	\$ 348,320	\$ (1,680)
Miscellaneous revenues	<u>248,219</u>	<u>248,219</u>	<u>321,894</u>	<u>73,675</u>
Total revenues	<u>248,219</u>	<u>598,219</u>	<u>670,214</u>	<u>71,995</u>
EXPENDITURES				
Miscellaneous expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>248,219</u>	<u>598,219</u>	<u>670,214</u>	<u>71,995</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(56,000)</u>	<u>(56,000)</u>	<u>-</u>
Net change in fund balance	248,219	542,219	614,214	71,995
Fund balance - beginning	<u>3,970,610</u>	<u>4,063,409</u>	<u>6,506,386</u>	<u>2,442,977</u>
Fund balance - ending	<u>\$ 4,218,829</u>	<u>\$ 4,605,628</u>	<u>\$ 7,120,600</u>	<u>\$ 2,514,972</u>

ENTERPRISE FUNDS**456 – Cemetery**

Operate and maintain Bayview Cemetery. Revenue is derived from the sale of lots, interment charges, sale of concrete boxes and interest. Perpetual care for upkeep of graves and cemetery property is funded from sale of gravesites. Pre-arrangement contracts on sales of interments and liners are also available. In 2001 cemetery improvement (457) and pre-arrangement trust (621) were merged with cemetery. Two new cash lines were created. Established by Ordinances 52 and 9898 and consolidated by Ordinance 2001-11-086.

460 – Golf Course

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

465 – Parking Services

Operate and maintain 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.

475 – Development Services

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

CITY OF BELLINGHAM
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2007

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Development Services</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 44,323	\$ 21,941	\$ 738,330	\$ 481,476	\$ 1,286,070
Investments	76,756	37,997	1,278,603	833,797	2,227,153
Receivable (net of allowance for uncollectibles)	<u>5,431</u>	<u>511</u>	<u>267,361</u>	<u>15,439</u>	<u>288,742</u>
Total current assets	<u>126,510</u>	<u>60,449</u>	<u>2,284,294</u>	<u>1,330,712</u>	<u>3,801,965</u>
Noncurrent assets:					
Restricted cash and cash equivalents	169,338	-	12,190	-	181,528
Restricted investments	293,251	-	21,110	-	314,361
Capital assets (net of accumulated depreciation):					
Land	359,274	-	1,109,904	-	1,469,178
Buildings	58,792	536,666	2,400,435	-	2,995,893
Improvements	25,381	254,281	473,536	31,310	784,508
Machinery and equipment	-	57,664	180,817	8,377	246,858
Construction in progress	-	-	138,197	-	138,197
Total noncurrent assets	<u>906,036</u>	<u>848,611</u>	<u>4,336,189</u>	<u>39,687</u>	<u>6,130,523</u>
Total assets	<u>1,032,546</u>	<u>909,060</u>	<u>6,620,483</u>	<u>1,370,399</u>	<u>9,932,488</u>
LIABILITIES					
Current liabilities:					
Accounts payable	9,931	657	46,567	18,844	75,999
Accrued wages and benefits	12,069	-	15,274	69,991	97,334
Interfund payables	-	230,868	14,212	-	245,080
Other accrued liabilities	153,237	404	76,480	1,194	231,315
Compensated absences	13,776	-	17,232	73,345	104,353
Bonds payable (net of unamortized discount)	-	-	110,000	-	110,000
Total current liabilities	<u>189,013</u>	<u>231,929</u>	<u>279,765</u>	<u>163,374</u>	<u>864,081</u>
Noncurrent liabilities:					
Bonds payable (net of unamortized discount)	-	-	485,000	-	485,000
Compensated absences	<u>696</u>	<u>-</u>	<u>4,887</u>	<u>10,527</u>	<u>16,110</u>
Total noncurrent liabilities	<u>696</u>	<u>-</u>	<u>489,887</u>	<u>10,527</u>	<u>501,110</u>
Total liabilities	<u>189,709</u>	<u>231,929</u>	<u>769,652</u>	<u>173,901</u>	<u>1,365,191</u>
NET ASSETS					
Invested in capital assets, net of related debt	443,447	848,611	3,707,889	39,687	5,039,634
Restricted	462,589	-	33,300	-	495,889
Unrestricted	<u>(63,199)</u>	<u>(171,480)</u>	<u>2,109,642</u>	<u>1,156,811</u>	<u>3,031,774</u>
Total net assets	<u>\$ 842,837</u>	<u>\$ 677,131</u>	<u>\$ 5,850,831</u>	<u>\$ 1,196,498</u>	<u>\$ 8,567,297</u>

CITY OF BELLINGHAM
Combining Statement of Revenue, Expenses and Changes in Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Development Services</u>	<u>Totals</u>
Operating revenues:					
Customer sales and service fees	\$ 345,576	\$ 729,949	\$ -	\$ 2,865,843	\$ 3,941,368
Other charges for service	-	-	-	-	-
Rents, parking and concessions	-	-	2,331,510	-	2,331,510
Other operating revenue	-	-	23,605	227	23,832
Total operating revenues	<u>345,576</u>	<u>729,949</u>	<u>2,355,115</u>	<u>2,866,070</u>	<u>6,296,710</u>
Operating expenses:					
General operations	373,969	-	63,688	1,076,415	1,514,072
General administration	245,781	-	-	1,475,035	1,720,816
Contracted processing and operations	68	684,607	-	-	684,675
Maintenance	-	-	784,304	-	784,304
Administration:					
Depreciation	14,390	43,101	110,993	22,791	191,275
Property, excise and business taxes	-	-	-	-	-
Total operating expenses	<u>634,208</u>	<u>727,708</u>	<u>958,985</u>	<u>2,574,241</u>	<u>4,895,142</u>
Operating income (loss)	<u>(288,632)</u>	<u>2,241</u>	<u>1,396,130</u>	<u>291,829</u>	<u>1,401,568</u>
Nonoperating revenues (expenses):					
Investment interest	29,372	7,218	87,718	58,877	183,185
Net increase (decrease)					
in fair value of investments	5,187	587	16,792	10,987	33,553
Interest expense and related charges	-	(13,395)	(25,058)	-	(38,453)
Gain (loss) on sale of capital assets	-	-	-	-	-
Other non-operating revenues	20,480	-	20,029	63	40,572
Total nonoperating revenue (expense)	<u>55,039</u>	<u>(5,590)</u>	<u>99,481</u>	<u>69,927</u>	<u>218,857</u>
Income (loss) before contributions and transfers	(233,593)	(3,349)	1,495,611	361,756	1,620,425
Capital contributions	-	-	-	-	-
Transfers in	228,654	-	-	-	228,654
Transfers out	(40,134)	-	(587,696)	(47,174)	(675,004)
Change in net assets	(45,073)	(3,349)	907,915	314,582	1,174,075
Total net assets - beginning	<u>631,801</u>	<u>785,274</u>	<u>4,946,767</u>	<u>899,387</u>	<u>7,263,229</u>
Prior period adjustments	256,109	(104,794)	(3,851)	(17,471)	129,993
Total net assets - ending	<u>\$ 842,837</u>	<u>\$ 677,131</u>	<u>\$ 5,850,831</u>	<u>\$ 1,196,498</u>	<u>\$ 8,567,297</u>

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007

Page 1 of 2

	<u>Cemetery</u>	<u>Golf Course</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 345,811	\$ 729,949
Payments for wages and operating expenses	<u>(605,394)</u>	<u>(685,209)</u>
Net cash provided (used) by operating activities	<u>(259,583)</u>	<u>44,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	228,654	-
Transfers out	(40,134)	-
Payment for interest	-	-
Receipts from rent and misc. revenues	<u>20,480</u>	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>209,000</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payment on bonds	-	-
Payments for interest	-	(13,395)
Purchases of capital assets	-	-
Proceeds from sale of capital assets	-	-
Principal payments on loans	<u>-</u>	<u>(72,189)</u>
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(85,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturity of investments	335,506	54,250
Purchase of investments	(320,061)	(32,868)
Interest and dividends received	<u>29,193</u>	<u>7,449</u>
Net cash provided (used) in investment activities	<u>44,638</u>	<u>28,831</u>
Net increase (decrease) in cash and equivalents	(5,945)	(12,013)
Cash and cash equivalents - beginning of year	<u>219,606</u>	<u>33,954</u>
Cash and cash equivalents - end of year	<u>213,661</u>	<u>21,941</u>
Cash at end of year consists of		
Cash and cash equivalents	44,323	21,941
Restricted cash	<u>169,338</u>	<u>-</u>
Total cash at end of year	<u>\$ 213,661</u>	<u>\$ 21,941</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (288,632)	\$ 2,241
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	14,390	43,101
Accumulated long-term leave liability	(2,709)	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable other	235	-
Increase (decrease) in accounts payable	1,876	(426)
Increase (decrease) in revenues collected in advance	15,235	-
Increase (decrease) in due to other funds	-	-
Increase (decrease) in other accrued liabilities	(236)	-
Increase (decrease) in other fees and taxes	258	(176)
Increase (decrease) in other current liabilities	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ (259,583)</u>	<u>\$ 44,740</u>
Noncash investing activities:		
Net change in fair value of investments	5,187	587

