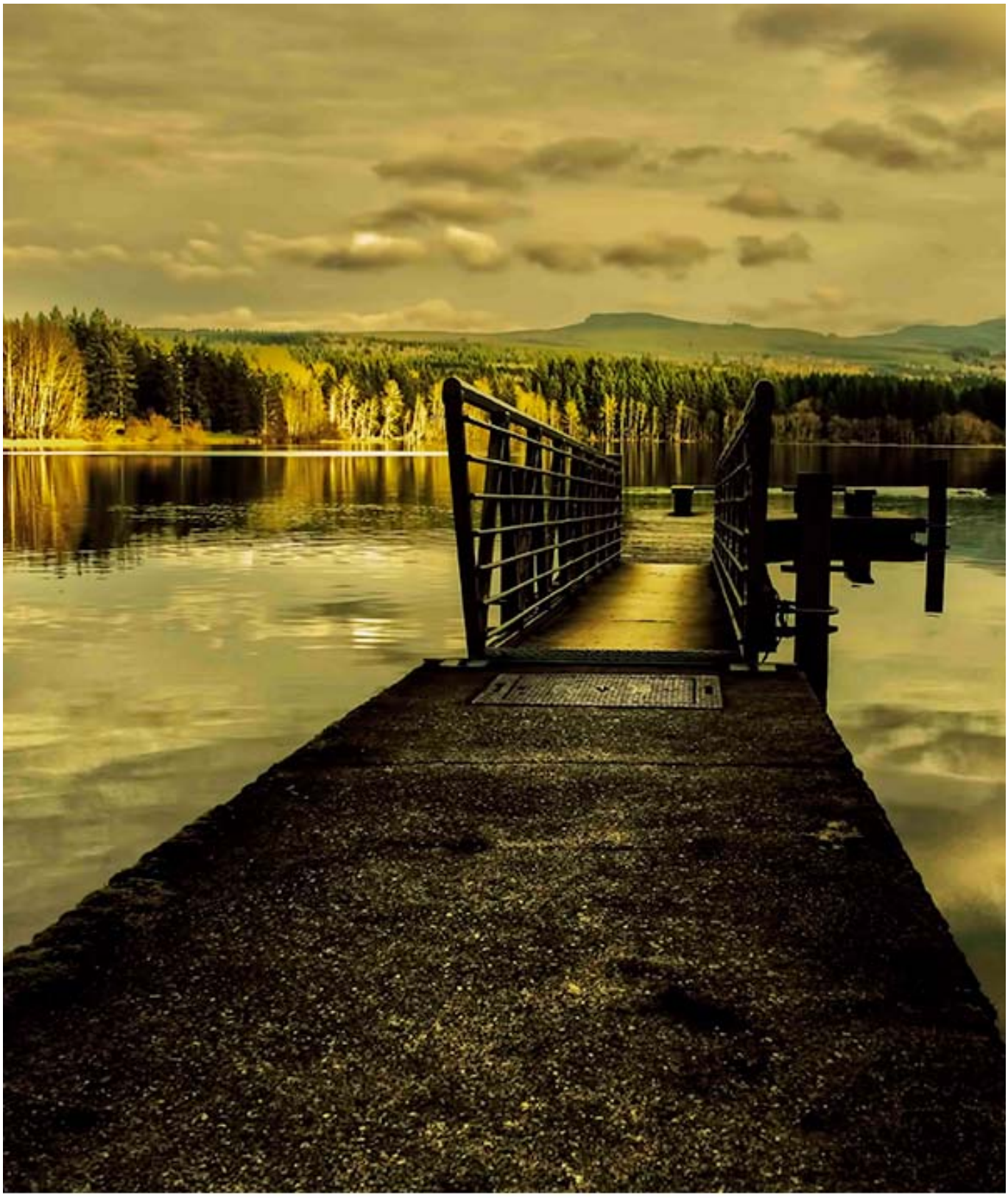
City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013