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007

Page 2 of 2

	<u>Parking Services</u>	<u>Development Services</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING			
ACTIVITIES			
Receipts from customers	\$ 2,151,374	\$ 2,924,603	\$ 6,151,737
Payments for wages and operating expenses	<u>(785,292)</u>	<u>(2,574,385)</u>	<u>(4,650,280)</u>
Net cash provided (used) by operating activities	<u>1,366,082</u>	<u>350,218</u>	<u>1,501,457</u>
CASH FLOWS FROM NONCAPITAL			
FINANCING ACTIVITIES			
Transfers in	-	-	228,654
Transfers out	(587,696)	(47,174)	(675,004)
Payment for interest	(25,993)	-	(25,993)
Receipts from rent and misc. revenues	<u>20,029</u>	<u>63</u>	<u>40,572</u>
Net cash provided (used) by noncapital financing activities	<u>(593,660)</u>	<u>(47,111)</u>	<u>(431,771)</u>
CASH FLOWS FROM CAPITAL AND RELATED			
FINANCING ACTIVITIES			
Principal payment on bonds	(100,000)	-	(100,000)
Payments for interest	-	-	(13,395)
Purchases of capital assets	(1,022)	-	(1,022)
Proceeds from sale of capital assets	-	-	-
Principal payments on loans	<u>-</u>	<u>-</u>	<u>(72,189)</u>
Net cash provided (used) by capital financing activities	<u>(101,022)</u>	<u>-</u>	<u>(186,606)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturity of investments	653,733	498,080	1,541,569
Purchase of investments	(1,124,267)	(721,244)	(2,198,440)
Interest and dividends received	<u>80,495</u>	<u>55,232</u>	<u>172,369</u>
Net cash provided (used) in investment activities	<u>(390,039)</u>	<u>(167,932)</u>	<u>(484,502)</u>
Net increase (decrease) in cash and equivalents	281,361	135,175	398,578
Cash and cash equivalents - beginning of year	<u>469,159</u>	<u>346,301</u>	<u>1,069,020</u>
Cash and cash equivalents - end of year	<u>750,520</u>	<u>481,476</u>	<u>1,467,598</u>
Cash at end of year consists of			
Cash and cash equivalents	738,330	481,476	1,286,070
Restricted cash	<u>12,190</u>	<u>-</u>	<u>181,528</u>
Total cash at end of year	<u>\$ 750,520</u>	<u>\$ 481,476</u>	<u>\$ 1,467,598</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,396,130	\$ 291,829	\$ 1,401,568
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	110,993	22,791	191,275
Accumulated long-term leave liability	(3,974)	5,268	(1,415)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable other	(203,741)	58,533	(144,973)
(Increase) decrease in due from other governmental units	-	-	-
Increase (decrease) in accounts payable	4,930	(5,725)	655
Increase (decrease) in revenues collected in advance	32,670	-	47,905
Increase (decrease) in due to other funds	14,212	-	14,212
Increase (decrease) in other accrued liabilities	(3,530)	(22,078)	(25,844)
Increase (decrease) in other fees and taxes	16,507	(400)	16,189
Increase (decrease) in other current liabilities	<u>1,885</u>	<u>-</u>	<u>1,885</u>
Net cash provided (used) by operating activities	<u>\$ 1,366,082</u>	<u>\$ 350,218</u>	<u>\$ 1,501,457</u>
Noncash investing activities:			
Net change in fair value of investments	16,792	10,987	33,553



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INTERNAL SERVICE FUNDS**510 – Fleet Administration**

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

520 – Purchasing and Materials Management

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

530 – Facilities Administration

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

540 – Telecommunications

Purchase telecommunications equipment and recover the costs from the user departments. Provides a source for centralized payment of telecommunication expenses. Excess funding is used for future acquisitions. Established by Ordinance 9747.

550 – Claims and Litigation

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

561 – Unemployment Compensation

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

562 – Worker's Compensation Self Insurance

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

565 – Health Benefits

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

CITY OF BELLINGHAM
Combining Statement of Net Assets
Internal Service Funds
December 31, 2007

ASSETS	Fleet Administration	Purchasing Materials Management	Facilities Administration	Tele- Communications	Claims & Litigation	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
Current assets:									
Cash and cash equivalents	\$ 2,117,026	\$ 204,940	\$ 487,959	\$ 367,115	\$ 1,825,535	\$ 108,990	\$ 330,915	\$ 469,295	\$ 5,911,775
Investments	3,666,159	354,904	845,023	635,751	3,161,368	188,744	573,062	812,701	10,237,712
Receivable (net of allowance for uncollectibles)	51,265	4,767	11,348	8,540	42,459	2,535	43,680	10,917	175,511
Interfund receivables	-	-	-	-	-	-	-	-	-
Merchandise inventory	-	892,804	-	-	-	-	-	-	892,804
Prepaid items	-	-	-	-	-	-	40,000	11,000	51,000
Total current assets	5,834,450	1,457,415	1,344,330	1,011,406	5,029,362	300,269	987,657	1,303,913	17,268,802
Noncurrent assets:									
Notes and contracts receivable	-	-	-	-	152,403	-	-	-	152,403
Capital assets (net of accumulated depreciation):									
Land	-	-	40,102	-	-	-	-	-	40,102
Buildings	-	-	1,926,723	-	-	-	-	-	1,926,723
Improvements	-	165,817	-	-	-	-	-	-	165,817
Machinery and equipment	7,691,956	-	11,371	12,828	-	-	-	3,304	7,719,459
Construction in progress	-	-	-	714,293	-	-	-	-	714,293
Total noncurrent assets	7,691,956	165,817	1,978,196	727,121	152,403	-	-	3,304	10,718,797
Total assets	13,526,406	1,623,232	3,322,526	1,738,527	5,181,765	300,269	987,657	1,307,217	27,987,599
LIABILITIES									
Current liabilities:									
Accounts payable	33,317	89,790	79,475	40,705	7,441	-	19,956	2,279	272,963
Accrued wages and benefits	33,228	29,165	43,260	-	-	-	3,704	9,145	118,502
Other accrued liabilities	-	-	2,650	-	-	20,321	-	22,120	45,091
Compensated absences	43,284	36,516	51,908	-	-	-	3,403	-	135,111
Other long-term liabilities	-	-	-	-	95,000	-	-	-	95,000
Total current liabilities	109,829	155,471	177,293	40,705	102,441	20,321	27,063	33,544	666,667
Noncurrent liabilities:									
Compensated absences	18,628	17,179	13,644	-	-	-	-	-	49,451
Other long-term liabilities	-	-	-	-	361,982	-	-	-	361,982
Total noncurrent liabilities	18,628	17,179	13,644	-	361,982	-	-	-	411,433
Total liabilities	128,457	172,650	190,937	40,705	464,423	20,321	27,063	33,544	1,078,100
NET ASSETS									
Invested in capital assets, net of related debt									
	7,691,956	165,817	1,978,196	727,121	-	-	-	3,304	10,566,394
Unrestricted	5,705,993	1,284,765	1,153,393	970,701	4,717,342	279,948	960,594	1,270,369	16,343,105
Total net assets	\$ 13,397,949	\$ 1,450,582	\$ 3,131,589	\$ 1,697,822	\$ 4,717,342	\$ 279,948	\$ 960,594	\$ 1,273,673	\$ 26,909,499

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended December 31, 2007

	<u>Fleet</u>	<u>Purchasing</u>	<u>Facilities</u>	<u>Tele-</u>	<u>Claims &</u>	<u>Unemployment</u>	<u>Worker's</u>	<u>Health</u>	<u>Totals</u>
	<u>Administration</u>	<u>Materials</u>	<u>Administration</u>	<u>Communications</u>	<u>Litigation</u>	<u>Compensation</u>	<u>Self-Insurance</u>	<u>Benefits</u>	
Operating revenues:									
Sales of merchandise	\$ -	\$ 2,165,802	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,165,802
Less: cost of goods sold	-	(1,324,982)	-	-	-	-	-	-	(1,324,982)
Other charges for service	1,482,003	-	-	436,055	-	-	-	-	1,918,058
Trust contributions	-	-	-	-	-	-	750,451	8,403,213	9,153,664
Other operating revenue	<u>973,411</u>	<u>-</u>	<u>2,023,668</u>	<u>12,817</u>	<u>695,862</u>	<u>-</u>	<u>-</u>	<u>477,570</u>	<u>4,183,328</u>
Total operating revenues	<u>2,455,414</u>	<u>840,820</u>	<u>2,023,668</u>	<u>448,872</u>	<u>695,862</u>	<u>-</u>	<u>750,451</u>	<u>8,880,783</u>	<u>16,095,870</u>
Operating expenses:									
Operations:									
General operations	1,709,713	1,135,662	2,010,221	413,101	470,080	1,370	43,187	-	5,783,334
General administration	-	-	-	-	288,627	-	537,831	8,617,632	9,444,090
Depreciation	877,007	36,278	129,846	31,534	-	-	-	2,332	1,076,997
Payments to claimants and beneficiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,730</u>	<u>68,753</u>	<u>-</u>	<u>156,386</u>	<u>422,869</u>
Total operating expenses	<u>2,586,720</u>	<u>1,171,940</u>	<u>2,140,067</u>	<u>444,635</u>	<u>956,437</u>	<u>70,123</u>	<u>581,018</u>	<u>8,776,350</u>	<u>16,727,290</u>
Operating income (loss)	<u>(131,306)</u>	<u>(331,120)</u>	<u>(116,399)</u>	<u>4,237</u>	<u>(260,575)</u>	<u>(70,123)</u>	<u>169,433</u>	<u>104,433</u>	<u>(631,420)</u>
Nonoperating revenues (expenses):									
Investment interest	271,744	26,412	55,557	30,905	239,894	14,882	38,853	49,849	728,096
Net increase in fair value of investments	51,075	5,192	11,429	8,007	43,914	2,719	7,709	11,076	141,121
Gain (loss) on sale of capital assets	(57,281)	-	-	-	-	-	-	-	(57,281)
Other nonoperating revenues (expenses)	<u>2,485</u>	<u>37,279</u>	<u>103,920</u>	<u>-</u>	<u>4,735</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,419</u>
Total nonoperating revenue (expense)	<u>268,023</u>	<u>68,883</u>	<u>170,906</u>	<u>38,912</u>	<u>288,543</u>	<u>17,601</u>	<u>46,562</u>	<u>60,925</u>	<u>960,355</u>
Income (loss) before transfers	136,717	(262,237)	54,507	43,149	27,968	(52,522)	215,995	165,358	328,935
Transfers in	361,607	-	-	1,116,957	-	-	-	-	1,478,564
Transfers out	<u>(21,304)</u>	<u>(18,261)</u>	<u>(4,565)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,663)</u>	<u>(7,989)</u>	<u>(54,782)</u>
Change in net assets	477,020	(280,498)	49,942	1,160,106	27,968	(52,522)	213,332	157,369	1,752,717
Total net assets - beginning	<u>12,933,295</u>	<u>1,742,622</u>	<u>3,126,218</u>	<u>538,846</u>	<u>4,689,374</u>	<u>332,470</u>	<u>747,262</u>	<u>1,116,304</u>	<u>25,226,391</u>
Prior period adjustment	<u>(12,366)</u>	<u>(11,542)</u>	<u>(44,571)</u>	<u>(1,130)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,609)</u>
Total net assets - ending	<u>\$ 13,397,949</u>	<u>\$ 1,450,582</u>	<u>\$ 3,131,589</u>	<u>\$ 1,697,822</u>	<u>\$ 4,717,342</u>	<u>\$ 279,948</u>	<u>\$ 960,594</u>	<u>\$ 1,273,673</u>	<u>\$ 26,909,499</u>

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2007

Page 1 of 2

	Fleet Administration	Purchasing Materials Management	Facilities Administration	Tele- Communications	Claims & Litigation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,455,414	\$ 2,165,802	\$ 2,023,668	\$ 448,872	\$ -
Payments for merchandise	-	(1,349,146)	-	-	-
Payments for wages and operating expenses	(1,794,559)	(1,008,559)	(1,983,251)	(390,426)	(885,396)
Receipts for self-insurance	-	-	-	-	690,453
Net cash provided (used) by operating activities	<u>660,855</u>	<u>(191,903)</u>	<u>40,417</u>	<u>58,446</u>	<u>(194,943)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	-	1,116,957	-
Transfers out	(21,304)	(18,261)	(4,565)	-	-
Receipts from insurance companies	-	-	104,654	-	-
Receipts for miscellaneous revenues	2,485	37,279	(734)	-	4,735
Net cash provided (used) by noncapital financing activities	<u>(18,819)</u>	<u>19,018</u>	<u>99,355</u>	<u>1,116,957</u>	<u>4,735</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,035,877)	-	-	(714,292)	-
Proceeds from the sale of capital assets	99,742	-	-	-	-
Net cash provided (used) by capital financing activities	<u>(936,135)</u>	<u>-</u>	<u>-</u>	<u>(714,292)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	3,206,078	401,213	612,768	243,792	2,717,447
Purchase of investments	(3,171,272)	(306,997)	(730,955)	(549,933)	(2,734,622)
Interest and dividends received	268,481	27,237	53,220	26,417	236,487
Receipts of principal loan payments	-	-	-	-	5,997
Net cash provided (used) in investment activities	<u>303,287</u>	<u>121,453</u>	<u>(64,967)</u>	<u>(279,724)</u>	<u>225,309</u>
Net increase (decrease) in cash and equivalents	9,188	(51,432)	74,805	181,387	35,101
Cash and cash equivalents - beginning of year	<u>2,107,838</u>	<u>256,372</u>	<u>413,154</u>	<u>185,728</u>	<u>1,790,434</u>
Cash and cash equivalents - end of year	<u>2,117,026</u>	<u>204,940</u>	<u>487,959</u>	<u>367,115</u>	<u>1,825,535</u>
Cash at end of year consists of					
Cash and cash equivalents	<u>2,117,026</u>	<u>204,940</u>	<u>487,959</u>	<u>367,115</u>	<u>1,825,535</u>
Total cash at end of year	<u>\$ 2,117,026</u>	<u>\$ 204,940</u>	<u>\$ 487,959</u>	<u>\$ 367,115</u>	<u>\$ 1,825,535</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (131,306)	\$ (331,120)	\$ (116,399)	\$ 4,237	\$ (260,575)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	877,007	36,278	129,846	31,534	-
Accumulated long-term leave liability	304	3,322	4,551	-	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	-	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	-	-
(Increase) decrease in due from other governmental units	-	-	-	-	-
(Increase) decrease in inventory of supplies	-	115,194	-	-	-
(Increase) decrease in prepayments	-	-	1,000	-	-
Increase (decrease) in accounts payable	(88,579)	(24,164)	9,347	22,675	65,632
Increase (decrease) in due to other funds	-	-	-	-	-
Increase (decrease) in due to other governmental units	-	-	-	-	-
Increase (decrease) in other accrued liabilities	3,429	8,587	12,072	-	-
Increase (decrease) in other long-term liabilities	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 660,855</u>	<u>\$ (191,903)</u>	<u>\$ 40,417</u>	<u>\$ 58,446</u>	<u>\$ (194,943)</u>
Noncash investing activities:					
Net change in fair value of investments	51,075	5,192	11,429	8,007	43,914

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2007

Page 2 of 2

	<u>Unemployment Compensation</u>	<u>Worker's Compensation Self-Insurance</u>	<u>Health Benefits</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ -	\$ -	\$ 7,093,756
Payments for merchandise	-	-	-	(1,349,146)
Payments for wages and operating expenses	(67,945)	(593,819)	(8,783,749)	(15,507,704)
Receipts for self-insurance	-	714,468	8,880,783	10,285,704
Net cash provided (used) by operating activities	<u>(67,945)</u>	<u>120,649</u>	<u>97,034</u>	<u>522,610</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	1,116,957
Transfers out	-	(2,663)	(7,989)	(54,782)
Receipts from insurance companies	-	-	-	104,654
Receipts for miscellaneous revenues	-	-	-	43,765
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(2,663)</u>	<u>(7,989)</u>	<u>1,210,594</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	-	-	(1,750,169)
Proceeds from the sale of capital assets	-	-	-	99,742
Net cash provided (used) by capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,650,427)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturity of investments	197,739	400,213	620,156	8,399,406
Purchase of investments	(163,266)	(495,706)	(702,996)	(8,855,747)
Interest and dividends received	15,124	37,075	47,988	712,029
Receipts of principal loan payments	-	-	-	5,997
Net cash provided (used) in investment activities	<u>49,597</u>	<u>(58,418)</u>	<u>(34,852)</u>	<u>261,685</u>
Net increase (decrease) in cash and equivalents	(18,348)	59,568	54,193	344,462
Cash and cash equivalents - beginning of year	127,338	271,347	415,102	5,567,313
Cash and cash equivalents - end of year	<u>108,990</u>	<u>330,915</u>	<u>469,295</u>	<u>5,911,775</u>
Cash at end of year consists of				
Cash and cash equivalents	108,990	330,915	469,295	5,911,775
Total cash at end of year	<u>\$ 108,990</u>	<u>\$ 330,915</u>	<u>\$ 469,295</u>	<u>\$ 5,911,775</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (70,123)	\$ 169,433	\$ 104,433	\$ (631,420)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	2,332	1,076,997
Accumulated long-term leave liability	-	-	-	8,177
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	(35,983)	-	(35,983)
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in due from other governmental units	-	-	-	-
(Increase) decrease in inventory of supplies	-	-	-	115,194
(Increase) decrease in prepayments	-	-	-	1,000
Increase (decrease) in accounts payable	-	(5,346)	(4,959)	(25,394)
Increase (decrease) in due to other funds	-	-	-	-
Increase (decrease) in due to other governmental units	2,178	-	-	2,178
Increase (decrease) in other accrued liabilities	-	(7,455)	(4,772)	11,861
Increase (decrease) in other long-term liabilities	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ (67,945)</u>	<u>\$ 120,649</u>	<u>\$ 97,034</u>	<u>\$ 522,610</u>
Noncash investing activities:				
Net change in fair value of investments	2,719	7,709	11,076	141,121



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

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

614 – Firefighters Longterm Care

Provide long-term care costs of firefighters hired prior to October 1, 1977. Revenue is from general fund contributions. Established by Ordinance 1999-12-083.

615 – Police Officers Longterm Care

Provide long-term care costs of police officers hired prior to October 1, 1977. Revenue is from general fund contributions. Established by Ordinance 1999-12-083.

Agency**637 – Guaranty Deposit**

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

641 – Transportation Impact

Transportation impact fees, as authorized by Ordinance 10472, are placed in this fund. Funds are invested until needed, and the interest income remains with the transportation impact fund until the fees and interest are either refunded to the property owner or transferred to a project fund to be utilized as part of the resources for an approved project. Established by Ordinance 10495. Beginning 2007, all impact fees and interest placed in this fund during the year will be transfer to the street fund as of December 31 and are utilized as part of the resources for approved projects in the following year.

642 – School Impact Fees

School impact fees, as authorized by Ordinance 2006-03-022, are deposited in this fund. The City remits to the School District monthly all impact fees collected, with interest.

CITY OF BELLINGHAM
Combining Statement of Net Assets
Pension Trust Funds
December 31, 2007

Page 1 of 2

	Firefighters Pension	Police Officers Pension	Firefighters LT Care	Police Officers LT Care	Total Pension Funds
ASSETS					
Cash and cash equivalents	\$ 1,412,489	\$ 1,144,550	\$ 506,788	\$ 552,355	\$ 3,616,182
Investments:					
Governments securities	2,446,077	1,982,073	877,630	956,541	6,262,321
Receivable (net of allowance for uncollectibles)	79,126	26,622	11,789	12,847	130,384
Interfund receivables	<u>230,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,868</u>
Total assets	<u>4,168,560</u>	<u>3,153,245</u>	<u>1,396,207</u>	<u>1,521,743</u>	<u>10,239,755</u>
LIABILITIES					
Accounts payable	346	350	-	-	696
Accrued wages and benefits	41,344	12,041	-	-	53,385
Other liabilities	<u>46,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,272</u>
Total liabilities	<u>87,962</u>	<u>12,391</u>	<u>-</u>	<u>-</u>	<u>100,353</u>
NET ASSETS					
Held in trust for employees' pension benefits	<u>4,080,598</u>	<u>3,140,854</u>	<u>1,396,207</u>	<u>1,521,743</u>	<u>10,139,402</u>
Total net assets	<u>4,080,598</u>	<u>3,140,854</u>	<u>1,396,207</u>	<u>1,521,743</u>	<u>10,139,402</u>
Total liabilities and net assets	<u>\$ 4,168,560</u>	<u>\$ 3,153,245</u>	<u>\$ 1,396,207</u>	<u>\$ 1,521,743</u>	<u>\$ 10,239,755</u>

CITY OF BELLINGHAM
Combining Statement of Net Assets
Agency Funds
December 31, 2007

Page 2 of 2

	<u>Guaranty Deposit</u>	<u>Transportation Impact</u>	<u>School Impact Fee</u>	<u>Total Agency Funds</u>	<u>Total All Fiduciary Funds</u>
ASSETS					
Cash and cash equivalents	\$ 149,875	\$ -	\$ 16,474	\$ 166,349	\$ 3,782,531
Investments:					
Governments securities	-	-	-	-	6,262,321
Receivable (net of allowance for uncollectibles)	-	-	141	141	130,525
Interfund receivables	-	-	-	-	230,868
Total assets	<u>149,875</u>	<u>-</u>	<u>16,615</u>	<u>166,490</u>	<u>10,406,245</u>
LIABILITIES					
Accounts payable	2,572	-	16,541	19,113	19,809
Accrued wages and benefits	-	-	-	-	53,385
Other liabilities	<u>147,303</u>	<u>-</u>	<u>74</u>	<u>147,377</u>	<u>193,649</u>
Total liabilities	<u>149,875</u>	<u>-</u>	<u>16,615</u>	<u>166,490</u>	<u>266,843</u>
NET ASSETS					
Held in trust for employees' pension benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,139,402</u>
Total net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,139,402</u>
Total liabilities and net assets	<u>\$ 149,875</u>	<u>\$ -</u>	<u>\$ 16,615</u>	<u>\$ 166,490</u>	<u>\$ 10,406,245</u>

CITY OF BELLINGHAM
Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Year Ended December 31, 2007