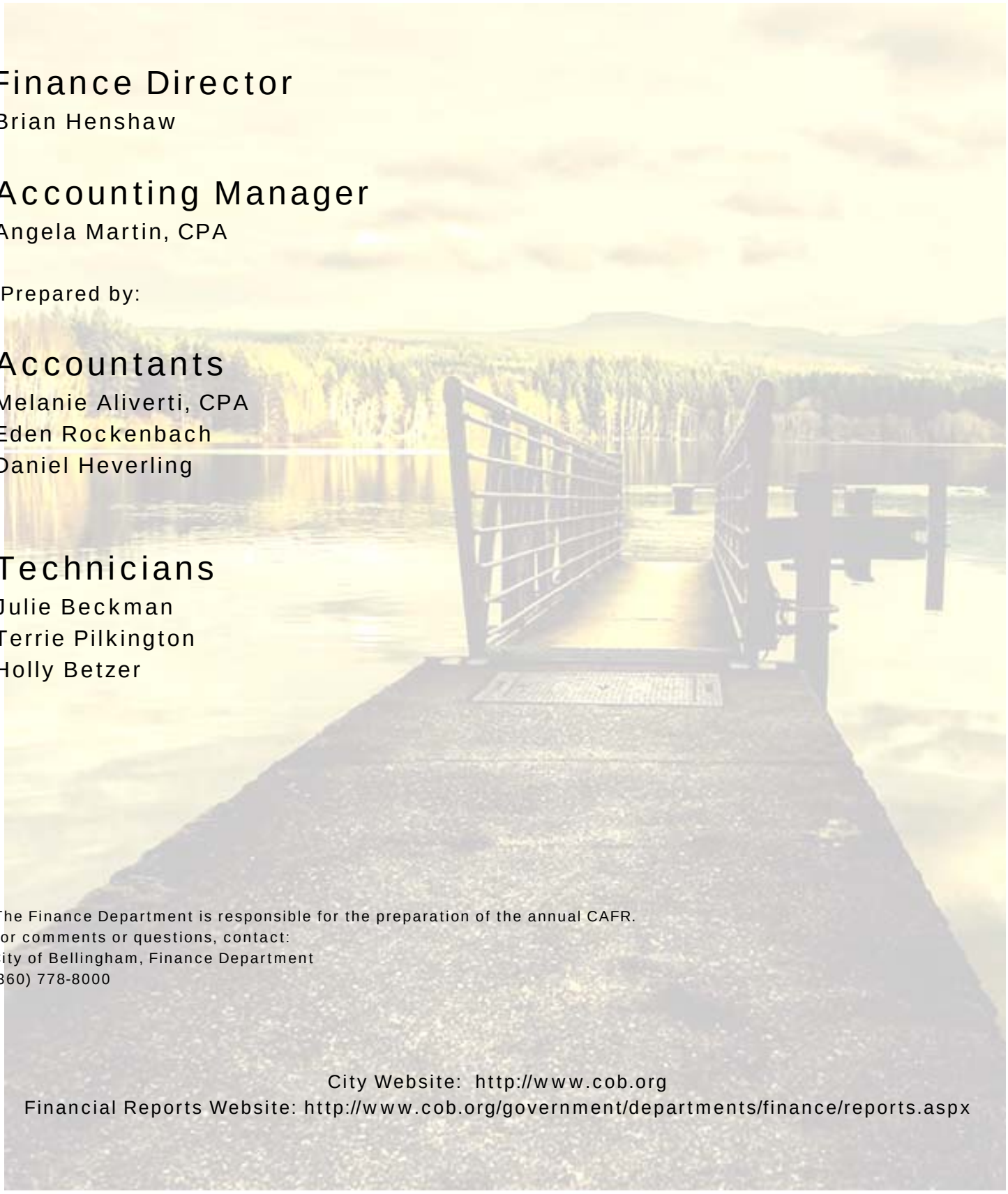


"Padden Dock" by Sam Kunesh

City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013



Finance Director
Brian Henshaw

Accounting Manager
Angela Martin, CPA

Prepared by:

Accountants
Melanie Aliverti, CPA
Eden Rockenbach
Daniel Heverling

Technicians
Julie Beckman
Terrie Pilkington
Holly Betzer

The Finance Department is responsible for the preparation of the annual CAFR.
For comments or questions, contact:
City of Bellingham, Finance Department
(360) 778-8000

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

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

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 Position 4-2
Statement of Activities 4-3

Governmental Funds
Balance Sheet 4-4
Reconciliation of the Balance Sheet to the Statement of Net Position 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

Proprietary Funds
Statement of Net Position 4-8
Statement of Revenues, Expenses and Changes in Fund Net Position 4-10
Statement of Cash Flows 4-12