	Firefighters Pension	Police Officers Pension	Firefighters LT Care	Police Officers LT Care	Totals
ADDITIONS					
Contributions:					
Other sources	\$ 1,649,234	\$ 16,837	\$ -	\$ -	\$ 1,666,071
Employer	<u>79,564</u>	<u>1,007,110</u>	<u>188,844</u>	<u>184,744</u>	<u>1,460,262</u>
Total contributions	<u>1,728,798</u>	<u>1,023,947</u>	<u>188,844</u>	<u>184,744</u>	<u>3,126,333</u>
Investment income:					
Interest	177,471	144,854	63,752	69,601	455,678
Net increase in fair value of investments	<u>33,022</u>	<u>26,854</u>	<u>11,951</u>	<u>12,954</u>	<u>84,781</u>
Net investment income	<u>210,493</u>	<u>171,708</u>	<u>75,703</u>	<u>82,555</u>	<u>540,459</u>
Total additions	<u>1,939,291</u>	<u>1,195,655</u>	<u>264,547</u>	<u>267,299</u>	<u>3,666,792</u>
DEDUCTIONS					
Benefits	1,362,788	724,864	95,158	41,577	2,224,387
Administration expense	<u>7,589</u>	<u>13,615</u>	<u>1,750</u>	<u>1,750</u>	<u>24,704</u>
Total deductions	<u>1,370,377</u>	<u>738,479</u>	<u>96,908</u>	<u>43,327</u>	<u>2,249,091</u>
NET INCREASE					
Net change in net assets held in trust for employees' pension benefits	568,914	457,176	167,639	223,972	1,417,701
Net assets held in trust for employees' pension benefits, January 1, 2007	<u>3,511,684</u>	<u>2,683,678</u>	<u>1,228,568</u>	<u>1,297,771</u>	<u>8,721,701</u>
Net assets held in trust for employees' pension benefits, December 31, 2007	<u>\$ 4,080,598</u>	<u>\$ 3,140,854</u>	<u>\$ 1,396,207</u>	<u>\$ 1,521,743</u>	<u>\$ 10,139,402</u>

CITY OF BELLINGHAM
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2007

	<u>Balance December 31, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2007</u>
GUARANTY DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 121,831	\$ 28,044	\$ -	\$ 149,875
Total assets	<u>121,831</u>	<u>28,044</u>	<u>-</u>	<u>149,875</u>
LIABILITIES				
Accounts payable	4,200	-	1,628	2,572
Garnishments and deposits	20,532	31,473	-	52,005
Customer deposits	97,099	-	1,801	95,298
Total liabilities	<u>\$ 121,831</u>	<u>\$ 31,473</u>	<u>\$ 3,429</u>	<u>\$ 149,875</u>
TRANSPORTATION IMPACT				
ASSETS				
Cash and cash equivalents	\$ 17,090	\$ -	\$ 17,090	\$ -
Investments	29,593	-	29,593	-
Interest receivable	373	-	373	-
Total assets	<u>47,056</u>	<u>-</u>	<u>47,056</u>	<u>-</u>
LIABILITIES				
Accounts payable	2,829	-	2,829	-
Transportation impact fees	42,009	-	42,009	-
Impact fees - interest	2,218	-	2,218	-
Total liabilities	<u>\$ 47,056</u>	<u>\$ -</u>	<u>\$ 47,056</u>	<u>\$ -</u>
SCHOOL IMPACT FEE				
ASSETS				
Cash and cash equivalents	\$ 11,470	\$ 5,004	\$ -	\$ 16,474
Investments	19,861	-	19,861	-
Interest receivable	251	-	110	141
Total assets	<u>31,582</u>	<u>5,004</u>	<u>19,971</u>	<u>16,615</u>
LIABILITIES				
Accounts payable	31,385	-	14,844	16,541
Impact fees - interest	197	-	123	74
Total liabilities	<u>\$ 31,582</u>	<u>\$ -</u>	<u>\$ 14,967</u>	<u>\$ 16,615</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 150,391	\$ 33,048	\$ 17,090	\$ 166,349
Investments	49,454	-	49,454	-
Interest receivable	624	-	483	141
Total assets	<u>200,469</u>	<u>33,048</u>	<u>67,027</u>	<u>166,490</u>
LIABILITIES				
Accounts payable	38,414	-	19,301	19,113
Garnishments and deposits	20,532	31,473	-	52,005
Customer deposits	97,099	-	1,801	95,298
Transportation impact fees	42,009	-	42,009	-
Impact fees - interest	2,415	-	2,341	74
Total liabilities	<u>\$ 200,469</u>	<u>\$ 31,473</u>	<u>\$ 65,452</u>	<u>\$ 166,490</u>



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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 _____	6-2
<i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	
Revenue Capacity _____	6-7
<i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	
Debt Capacity _____	6-11
<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 _____	6-16
<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 _____	6-18
<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>	

Schedule 1
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	\$ 129,113,187	\$ 141,437,663	\$ 192,350,431	\$ 200,189,756	\$ 220,101,614	\$ 242,013,811
Restricted	28,574,403	31,364,685	42,746,769	49,900,468	43,251,138	43,371,259
Unrestricted	34,399,939	41,082,736	44,904,378	49,526,184	56,458,719	66,387,975
Total governmental activities net assets	\$ 192,087,529	\$ 213,885,084	\$ 280,001,578	\$ 299,616,408	\$ 319,811,471	\$ 351,773,045
Business-type activities						
Invested in capital assets, net of related debt	\$ 126,901,880	\$ 139,147,818	\$ 160,449,099	\$ 158,377,192	\$ 162,349,648	\$ 178,097,248
Restricted	3,120,822	3,120,823	1,833,500	6,351,590	12,465,769	12,352,243
Unrestricted	41,968,152	39,755,405	26,859,475	27,255,759	24,743,675	21,497,003
Total business-type activities net assets	\$ 171,990,854	\$ 182,024,046	\$ 189,142,074	\$ 191,984,541	\$ 199,559,092	\$ 211,946,494
Primary government						
Invested in capital assets, net of related debt	\$ 256,015,067	\$ 280,585,481	\$ 352,799,530	\$ 358,566,948	\$ 382,451,262	\$ 420,111,059
Restricted	31,695,225	34,485,508	44,580,269	56,252,058	55,716,907	55,723,502
Unrestricted	76,368,091	80,838,141	71,763,853	76,781,943	81,202,394	87,884,978
Total primary government net assets	\$ 364,078,383	\$ 395,909,130	\$ 469,143,652	\$ 491,600,949	\$ 519,370,563	\$ 563,719,539

Source: City of Bellingham CAFR's 2002-2007.

Note: Year 2002 is the earliest available historical data per GASB Statement 34 implementation. Beginning in year 2007 the Public Facilities District (PFD) is separately reported as a Discrete Component Unit accounting for a change in net assets of \$13,559,751 between 2006 and 2007.

Schedule 2
Change in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities						
General government	\$ 13,279,680	\$ 14,159,375	\$ 10,915,142	\$ 11,089,032	\$ 13,866,795	\$ 14,284,854
Public safety	25,878,696	26,756,344	27,416,212	29,418,316	30,176,940	35,049,105
Physical environment	3,682,285	3,899,521	4,457,323	3,750,150	4,231,976	4,910,829
Transportation	7,929,942	7,543,476	7,841,862	8,643,230	8,895,051	9,335,399
Economic environment	4,349,341	3,678,977	4,053,125	4,015,164	5,358,832	5,645,655
Mental and physical health	42,027	75,786	52,182	60,093	60,093	45,929
Culture and recreation	11,298,862	11,574,675	12,139,503	12,654,783	13,868,673	13,477,767
Redemption of general long-term debt	-	1,289,390	-	-	-	-
Interest and other debt service costs	1,318,036	893,334	1,268,721	1,454,831	1,302,372	1,192,772
Total governmental activities expenses	<u>67,778,869</u>	<u>69,870,878</u>	<u>68,144,070</u>	<u>71,085,599</u>	<u>77,760,732</u>	<u>83,942,310</u>
Business-type activities						
Water	10,174,867	10,793,928	11,108,784	10,872,803	12,475,713	13,141,474
Wastewater	10,596,498	10,412,085	10,668,320	11,524,801	12,748,773	13,418,966
Surface and stormwater	-	-	-	3,740,021	3,964,093	4,121,268
Solid waste	-	-	-	5,452,417	1,741,750	1,865,236
Cemetery	-	-	-	492,307	540,511	634,208
Golf course	-	-	-	760,381	736,496	741,103
Parking	-	-	-	875,404	1,094,941	984,043
Medic one	6,572,659	6,921,739	6,799,473	6,831,349	7,878,728	8,657,338
Development services	-	-	-	2,609,138	2,747,268	2,574,241
Other business-type activities	7,586,832	7,694,819	9,543,683	-	-	-
Total business-type activities expenses	<u>34,930,856</u>	<u>35,822,571</u>	<u>38,120,260</u>	<u>43,158,621</u>	<u>43,928,273</u>	<u>46,137,877</u>
Total primary government expenses	<u>\$102,709,725</u>	<u>\$105,693,449</u>	<u>\$106,264,330</u>	<u>\$114,244,220</u>	<u>\$121,689,005</u>	<u>\$130,080,187</u>
Program Revenues						
Governmental activities						
Charges for services:						
General government	\$ 9,339,003	\$ 5,893,041	\$ 5,090,982	\$ 6,978,664	\$ 7,378,154	\$ 8,214,128
Public safety	5,582,699	5,859,182	4,137,835	4,832,625	4,716,786	5,536,189
Physical environment	2,783,772	3,094,960	2,609,588	2,797,346	2,908,572	2,865,241
Transportation	1,904,121	959,312	455,452	437,267	820,489	982,665
Economic environment	790,480	826,452	1,229,828	1,252,248	1,576,664	1,162,262
Culture and recreation	1,255,841	1,306,930	2,411,547	4,015,913	1,579,059	1,658,473
Redemption of general long-term debt	68,976	74,241	-	-	-	-
Operating grants and contributions	8,399,993	11,890,791	5,870,274	3,902,310	4,365,394	3,493,504
Capital grants and contributions	7,002,295	4,019,672	4,849,861	5,198,298	8,240,714	11,137,427
Total governmental activities program revenues	<u>37,127,180</u>	<u>33,924,581</u>	<u>26,655,367</u>	<u>29,414,671</u>	<u>31,585,832</u>	<u>35,049,889</u>
Business-type activities						
Charges for services:						
Water	12,182,880	11,635,263	11,522,506	12,662,209	13,715,124	14,426,124
Wastewater	12,565,788	12,990,049	14,593,476	14,007,723	14,327,011	15,269,074
Surface and stormwater	-	-	-	3,997,067	4,426,473	4,884,658
Solid waste	-	-	-	197,220	830,445	308,130
Cemetery	-	-	-	286,095	305,660	366,050
Golf course	-	-	-	755,881	757,042	729,949
Parking	-	-	-	969,013	1,106,119	2,375,143
Medic one	4,176,400	4,312,241	5,559,733	5,859,978	5,944,914	7,291,514
Development services	-	-	-	2,622,009	2,644,051	2,866,133
Other business-type activities	6,013,345	6,874,452	7,653,881	-	-	-
Operating grants and contributions	5,891,297	7,829,401	379,224	599,117	49,406	45,593
Capital grants and contributions	28,645	34,295	102,041	344,615	3,426,595	1,762,313
Total business-type activities revenues	<u>40,858,355</u>	<u>43,675,701</u>	<u>39,810,861</u>	<u>42,300,927</u>	<u>47,532,840</u>	<u>50,324,681</u>
Total primary government program revenues	<u>\$ 77,985,535</u>	<u>\$ 77,600,282</u>	<u>\$ 66,466,228</u>	<u>\$ 71,715,598</u>	<u>\$ 79,118,672</u>	<u>\$ 85,374,570</u>