Fiduciary Funds
Statement of Fiduciary Net Position 4-14
Statement of Changes in Fiduciary Net Position 4-15

Notes to the Basic Financial Statements 4-17

Required Supplementary Information 5-1

Combining and Individual Fund Statements

Non-Major Governmental Funds
Combining Balance Sheet 6-2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 6-3

Non-Major Special Revenue Funds
Descriptions 6-4
Combining Balance Sheet 6-6
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 6-7
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis
Federal Building Fund 6-8
Library Gift Fund 6-9
Olympic Pipeline Incident Fund 6-10
Environmental Remediation Fund 6-11
Police Federal Equitable Fund 6-12
Asset Forfeiture/Drug Enforcement Fund 6-13
Criminal Justice Fund 6-14
Public Safety Dispatch Fund 6-15
Transportation Benefit District Fund 6-16
Public, Education, and Government Access Television Fund 6-17

Tourism Fund 6-18
Low Income Housing Fund 6-19
HUD Grant Fund 6-20
Non-Major Special Revenue Funds 6-21

Funds Consolidated with the General Fund for GASB 54 Reporting
Descriptions 6-22
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Legal Basis
Original General Fund 6-24
Street Fund 6-25
Paths and Trails Reserve Fund 6-26
Park Site Acquisition Fund 6-27
Squalicum Park/Olympic Fund 6-28
Olympic - Whatcom Falls Park Addition Fund 6-29
Little Squalicum Oeser Settlement Fund 6-30
First 1/4% Real Estate Excise Tax Fund 6-31
Second 1/4% Real Estate Excise Tax Fund 6-32
Beyond Greenway Levy Fund 6-33
Greenway III Levy Fund 6-34
Park Impact Fees Fund 6-35
Sportsplex Fund 6-36
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis
General Fund Combined for GASB 54 6-37

Non-Major Debt Service Funds
Descriptions 6-38
Combining Balance Sheet 6-39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 6-40
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis
2004 Sportsplex Acquisition LTGO Bond Fund 6-41
2004 PFD/Civic FLD LTGO Bond Fund 6-42
2011 QEC Bond Fund 6-43
Drake Note Fund 6-44
Governmental Debt Service Fund 6-45
LID Guaranty Fund 6-46
LID Assessment Fund 6-47
Non-Major Debt Service Funds 6-48

Non-Major Capital Projects Fund
Descriptions 6-49
Balance Sheet 6-50
Statement of Revenues, Expenditures and Changes in Fund Balances 6-51
Statement of Revenues, Expenditures and Changes in Fund Balance from Inception 6-52

Non-Major Permanent Funds
Descriptions 6-53
Combining Balance Sheet 6-54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances 6-55
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis
Greenways Maintenance Endowment Fund 6-56
Natural Resource Protection and Restoration Fund 6-57
Non-Major Permanent Funds 6-58

Non-Major Enterprise Funds
Descriptions 6-59
Combining Statement of Net Position 6-60
Combining Statement of Revenues, Expenses and Changes in Net Position 6-61
Combining Statement of Cash Flows 6-62

Internal Service Funds

Descriptions 6-63
Combining Statement of Net Position 6-64
Combining Statement of Revenues, Expenses and Changes in Net Position 6-65
Combining Statement of Cash Flows 6-66

Fiduciary Funds

Descriptions 6-71

Pension Trust

Combining Statement of Net Position – Pension Trust Funds 6-72
Combining Statement of Changes in Plan Net Position – Pension Trust Funds 6-73

Agency

Combining Statement of Net Position – Agency Funds 6-74
Combining Statement of Changes in Assets and Liabilities – Agency Funds 6-75