Schedule 2
Change in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005	2006	2007
Net (Expense) Revenue						
Governmental activities	\$ (30,651,689)	\$ (35,946,297)	\$ (41,488,703)	\$ (41,670,928)	\$ (46,174,900)	\$ (48,892,421)
Business-type activities	5,927,499	7,853,130	1,690,601	(857,694)	3,604,567	4,186,804
Total primary government net expense	<u>\$ (24,724,190)</u>	<u>\$ (28,093,167)</u>	<u>\$ (39,798,102)</u>	<u>\$ (42,528,622)</u>	<u>\$ (42,570,333)</u>	<u>\$ (44,705,617)</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	\$ 13,047,167	\$ 12,461,078	\$ 12,819,530	\$ 12,744,306	\$ 13,092,773	\$ 15,905,123
Retail sales and use taxes	15,788,358	17,672,260	18,781,686	19,974,866	22,136,372	21,854,574
Interfund taxes	2,338,504	3,042,009	3,066,935	3,355,251	3,563,139	3,763,959
Business taxes	14,520,375	15,480,065	16,098,324	17,628,056	19,220,883	20,972,718
Other taxes	2,681,476	3,450,518	4,099,398	4,534,052	4,522,487	4,085,034
Unrestricted investment earnings	2,631,032	1,140,764	1,022,486	2,160,842	3,878,646	4,776,518
Miscellaneous sources (uses)	-	(28,372)	432,842	-	-	7,207,497
Contributions	-	1,426,561	6,724,498	1,489,229	-	-
Gain (loss) on sale of capital assets	-	-	-	(278,942)	-	-
Transfers	(1,817,743)	(1,274,489)	(1,216,211)	(321,902)	(44,337)	(202,204)
Total governmental activities	<u>49,189,169</u>	<u>53,370,394</u>	<u>61,829,488</u>	<u>61,285,758</u>	<u>66,369,963</u>	<u>78,363,219</u>
Business-type activities						
Retail sales and use taxes	-	-	-	-	350,465	595,633
Interfund taxes	552,520	-	-	-	-	-
Business taxes	-	-	-	883,843	1,163,203	1,256,117
Other taxes	-	-	618,431	-	-	-
Unrestricted investment earnings	(103)	924,446	569,838	1,125,536	2,075,081	2,709,735
Miscellaneous sources (uses)	-	-	64,663	-	-	1,000,000
Contributions	-	-	2,959,208	1,348,323	-	-
Gain (loss) on sale of capital assets	-	-	-	20,557	336,898	34,734
Transfers	1,817,743	1,274,489	1,216,211	321,902	44,337	202,204
Total business-type activities	<u>2,370,160</u>	<u>2,198,935</u>	<u>5,428,351</u>	<u>3,700,161</u>	<u>3,969,984</u>	<u>5,798,423</u>
Total primary government	<u>\$ 51,559,329</u>	<u>\$ 55,569,329</u>	<u>\$ 67,257,839</u>	<u>\$ 64,985,919</u>	<u>\$ 70,339,947</u>	<u>\$ 84,161,642</u>
Change in Net Assets						
Governmental activities	\$ 18,537,480	\$ 17,424,097	\$ 20,340,785	\$ 19,614,830	\$ 20,195,063	\$ 29,470,798
Business-type activities	8,297,659	10,052,065	7,118,952	2,842,467	7,574,551	9,985,227
Prior period adjustments	13,410,711	4,354,585	45,774,785	-	-	18,452,702
Total primary government	<u>\$ 40,245,850</u>	<u>\$ 31,830,747</u>	<u>\$ 73,234,522</u>	<u>\$ 22,457,297</u>	<u>\$ 27,769,614</u>	<u>\$ 57,908,727</u>

Source: City of Bellingham CAFR's 2002-2007.

Note: Year 2002 is the earliest available historical data per GASB 34 implementation. Years 2002-2004 have not been restated; all the business-type funds that were not individually stated are combined under "Other business-type activities". Beginning in year 2007 the Public Facilities District (PFD) is separately reported as a Discrete Component Unit accounting for a change in net assets of \$13,559,751 between 2006 and 2007.

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

	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	\$ 35,300	\$ 36,500	\$ 36,100	\$ 1,682	\$ 1,637,368	\$ 1,453,257
Unreserved	4,961,070	6,966,500	7,460,685	10,438,803	12,573,654	24,242,434
Total general fund	<u>\$ 4,996,370</u>	<u>\$ 7,003,000</u>	<u>\$ 7,496,785</u>	<u>\$ 10,440,485</u>	<u>\$ 14,211,022</u>	<u>\$ 25,695,691</u>
All Other Governmental Funds						
Reserved, reported in:						
Special revenue funds	\$ 1,000	\$ 1,100	\$ 1,100	\$ 1,000	\$ 1,000	\$ 1,000
Debt service funds	-	-	-	-	-	-
Permanent funds	-	-	-	2,450,000	5,982,770	7,087,401
Unreserved, reported in:						
Special revenue funds	21,340,970	24,806,318	34,111,990	41,122,938	40,125,731	40,496,481
Debt service funds	2,683,498	1,693,163	1,025,176	816,143	758,584	475,591
Capital project funds	828,094	882,048	6,233,094	7,289,560	1,771,842	828,930
Permanent funds	1,179,410	5,454,080	5,802,554	3,641,024	523,616	33,199
Total all other governmental funds	<u>\$ 26,032,972</u>	<u>\$ 32,836,709</u>	<u>\$ 47,173,914</u>	<u>\$ 55,320,665</u>	<u>\$ 49,163,543</u>	<u>\$ 48,922,602</u>
Total Governmental Funds	<u>\$ 31,029,342</u>	<u>\$ 39,839,709</u>	<u>\$ 54,670,699</u>	<u>\$ 65,761,150</u>	<u>\$ 63,374,565</u>	<u>\$ 74,618,293</u>

Source: City of Bellingham CAFR's 2002-2007.

Note: Special Revenue Fund "General Reserve" was moved to the General Fund in 2003. Year 2002 has been restated moving "General Reserve" into the General Fund. Beginning in year 2007 the Public Facilities District (PFD) is separately reported as a Discrete Component Unit accounting for a change in fund balance of \$4,761,339 between 2006 and 2007.

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

	2002	2003	2004	2005	2006	2007
Revenues						
Taxes <i>(see schedule 2)*</i>	\$ 47,853,452	\$ 52,114,673	\$ 54,939,484	\$ 58,334,861	\$ 62,517,853	\$ 66,477,096
Licenses and permits	561,444	664,696	686,053	748,160	839,561	917,718
Intergovernmental revenue	10,842,978	7,505,414	10,701,346	9,352,256	10,839,504	13,422,933
Charges for services	15,296,397	15,954,548	12,796,330	13,635,249	15,282,851	17,286,148
Fines and forfeits	1,506,190	1,435,403	1,505,718	1,531,297	1,757,922	1,153,695
Miscellaneous revenues	4,627,262	8,134,498	3,065,575	5,835,324	5,390,953	13,121,564
Total revenues	<u>80,687,723</u>	<u>85,809,232</u>	<u>83,694,506</u>	<u>89,437,147</u>	<u>96,628,644</u>	<u>112,379,154</u>
Expenditures						
General government	13,254,849	14,333,409	11,013,084	11,299,397	14,188,145	14,081,146
Public safety	25,161,649	27,028,326	26,995,761	29,226,910	31,616,600	33,044,238
Physical environment	3,855,560	4,068,251	4,119,080	4,013,739	4,374,785	4,938,868
Transportation	4,190,479	4,166,516	4,297,507	4,963,151	4,975,443	5,234,218
Economic environment	4,362,288	3,762,357	4,140,276	4,066,829	5,494,392	4,976,102
Mental and physical health	42,027	70,045	57,529	60,093	60,093	45,929
Cultural and recreation	10,754,115	11,117,728	11,346,889	11,825,657	12,896,367	12,880,007
Debt service:						
Principal	3,048,816	2,479,390	2,816,311	2,611,031	2,633,025	2,519,893
Interest	1,124,505	962,322	1,217,242	1,479,864	1,316,975	1,207,355
Capital outlay	17,415,248	10,273,780	22,535,717	8,728,506	21,129,218	15,820,342
Total expenditures	<u>83,209,536</u>	<u>78,262,124</u>	<u>88,539,396</u>	<u>78,275,177</u>	<u>98,685,043</u>	<u>94,748,098</u>
Excess of revenues over (under) expenditures	(2,521,813)	7,547,108	(4,844,890)	11,161,970	(2,056,399)	17,631,056
Other Financing Sources (Uses)						
General long-term debt	1,487,500	1,190,000	148,750	148,750	-	-
Current refunding of long-term debt	-	-	(970,000)	-	-	-
Interest and other debt service costs	-	-	(6,447)	-	-	-
Bond issue	-	-	20,690,000	-	-	-
Premium on bonds	-	-	425,314	-	-	-
Gain (loss) on sale of capital assets	174,360	-	1,021,934	1	-	-
Intergovernmental agreements	-	-	-	-	-	-
Transfers in	4,222,531	8,715,789	4,297,917	5,588,838	9,896,036	4,901,560
Transfers out	(5,849,273)	(8,642,530)	(5,934,020)	(5,809,108)	(10,226,222)	(6,527,547)
Total other financing sources (uses)	<u>35,118</u>	<u>1,263,259</u>	<u>19,673,448</u>	<u>(71,519)</u>	<u>(330,186)</u>	<u>(1,625,987)</u>
Prior period adjustments	-	-	2,432	-	-	-
Net change in fund balances	<u>\$ (2,486,695)</u>	<u>\$ 8,810,367</u>	<u>\$ 14,830,990</u>	<u>\$ 11,090,451</u>	<u>\$ (2,386,585)</u>	<u>\$ 16,005,069</u>
Debt service as a percentage of non-capital expenditures	6.3%	5.1%	6.1%	5.9%	5.1%	4.7%

Source: City of Bellingham CAFR's 2002-2007.

* Schedule 2 details the sources of tax revenues for years 2002-2007.

Note: Beginning in year 2007 the Public Facilities District (PFD) is separately reported as a Discrete Component Unit accounting for a change in fund balance of \$4,761,339 between 2006 and 2007.