STATISTICAL SECTION

Table of Contents - Descriptions 7-1
Schedule 1 – Net Position by Component 7-2
Schedule 2 – Change in Net Position 7-3
Schedule 3 – Fund Balances, Governmental Funds 7-6
Schedule 4 – Changes in Fund Balances, Governmental Funds 7-7
Schedule 5 – Tax Revenues by Source, Governmental Funds 7-8
Schedule 6 – Assessed Value of Taxable Property 7-9
Schedule 7 – Direct & Overlapping Property Tax Rates 7-10
Schedule 8 – Principal Property Tax Payers 7-11
Schedule 9 – Property Tax Levies and Collections 7-12
Schedule 10 – Ratios of Outstanding Debt by Type 7-13
Schedule 11 – Ratios of General Obligation Bonded Debt Outstanding 7-14
Schedule 12 – Direct and Overlapping Governmental Activities Debt 7-15
Schedule 13 – Legal Debt Margin Information 7-16
Schedule 14 – Pledged-Revenue Coverage 7-17
Schedule 15 – Demographic and Economic Statistics 7-18
Schedule 16 – Principal Employers 7-19
Schedule 17 – Full-time Equivalent City Government Employees by Groups 7-20
Schedule 18 – Operating Indicators by Function/Performance Measures 7-21
Schedule 19 – Capital Asset Statistics by Function 7-23

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards 8-1
Schedule of State and Local Financial Assistance 8-3
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance 8-4

CITY OF BELLINGHAM
WASHINGTON

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

June 25, 2014

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

I am pleased to submit the City of Bellingham's (the City) 2013 Comprehensive Annual Financial Report (CAFR).

State law requires that cities with populations of 25,000 or more publish financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and are audited in accordance with Generally Accepted Auditing Standards (GAAS) by the Washington State Auditor's Office under the Revised Code of Washington (RCW) 43.09.020. Pursuant to that requirement, we hereby issue the City's CAFR for the fiscal year ended December 31, 2013.

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

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

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

GOVERNMENT PROFILE

Incorporated in 1904, Bellingham is the 12th largest of the 281 cities in the State of Washington with a population of 82,310. Located in the Northwest corner of Washington State in Whatcom County, it is approximately sixty miles South of Vancouver, British Columbia, and ninety miles North of Seattle on the Interstate 5 corridor. The city encompasses approximately twenty-eight square miles and serves as the county seat.

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

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

Discrete Component Units

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

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

The Bellingham Public Development Agency was established in 2008 to undertake, assist with, otherwise facilitate, and advocate for the redevelopment of the Bellingham waterfront, the downtown core, and the old town historic district and to undertake other such projects throughout the city as required. While the City has financially supported the BPDA in its initial stages, the expectation is that it will eventually become operationally self-sufficient.

ECONOMIC CONDITION AND OUTLOOK

Over the past three decades, the economy of Bellingham and Whatcom County has transitioned from a resource-based to a retail and service-based economy. Older industries such as agriculture, timber, and fishing have declined in importance. In 2008, retail, services, and manufacturing activities suffered the same economic downturn experienced both nationally and internationally. Beginning in 2010, and continuing through 2013 retail sales have trended higher in large part due to the strong Canadian dollar and our proximity to the border.

Since the bottom of the recession in 2009, there has been slow improvement in the City's key revenue sources. Compared to 2012, the City's overall revenues are up $29 million. Efforts of the Mayor, Finance Director, and Department Heads to prioritize programs and expenditures to achieve a sustainable balanced budget are on-going. Despite the City's General Fund having run a deficit since 2008, the 2013 fiscal year end reserve exceeded $14.5 million.

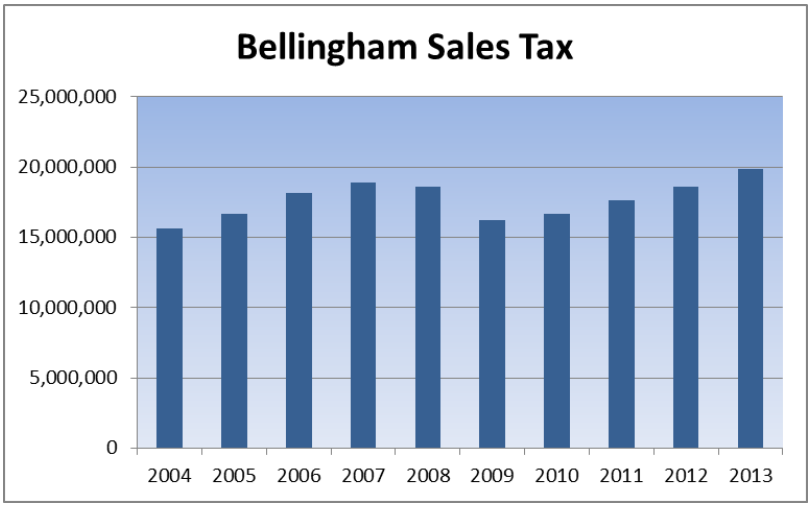
As reported by the Bureau of Labor Statistics, for the Bellingham Metrolopolitan Stastical Area, total non-farm employment has declined from a 2007 high of 87,600 jobs to a low of 78,500 jobs in 2010. At the end of 2013, non-farm employment has continued to improve from it's 2010 low up to 85,500 jobs.

The 2013 value of commercial and residential building projects declined to $140.7 million down from $143 million in 2012. City issued building permits peaked in 2007 above $200 million before declining to $100 million in 2011. In 2012, the value of building permits issued increased to $143 million which was the first positive growth in four years and was largely due to three large commercial projects. Although the valuation of building permits declined in 2013 the rate of decline was minimal and suggests that the City may be looking at a more stable growth pattern in future years. There were 778 permits issued in 2013.

The City of Bellingham receives approximately $2.50 per $1,000 of assessed valuation from property owners within the City limits. In 2013, this generated $22.9 million citywide. Property taxes increased nearly $3 million compared to the prior year due to the new housing levy passed under ordinance number 2012-06-033. The housing levy will be used to fund low-income housing projects. The property tax

revenue was allocated amongst the funds as follows: General Fund $13.6 million, voted Park Greenways III $4.1 million, Low Income Housing Fund $3 million, and Fire Pension $1.9 million. The Property Tax Levy provides roughly 20% of the total General Fund revenue.

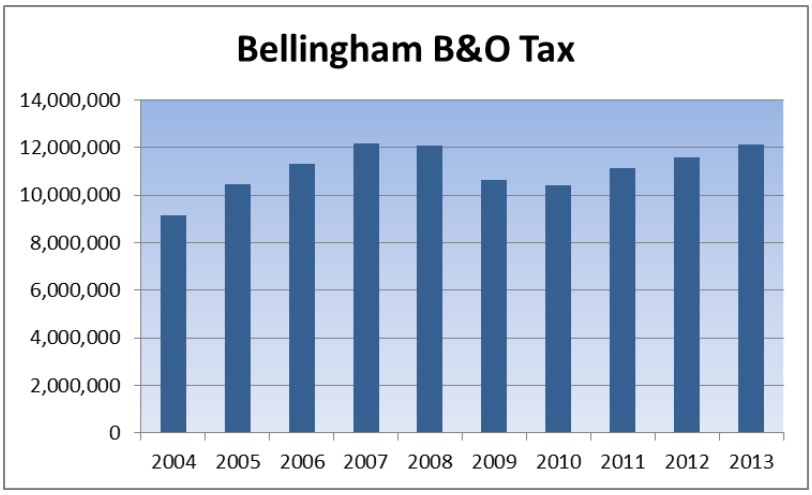
Bellingham's General Fund relies heavily on sales tax revenue, which is subject to larger economic swings than most other sources of government revenues. Retail sales have continued to benefit from our proximity to Canada and the strong Canadian dollar. In 2013 the City collected over $19.8 million of sales tax revenues, the highest sales tax revenue to date. The City's sales tax revenue continues to improve with growth of 6.6% over last year.



The chart to the right shows the sales tax growth over the last ten years. Retail sales and use tax as reported in the Statement of Activities in the CAFR for 2013 is $28 million. The CAFR retail sales and use tax balance includes the sales tax shown above, public safety sales tax, brokered natural gas use tax, criminal justice tax, TBD retail sales and use tax, hotel/motel transient rent tax, and local revitalization sales tax; these other six categories have larger swings and variances year over year and accordingly are excluded from the presentation above.

Overall most market segments grew from their 2012 levels. Sales Tax revenue generates approximately 17.4% of the General Fund revenue.

Business and Occupation Tax peaked in 2007 at $12.2 million. Over the following three-years, B&O taxes declined to $10.4 million in 2010, reducing General Fund revenue by $1.8 million. Over the last three years our economy has shown signs of recovery as is evident in the returning increase in B&O taxes. In 2013 B&O tax revenue hit $12.1 million nearly returning to the peak achieved in 2007.