**Schedule 5
Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year	Real Property				Total Real Property	Personal Property	Total All Property	Total Direct Tax Rate
	Residential Property	Commercial Property	Manufacturing Property	Public & Quasi Public				
1998	-	-	-	-	-	-	3,836,423,735	3.06052
1999	-	-	-	-	-	-	3,932,604,474	3.09686
2000	-	-	-	-	-	-	4,154,459,646	3.13236
2001	-	-	-	-	-	-	4,488,602,150	3.02195
2002	-	-	-	-	-	-	4,598,293,447	2.92713
2003	-	-	-	-	-	-	4,683,841,660	2.96765
2004	-	-	-	-	-	-	5,348,485,164	2.62756
2005	-	-	-	-	6,229,382,888	405,622,601	6,635,005,489	2.20442
2006	4,896,842,588	1,235,365,589	237,571,189	73,794,797	6,443,574,163	425,074,376	6,868,648,539	2.53663
2007	4,937,529,780	1,236,146,535	366,921,454	74,666,375	6,615,264,144	455,422,134	7,070,686,278	2.56107

6-7

Source: Whatcom County Assessor's Office.

Note: The breakdown of residential, commercial and industrial property values and actual taxable values are not available prior to 2006.

Property in Whatcom County is reassessed once every 4 years on average. The County assesses property at 100% of actual value. Tax rates are per \$1,000 of assessed value. The direct tax rate is the City's direct levy rate from Schedule 6.

Schedule 6
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(per \$1,000 of assessed value)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
City of Bellingham										
General fund	2.04007	2.07533	2.11316	2.16053	2.09114	2.09193	2.12921	2.04020	1.68297	1.68677
Fire pension	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>
Sub-total nonvoted levy	2.26507	2.30033	2.33816	2.38553	2.31614	2.31693	2.35421	2.26520	1.90797	1.91177
Voted greenways	<u>0.57000</u>	<u>0.57000</u>	<u>0.57000</u>	<u>0.57000</u>	<u>0.57000</u>	<u>0.57000</u>	<u>0.57000</u>	<u>0.29748</u>	<u>0.24761</u>	<u>0.57000</u>
Total regular levy	2.83507	2.87033	2.90816	2.95553	2.88614	2.88693	2.92421	2.56268	2.15558	2.48177
Voted excess levies	<u>0.19573</u>	<u>0.19019</u>	<u>0.18870</u>	<u>0.17683</u>	<u>0.13581</u>	<u>0.04020</u>	<u>0.04344</u>	<u>0.06488</u>	<u>0.04884</u>	<u>0.05486</u>
Total City of Bellingham levy	3.03080	3.06052	3.09686	3.13236	3.02195	2.92713	2.96765	2.62756	2.20442	2.53663
Overlapping Districts										
State schools	3.59719	3.42126	3.35939	3.27641	3.14299	3.11238	3.15695	3.21948	2.97937	2.69846
County levy	1.51608	1.51790	1.52511	1.49770	1.47041	1.45274	1.55023	1.46589	1.32537	1.14785
Conservation futures	0.06250	0.06250	0.06250	0.06250	0.06136	0.06062	0.06022	0.05694	0.05148	0.04453
Flood control	-	-	-	-	-	-	0.19370	0.18345	0.16582	0.14354
Port of Bellingham	0.39634	0.39634	0.39634	0.39634	0.39012	0.38575	0.38320	0.38258	0.38320	0.34220
Bellingham School District	<u>3.46992</u>	<u>3.84412</u>	<u>3.95833</u>	<u>3.91471</u>	<u>3.72605</u>	<u>3.83237</u>	<u>3.79208</u>	<u>3.45964</u>	<u>2.97790</u>	<u>3.27693</u>
Total City & overlapping levy	12.07283	12.30264	12.39853	12.28002	11.81288	11.77099	12.10403	11.39554	10.08756	10.19014

Source: Whatcom County Auditor's Office.

Note: A portion of the City of Bellingham is within the Meridian School District. The 2007 levy rate for Meridian is 3.74447.

Schedule 7
Principal Property Tax Payers
Current Year and Nine Years Prior

Tax payer	2007			1998		
	Taxable assessed value	Rank	Percentage of total city taxable assessed value	Taxable assessed value	Rank	Percentage of total city taxable assessed value
Puget Sound Energy	\$ 135,070,295	1	1.97%	\$ 34,333,328	5	0.92%
Bellis Fair Partners	32,856,940	2	0.48%	46,681,960	3	1.25%
PKII Sunset Square LLC	20,891,450	3	0.30%	-		0.00%
Qwest/USWest Corporation	18,329,309	4	0.27%	22,442,824	8	0.60%
Roundup Co (Fred Meyer)	15,537,950	5	0.23%	12,388,360	10	0.33%
Carey NW LLC	14,608,300	6	0.21%	-		0.00%
4545 Cordata Parkway LLC	13,471,175	7	0.20%	-		0.00%
Metropolitan Life Insurance	13,356,365	8	0.19%	-		0.00%
Haggen Talbot Co Ltd	13,315,970	9	0.19%	28,520,750	6	0.77%
Wal-Mart Real Estate Business Trust	12,203,245	10	0.18%	-		0.00%
Encogen Northwest (Co-generation)	-		0.00%	118,943,600	1	3.20%
Georgia Pacific West	-		0.00%	54,848,520	2	1.47%
Bellingham Cold Storage / Talbot Real Est.	-		0.00%	43,489,750	4	1.17%
Pan Pacific Development	-		0.00%	26,500,605	7	0.71%
Hexel Corporation	-		0.00%	13,367,545	9	0.36%
Total Principal Taxpayers	\$ 289,640,999		4.22%	\$ 401,517,242		10.79%
Total All Taxpayers	\$ 6,868,648,539			\$ 3,719,846,486		

Source: Whatcom County Assessor's Office.

**Schedule 8
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal year	General purpose levy	Debt service levy	Total tax levy	Current tax collected	Percent of levy collected	Delinquent tax collected	Total tax collected	Percent of total tax collected
1998	10,546,025	708,321	11,254,346	10,930,868	97.1%	240,705	11,171,574	99.3%
1999	11,011,802	716,383	11,728,185	11,426,565	97.4%	264,109	11,690,674	99.7%
2000	11,436,643	729,312	12,165,955	11,862,824	97.5%	244,598	12,107,422	99.5%
2001	12,278,630	722,829	13,001,459	12,547,663	96.5%	215,575	12,763,238	98.2%
2002	13,380,486	174,927	13,555,413	13,244,413	97.7%	271,744	13,516,157	99.7%
2003	13,274,951	182,209	13,457,161	13,132,508	97.6%	360,876	13,493,384	100.3%
2004	13,710,037	200,593	13,910,630	13,656,680	98.2%	288,579	13,945,259	100.2%
2005	13,706,459	344,366	14,050,825	13,767,756	98.0%	273,309	14,041,065	99.9%
2006	14,302,288	320,964	14,623,252	14,371,570	98.3%	184,349	14,555,919	99.5%
2007	17,046,405	372,802	17,419,207	17,161,069	98.5%	181,443	17,342,512	99.6%

Source: Whatcom County Treasurer's Office.

Schedule 9
Ratios of Outstanding Debt by Type
Last Six Fiscal Years

Fiscal year	Governmental activities				Business-type activities				Total Primary Government	Percentage of personal income**	Per Capita
	General obligation bonds	Special assessment bonds	Notes payable	Government loans payable	Revenue bonds (net)*	General obligation bonds (net)	Notes payable	Government loans payable			
2002	\$10,960,000	\$ 3,985,000	\$193,076	\$ 2,684,617	\$17,333,293	\$ 1,045,000	\$ -	\$1,398,798	\$37,599,784	2.13%	543
2003	9,990,000	3,160,000	188,483	3,694,821	15,307,399	975,000	-	2,216,198	35,531,901	1.89%	509
2004	28,490,000	2,395,000	183,557	3,517,186	17,786,760	890,000	3,000,000	2,064,598	58,327,101	2.93%	821
2005	26,755,000	1,865,000	178,275	3,325,188	16,072,872	9,383,724	2,500,000	2,004,515	62,084,574	2.93%	858
2006	25,045,000	1,295,000	172,612	2,977,826	25,512,805	9,024,038	2,000,000	2,527,532	68,554,813	3.04%	933
2007	23,255,000	925,000	166,539	2,624,007	23,006,084	8,654,352	1,500,000	2,370,545	67,789,776	-	901

Source: Long-term Debt Notes in City of Bellingham CAFR's since implementation of GASB 34 in 2002.

Notes: * Net bonds are bond totals less unamortized premiums and discounts.

** See Schedule 14 for per capita personal income and population data. Local data not yet available for 2007 personal income.

Schedule 10
Ratios of General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal year	General obligation bonds	Debt service funds available	Net general obligation bonds	Percentage of actual taxable value of property	Per capita
1998	9,145,000	785,573	8,359,427	0.22%	134.87
1999	11,640,000	774,873	10,865,127	0.28%	169.58
2000	10,675,000	794,601	9,880,399	0.25%	147.09
2001	12,385,000	881,320	11,503,680	0.28%	166.99
2002	12,005,000	275,148	11,729,852	0.26%	169.36
2003	10,965,000	592,312	10,372,688	0.23%	148.50
2004	29,380,000	231,072	29,148,928	0.62%	410.09
2005	36,245,000	184,183	36,060,817	0.67%	498.63
2006	34,170,000	172,173	33,997,827	0.51%	462.81
2007	32,005,000	163,426	31,841,574	0.46%	423.31

Source: City of Bellingham CAFR schedules 9 and 10.

Schedule 11
Direct and Overlapping Governmental Activities Debt
As of December 31, 2007

Governmental Unit	Debt outstanding	Percentage applicable to City of Bellingham	Amount applicable to City of Bellingham
City of Bellingham	<u>\$ 32,005,000</u>	100.0%	<u>\$ 32,005,000</u>
Bellingham School District #501	80,515,000	75.6%	60,845,380
Port of Bellingham	15,630,000	33.9%	5,293,986
Whatcom County	8,675,000	33.9%	2,938,281
Meridian School Dist #505	<u>1,900,787</u>	24.3%	<u>461,321</u>
Net overlapping debt	<u>106,720,787</u>		<u>69,538,968</u>
Total direct and overlapping debt	<u><u>\$ 138,725,787</u></u>		<u><u>\$ 101,543,968</u></u>

Note: The percentage column is determined by dividing the taxable assessed valuation of the reporting entity by the total taxable assessed valuation of the overlapping unit.