Tourism, education, and healthcare have a significant impact on the local economy. Our geographical location, including Bellingham Bay, the San Juan Islands, and Mt. Baker, offers significant recreational opportunities. A study by Dean Runyan Associates shows that visitors spent $555.4 million in Whatcom County in 2011. This ranks fifth in visitor spending among the state's 39 counties.

Western Washington University (the city's second largest employer), Whatcom Community College, and Bellingham Technical College host more than 34,600 students. St. Joseph Hospital, a 253-bed medical center and Level III Trauma Center serving Northwest Washington, is the city's largest employer.

MAJOR INITIATIVES

Waterfront Redevelopment / New Whatcom Special Development Area

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

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

Downtown Redevelopment

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

Bond Issues

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

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

FINANCIAL MANAGEMENT AND CONTROLS

Internal Controls

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

Budgetary Controls

The City maintains budgetary controls in accordance with State legal requirements. The objective of these budgetary controls is to ensure compliance with legal provisions established by the budget appropriations of City Council. The annual operating budget, or financial plan, is proposed by the Mayor

and adopted by the City Council after a public process. Management control for the operating budget is maintained at the fund level.

Cash Management

The City invests temporarily idle cash in investments authorized by State law including U.S. Agency issues and the Washington State Local Government Investment Pool. The average yield on investments during 2013 was 0.96%, for which the City earned $1.5 million. This was a decrease from interest earned in 2012 of $1.6. The City structures its investments to provide necessary liquidity and to minimize risk, while achieving reasonable yields on its portfolio.

Risk Management

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

AWARDS AND ACKNOWLEDGEMENTS

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 2013 audit of the City has been completed and was performed in conformance with GAAS. The financial statements of all City and agency funds have been included in this audit. Please refer to the Auditor's Opinion letter at the beginning of the Financial Section of this report.