**Schedule 12
Legal Debt Margin Information
Last Nine Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2007	
Total assessed value	<u>\$7,070,686,278</u>
Total debt limit - legal limit 7.5% of assessed value	530,301,471
Debt applicable to limit:	
General obligation bonds	32,005,000
Other debt	166,539
Less: assets available for repayment of debt	<u>(163,426)</u>
Total debt applicable to limit	<u>32,008,113</u>
Legal debt margin	<u>\$ 498,293,358</u>

6-14

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total assessed valuation	<u>\$ 3,988,920,074</u>	<u>\$ 4,210,019,871</u>	<u>\$ 4,154,459,646</u>	<u>\$ 4,488,602,150</u>	<u>\$ 4,598,293,447</u>	<u>\$ 5,348,485,164</u>	<u>\$ 6,635,005,489</u>	<u>\$ 6,868,648,539</u>	<u>\$ 7,070,686,278</u>
Debt limit (7.5%)	\$ 299,169,006	\$ 315,751,490	\$ 311,584,473	\$ 336,645,161	\$ 344,872,009	\$ 401,136,387	\$ 497,625,412	\$ 515,148,640	\$ 530,301,471
Total net debt applicable to limit	<u>12,650,359</u>	<u>11,287,381</u>	<u>12,539,020</u>	<u>12,396,661</u>	<u>10,760,312</u>	<u>29,262,019</u>	<u>36,239,090</u>	<u>34,170,337</u>	<u>32,008,113</u>
Legal debt margin	<u>\$ 286,518,647</u>	<u>\$ 304,464,109</u>	<u>\$ 299,045,453</u>	<u>\$ 324,248,500</u>	<u>\$ 334,111,697</u>	<u>\$ 371,874,368</u>	<u>\$ 461,386,322</u>	<u>\$ 480,978,303</u>	<u>\$ 498,293,358</u>
Total net debt applicable to limit as a percentage of debt limit	4.2%	3.6%	4.0%	3.7%	3.1%	7.3%	7.3%	6.6%	6.0%

Source: Assessed Valuation - Whatcom County Assessor.

Note: Fiscal year 1999 is the earliest available historical data. The legal limit of 7.5% is broken into the following three parts: (1) 2.5% general purposes limit, with or without a vote (1.5% maximum without a vote), (2) 2.5% utility purposes limit, voted, and (3) 2.5% open space, park and capital facilities, voted.

**Schedule 13
Pledged-Revenue Coverage
Last Ten Fiscal Years**

Fiscal year	Water-Sewer revenue bonds						Special assessment (LID) bonds			
	Gross Revenue	Operating Expense	Net available revenue	Debt service		Percentage bond coverage	Special assessment collections	Debt Service		Percentage bond coverage
				Principal	Interest			Principal	Interest	
1998	21,870,686	12,629,878	9,240,808	1,700,000	1,411,298	2.97	1,442,572	942,472	491,245	1.01
1999	23,113,283	13,248,879	9,864,404	1,910,000	1,075,160	3.30	1,760,935	1,310,000	442,853	1.00
2000	24,727,536	14,236,922	10,490,614	1,695,000	1,174,197	3.66	1,069,185	680,000	374,833	1.01
2001	25,526,650	14,979,252	10,547,398	1,875,000	985,350	3.69	879,458	535,000	337,390	1.01
2002	25,662,709	16,057,401	9,605,308	1,965,000	901,148	3.35	1,257,651	945,000	305,660	1.01
2003	25,820,131	16,356,359	9,463,772	2,050,000	809,678	3.31	1,086,486	825,000	251,448	1.01
2004	25,851,284	16,819,139	9,032,145	2,150,000	565,726	3.33	973,069	765,000	202,048	1.01
2005	27,954,210	17,444,886	10,509,324	1,725,000	830,794	4.11	695,305	530,000	154,818	1.02
2006	29,979,626	19,819,809	10,159,817	1,860,000	669,589	4.02	702,709	570,000	120,993	1.02
2007	32,006,315	20,916,527	11,089,788	2,520,000	1,058,107	3.10	788,068	370,000	83,213	1.74

6-15

Source: City of Bellingham bond documents and Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets..

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include depreciation or amortization expenses.

Schedule 14
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment rate
1998	61,980	1,405,335	22,674	-	-	-	5.0
1999	64,070	1,491,421	23,278	-	-	-	4.8
2000	67,171	1,628,225	24,240	30.4	14.7	23,346	5.2
2001	68,890	1,750,977	25,417	-	-	-	6.5
2002	69,260	1,765,645	25,493	-	-	-	6.8
2003	69,850	1,877,847	26,884	-	-	-	6.6
2004	71,080	1,993,723	28,049	-	-	-	5.7
2005	72,320	2,121,363	29,333	30.1	15.1	22,726	4.9
2006	73,460	2,254,340	30,688	30.7	15.0	25,667	4.6
2007	75,220	-	-	-	-	-	4.1

Population source: State of Washington, Office of Financial Management.

Per capita personal income source: Bureau of Economic Analysis . Local data not yet available for 2007.

Median age, education level, and school enrollment source: U.S. Census Bureau, American FactFinder. Local data is not yet available for 2007.

Unemployment rates source: U.S. Department of Labor, Bureau of Labor Statistics.

Schedule 15
Principal Employers
Current Year and Four Years Prior

Employer	2007			2003		
	Employees	Rank	Percentage of total city employment	Employees	Rank	Percentage of total city employment
St. Joseph Hospital	2,217	1	2.18%	1,800	2	2.02%
Western Washington University	1,664	2	1.63%	1,970	1	2.22%
Bellingham School District	1,300	3	1.28%	1,216	3	1.37%
Whatcom County	942	4	0.93%	828	4	0.93%
City of Bellingham	827	5	0.81%	823	6	0.93%
Haggen Inc.	720	6	0.71%	827	5	0.93%
Sodexo Services	671	7	0.66%	400	10	0.45%
Brown & Cole Stores	524	8	0.51%	520	8	0.58%
Heath Techna	487	9	0.48%	214	12	0.24%
Fred Meyer's	480	10	0.47%	232	11	0.26%
T-Mobile USA	-	-	0.00%	500	9	0.56%
Anvil Corporation	-	-	0.00%	560	7	0.63%
Total Employers	<u>9,832</u>		<u>9.7%</u>	<u>9,890</u>		<u>11.1%</u>
Total City Employment	<u>101,799</u>			<u>88,924</u>		

Sources: Western Washington University College of Business and Economics, Economics and Business Research for all 2007 employer data, with the exception of City of Bellingham which was obtained from the City of Bellingham 2007 Adopted Budget document.

Bellingham Herald for 2003 employer data, and U.S. Department of Labor, Bureau of Labor Statistics for total city employment data.

Note: Fiscal year 2003 is the earliest available historical data.

Schedule 16
Full-time Equivalent City Government Employees by Groups
Last Ten Fiscal Years

Employee groups	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Elected Mayor & Finance Director	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
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
Non-Represented Employee Group	63.0	66.3	69.1	75.9	75.6	78.6	77.4	77.1	79.9	83.9
Supervisors & Professionals	76.1	79.6	81.0	90.9	94.3	100.6	101.7	104.9	103.4	108.6
Professional Librarians	9.1	9.1	9.1	9.3	9.3	8.3	8.0	8.0	8.0	8.0
Emergency Med Svcs Dispatch	-	-	-	10.0	11.0	11.0	11.0	12.0	12.0	12.0
Fire Supervisors	6.0	7.0	8.0	8.0	8.0	8.0	7.3	7.0	8.0	8.0
Firefighters	108.7	116.0	117.0	120.8	128.7	129.7	129.3	122.5	126.0	132.0
Police	91.0	93.0	97.0	97.0	98.0	98.0	95.4	95.1	100.0	102.0
WHAT COMM Dispatch	-	-	-	-	-	23.0	23.0	23.0	23.0	26.0
Non-Uniformed	349.1	371.9	381.2	387.3	379.1	355.7	334.4	323.5	327.3	336.5
Total regular workforce	712.0	751.9	771.4	808.2	814.0	822.9	797.5	783.1	797.6	827.0
Temporary Labor	73.6	63.1	58.8	69.0	73.4	69.1	60.9	59.2	62.2	66.7
Total paid workforce	785.6	815.0	830.2	877.2	887.4	892.0	858.4	842.3	859.8	893.7

Sources: City of Bellingham 1998 - 2007 Adopted Budgets.

Schedule 17
Operating Indicators by Function/Performance Measures
Last Eight Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
General Governmental Services								
Judicial								
Parking tickets	50,147	46,235	42,990	49,000	47,633	50,562	43,010	48,560
Jury trials set	712	489	276	312	368	479	419	433
Jury trials held	42	30	7	6	6	11	18	12
Driving under influence cases	467	396	283	282	260	258	238	214
Finance								
Business tax returns	19,753	19,983	20,100	20,300	20,780	21,140	21,300	21,600
Receipts issued	26,483	27,268	39,978	40,552	41,705	40,212	38,401	40,005
Invoices entered	41,288	41,302	38,469	35,718	37,363	36,028	38,250	37,834
Human Resources and Payroll								
Applications for employment	6,494	4,770	4,350	2,428	1,932	2,205	2,152	2,434
Selection processes	113	72	83	52	56	78	84	90
Average employees paid/mo	918	952	966	968	949	930	947	967
Legal								
Criminal filings	4,369	3,993	3,700	4,183	4,015	3,552	3,809	4,138
Claims filed	72	65	80	93	70	54	46	62
Public Safety								
Police								
Calls for service	48,207	49,368	53,952	67,390	69,533	65,211	65,148	65,243
Calls per patrol officer	927	949	1,037	1,140	1,140	1,069	1,068	1,070
Cases assigned per detective	174	216	175	214	187	147	156	161
Total dispatch incidents/CAD	110,063	117,304	120,080	125,544	128,089	126,709	128,089	128,665
Fire								
Fire engine responses	8,113	8,538	8,920	9,059	9,802	8,277	8,211	7,735
Fire safety inspections	800	1,038	850	695	45	87	248	263
Fire investigation	35	18	21	11	14	7	16	18
Physical Environment								
Public Works								
Million of gallons water treated/day	9.09	9.65	9.98	10.20	10.39	9.79	10.47	10.78
Million of gallons wastewater/day	11.30	11.72	11.33	11.89	12.53	11.80	12.48	12.00
Transportation								
Public Works								
Street light maintained	2,837	2,950	3,150	3,173	3,200	3,264	3,314	3,378
Traffic signs maintained	7,330	7,740	8,650	9,893	10,237	10,510	9,070	9,612
Economic Environment								
Hearing Examiner								
Cases heard	29	64	69	75	84	76	55	54
Planning								
Subdivision/short plats	52	54	59	55	47	99	61	40
New lots created	149	263	201	200	123	130	284	231
Building permit applications	1,140	1,138	1,140	1,142	1,184	1,140	626	946
Development Services (Building Services)								
Plans reviewed	1,290	2,159	2,915	2,000	1,145	2,146	2,123	1,738
Total permits issued	4,143	4,080	4,390	4,608	4,770	4,846	4,198	4,372
Culture and Recreation								
Library								
Circulation per capita	15.2	15.7	16.2	16.4	16.6	16.5	16.4	17
Persons visiting	n/a	n/a	n/a	671,822	698,000	702,171	744,856	816,302
Museum								
Total attendance	100,620	103,205	107,675	103,299	104,565	111,705	106,001	103,656
Child attendance	56,090	57,178	62,146	58,501	60,580	64,586	63,477	43,549
Golf Course								
Rounds of play	50,467	48,577	47,964	46,543	47,540	44,829	45,167	42,200
Parks								
Aquatic center - total admissions	n/a	n/a	n/a	192,391	199,277	191,311	197,840	204,665
Sports and Enrichment - total attendance	n/a	n/a	n/a	n/a	n/a	n/a	19,012	20,722
Cum. acres of parks acq-greenway levy	241	330	392	483	499	510	511	525

Source: City of Bellingham 2000-2008 Adopted Budgets

Note: Data is only available from 2000-2008; "n/a" indicates years when data is not available.

Schedule 18
Capital Asset Statistics by Function
Last Eight Fiscal Years

	2000	2001	2002	2003	2004	2005	2006	2007
General Governmental Services								
City Hall	1	1	1	1	1	1	1	1
Federal Building	n/a	n/a	n/a	n/a	1	1	1	1
Municipal Courts Building	1	1	1	1	1	1	1	1
Depot Market	n/a	n/a	n/a	n/a	n/a	1	1	1
Public Safety								
Police								
Police stations	1	1	1	1	1	1	1	1
Patrol cars	41	43	47	43	48	45	40	36
Mobile precinct	1	1	1	1	1	1	1	1
Fire								
Fire stations	5	5	6	6	6	6	6	6
Fire trucks	12	12	13	13	13	13	13	13
Ambulances	9	10	10	10	10	10	11	13
Physical Environment								
Cemetery	1	1	1	1	1	1	1	1
Public Works								
Operations facility complex (Pacific St)	1	1	1	1	1	1	1	1
Water mains (miles)	354	361	368	377	383	386	387	392
Sewer mains (miles)	297	302	305	310	316	319	316	316
Storm mains (miles)	194	196	202	206	210	212	297	322
Fire hydrants (total)	n/a	n/a	n/a	n/a	n/a	3,050	3,099	3,119
Water storage capacity (millions of gallons)	n/a	n/a	n/a	n/a	n/a	24	24	24
Wastewater treatment capacity (millions of gallons)	n/a	n/a	n/a	n/a	n/a	20	20	20
Transportation								
Parking								
Parking plazas	1	1	2	2	2	2	2	2
Shopping plaza	1	1	1	1	1	1	1	1
Surface parking lots	3	3	3	3	3	3	3	3
Public Works								
Streets (miles)	258	259	269	275	280	286	289	280
Traffic signals (total)	n/a	n/a	n/a	n/a	n/a	110	110	165
Economic Environment								
Community Development								
Sash & Door (land & building)	n/a	n/a	1	1	1	1	1	1
Culture and Recreation								
Library								
Libraries (buildings)	2	2	2	2	2	2	2	2
Museum								
Museums (buildings)	2	2	2	2	2	2	2	2
Parks Department								
Parks	38	38	38	40	40	40	40	40
Civic field complex:								
Football stadium	1	1	1	1	1	1	1	1
Ice rink / indoor soccer	n/a	n/a	n/a	1	1	1	1	1
Skateboard / bicycle park	n/a	1	1	1	1	1	1	1
Baseball / softball fields	9	9	9	9	9	9	9	9
Swimming pool	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1
Taylor dock	n/a	n/a	n/a	n/a	n/a	1	1	1
Public Facilities District (PFD)								
Mt. Baker Theater	1	1	1	1	1	1	1	1

Source: Various City departments.

Note: Fiscal year 2000 is the earliest available historical data.

**City of Bellingham, Washington
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2007**

1 Federal Agency Name / Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other ID Number	5 Expenditures			6 Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
National Oceanic and Atmospheric Administration, Department of Commerce / Washington State Interagency for Outdoor Recreation	Pacific Coast Salmon Recovery-Pacific Salmon Treaty Program	11.438	IAC#01-1331N	\$619		\$619	2
Community Planning and Development, Department of Housing and Urban Development	Community Development Block Grants, Entitlement Grants	14.218	B-05-MC-53-0010,B-06-MC-53-0010,		\$1,303,498	1,303,498	3
Community Planning and Development, Department of Housing and Urban Development	HOME Investment Partnerships Program	14.239	M-05-MC-53-0204, M-06-MC-53-0204		365,413	365,413	3
Community Planning and Development, Department of Housing and Urban Development	Community Development Block Grants, Brownfields Economic Development Initiative	14.246	B-05-SP-WA-1007		5,628	5,628	
Department of the Interior / General Services Administration	Federal Building Restoration	15.999	Consolidated Approp Act, 2004 (H.R.2673)		171,148	171,148	2
Office on Violence Against Women, Department of Justice / Washington State Department of CTED Office of Crime Victims Advocacy / Domestic Violence and Sexual Assault Services of Whatcom County	Violence Against Women Formula Grants	16.588	2006-WF-AX-0076	20,876			2
			2007-WF-AX-0008	<u>6,942</u>			2
			Sub-Total	27,818		27,818	
Office on Violence Against Women, Department of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	2005-WE-AX-0080		138,383	138,383	2
Office of Justice Programs, Bureau of Justice Assistance, Department of Justice	Bulletproof Vest Partnership Program	16.607	App. ID 06134395		1,245	1,245	2
Office of Justice Programs, Bureau of Justice Assistance, Department of Justice Office of Justice Programs, Bureau of Justice Assistance, Department of Justice / Washington State Department of CTED, Narcotics Task Force Program / Whatcom County Sheriff's Office	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0122		15,511		
			M07-66201-017	29,515			2
			F06-66201018	<u>28,140</u>			2
			Sub-Total	57,655		73,166	
Federal Highway Administration, Department of Transportation / Washington State Department of Transportation	Highway Planning and Construction	20.205	ITS-2001(027)/LA5100	23,558			2
			STPE-5525(005)/LA6330	46,748			2
			STPR-5534(001)/LA6329	55,390			2
			STPE-0080(010)/LA6149	55,400			2
			STPE-0080(008)/LA5915	162,673			2
			STPD-0080(011)/(012)/LA6161	165,323			
			STPE-TCSP-0080(006)/LA5753	168,162			
			NCPD-0542(021)/LA5608	180,590			2
			HHP-5508(002)/LA6274	<u>284,830</u>			
			Sub-Total	1,142,674		1,142,674	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**City of Bellingham, Washington
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2007**

1 Federal Agency / Pass Through Agency	2 Federal Program Name	3 CFDA Number	4 Other ID Number	5 Expenditures			6 Foot-note Ref
				From Pass-Through Awards	From Direct Awards	Total	
Federal Railroad Administration, Department of Transportation / Washington State Department of Transportation	Railroad Development	20.314	WA282, RR-00361, DTFR53-06-G-00020	338,158		338,158	
National Highway Traffic Safety Administration, Department of Transportation / Washington Traffic Safety Commission / Whatcom County Traffic Safety Task Force, Whatcom County Sheriff's Office	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	N/A	906			2
				<u>4,501</u>			
				5,407		5,407	
National Highway Traffic Safety Administration, Department of Transportation / Washington Traffic Safety Commission	Occupant Protection	20.602	K20703	11,253		11,253	2
National Endowment of the Humanities, National Foundation on the Arts and the Humanities	Promotion of the Humanities-Federal/State Partnership	45.129	3904-G07	435		435	
Federal Studende Aid (FSA), Department of Education / Western Washington University	Federal Work-Study Program	84.033	various students	7,126			2
Federal Studende Aid (FSA), Department of Education / Whatcom Community College			various students	<u>12,102</u>			2
			Sub-Total	19,228		19,228	
National Institute of Health, Department of Health and Human Services / Western Washington University	Alcohol Research Programs	93.273	53008-A	2,360		2,360	2
Department of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2005-FG-08576		138,530	138,530	2
Total Federal Awards Expended				\$1,605,607	\$2,139,356	\$3,744,963	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

City of Bellingham, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Bellingham's financial statements. The City uses the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. The entire program costs, including the City's portion, are more than the amounts shown.

NOTE 3 - REVOLVING LOAN - PROGRAM INCOME

The City has revolving loan programs under the Community Development Block Grant (CDBG) and the HOME Investment Partnership Program Grant for low income housing acquisitions, development, and rehabilitation. Under these federal programs, repayments to the City are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year from the CDBG Grant was \$556,946 and from the HOME Grant was \$202,432 and are presented in this schedule. The amounts of principal and interest received in loan payments for the year for CDBG loans were \$194,713 and for HOME loans were \$34,063.

City of Bellingham, Washington
Schedule of State and Local Financial Assistance
For the Year Ended December 31, 2007

Grantor / Program Title	Other ID Number	Current Year Expenditures
<u>Washington Higher Education Coordinating Board HECB:</u>		
State Work Study	0951671	6,825
Total Washington HECB		6,825
<u>Washington State Department of Community Trade, & Economic Development</u>		
Growth Management Grant	96-166-185	3,145
Mt. Baker Theatre Lighting Project	FD6-WSD-CTED-P334	189,646
Total Washington State CTED		192,791
<u>Washington State Department of Ecology DOE:</u>		
Emergency Management Program	C0800069	28,662
Remedial Action - Holly St Landfill	G0300220	7,642
Remediation - Little Squalicum Site	G0500154	54,347
Centennial Clean Water - Urban Streams	G0400200	39,415
Centennial Clean Water - Salmon Restoration	G0500140	70,029
Total Washington State DOE		200,095
<u>Washington State Department of Health DOH:</u>		
Prehospital Participation Grant	37M01	1,439
Total Washington State DOH		1,439
<u>Washington State Department of Transportation DOT:</u>		
Safe Routes to School Program	Larrabee	47,148
Total Washington State DOT		47,148
<u>Washington State Historical Society WSHS:</u>		
Museum - Heritage Capital Project	CPF 07-01	25,095
Total WSHS		25,095
<u>Washington State Interagency Committee for Outdoor Recreation IAC:</u>		
Squalicum Fields Development Phase 1	IAC 04-1444D	280,822
Total Washington State IAC		280,822
<u>Washington State Library WSL:</u>		
Gates Staying Connected Project	G-3490	3,000
Total WSL		3,000
<u>Washington State Patrol WSP:</u>		
Whatcom Emergency Radio System Study	C070880GSC	72,500
Total WSP		72,500
<u>Washington State Transportation Improvement Board TIB:</u>		
Urban Arterial Program	8-2-156(035)-1	683,515
Northwest Avenue	8-2-156(036)-1	3,717
Urban Arterial Program	8-2-156(037)-1	165,850
Total WA State TIB		853,082
<u>Washington Traffic Safety Commission WTSC:</u>		
School Zone Equipment Grant	Radars and Rain Gear	\$12,281
School Zone Equipment Grant	Radars and Flashlights	24,779
Total WTSC		37,060
Total State Assistance		\$1,719,857
Total Local Assistance		\$0
Total State and Local Assistance		\$1,719,857