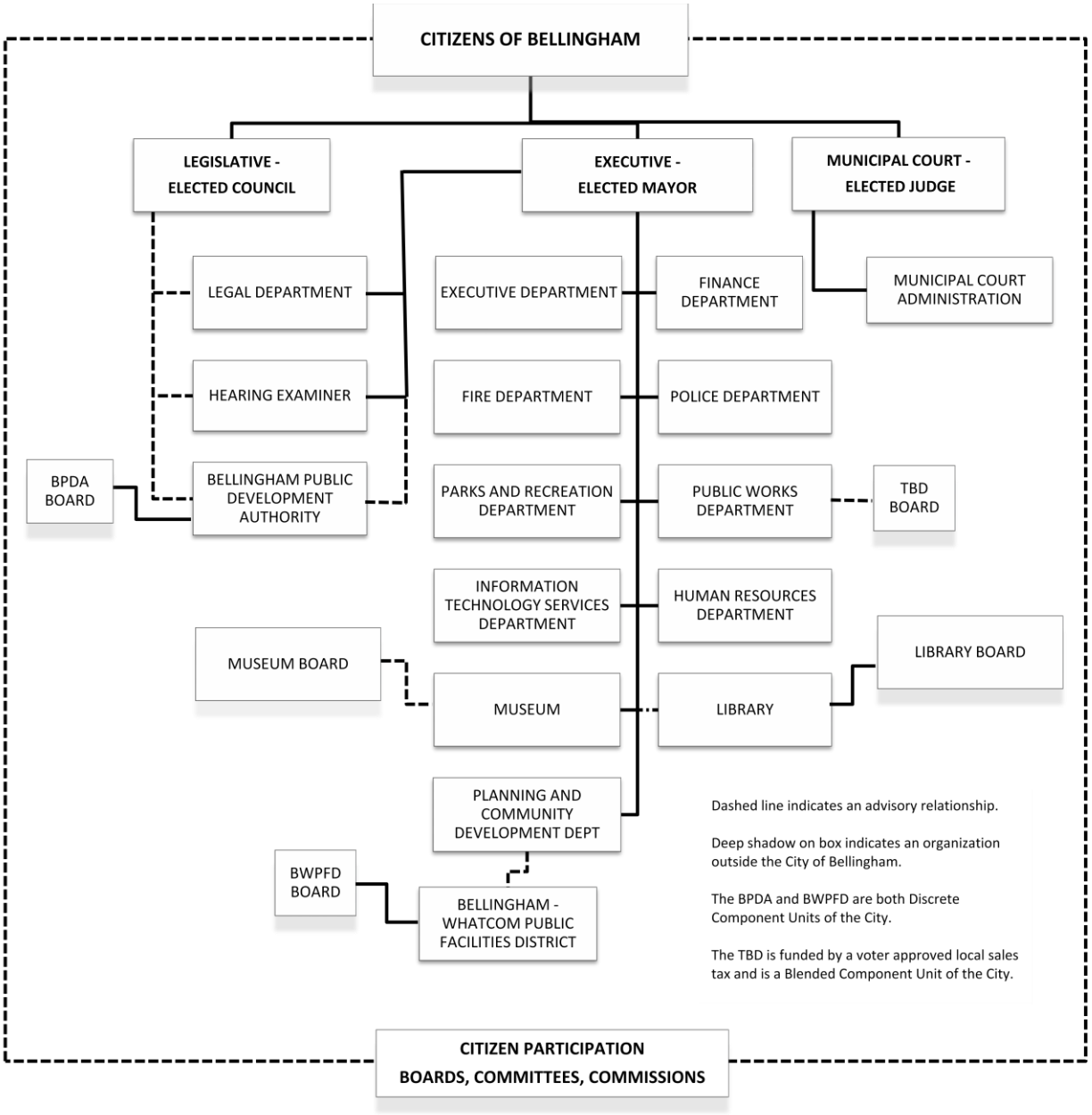
Acknowledgements

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

Respectfully submitted,

Brian Henshaw
Finance Director

Organization Chart



Elected Officials			Term	Expiration
Mayor		Kelli Linville	4 years	December 31, 2015
Municipal Court Judge		Deborah Lev	4 years	December 31, 2013
1st Ward	Council Member	Jack Weiss	4 years	December 31, 2015
2nd Ward	Council Member	Gene Knutson	4 years	December 31, 2013
3rd Ward	Council Member	Cathy Lehman	4 years	December 31, 2015
4th Ward	Council Member	Stan Snapp	4 years	December 31, 2013
5th Ward	Council Member	Terry Bornemann	4 years	December 31, 2015
6th Ward	Council Member	Michael Lilliquist	4 years	December 31, 2013
At Large	Council Member	Seth Fleetwood	2 years	December 31, 2013

Appointed Officials

Finance Director	Brian Henshaw
City Attorney	Peter Ruffato
Hearing Examiner	Dawn Sturwold
Museum Director	Patricia Leach
Library Director	Pam Kiesner
Director of Human Resources	Lorna Klemanski
Judicial Services Director	Linda Storck
Director of Information Systems	Marty Mulholland
Director of Parks & Recreation	James King
Director of Planning & Community Development	Jeff Thomas
Director of Public Works	Ted Carlson
Fire Chief	Roger Christensen
Police Chief	Clifford Cook

CITY OF BELLINGHAM
WASHINGTON

Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

June 25, 2014

Mayor and City Council
City of Bellingham
Bellingham, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellingham, Whatcom County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Bellingham, Whatcom County, Washington, as of December 31, 2013, and the respective changes in financial position and where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 2 during the year ended December 31, 2013, the City of Bellingham has implemented the Governmental Accounting Standards Board 65. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-1 through 3-12, budgetary comparison information on pages 5-1 through 5-2, information on postemployment benefits other than pensions on page 5-3 and pension trust fund information on page 5-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 6-2 through 6-75 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 25, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,

TROY KELLEY
STATE AUDITOR

CITY OF BELLINGHAM
WASHINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellingham presents this discussion and analysis as part of the financial statements for the fiscal year ending December 31, 2013. The information presented should be read in conjunction with the financial statements and the notes to the financial statements.

Financial highlights

- The City's overall financial position improved slightly in 2013 as compared to 2012 as evidenced by increases in the change in net position. Government-wide net position increased by $28.8 million a 4.5% increase. Governmental activities provided $20.8 million of this increase and business-type $8 million.
- At December 31, 2013, the City's government-wide net position, the amount by which total assets exceed total liabilities, totaled $664.8 million. Of this amount, $544.3 million, or 82%, is the net investment in capital assets. Of the remaining net assets, $43.8 million is unrestricted and may be used to meet the City's ongoing obligations.
- The governmental funds ending balance increased $9.3 million from 2012, ending 2013 at $87.1 million. Of this amount, the use of $14.5 million is unassigned and available for spending at the City's discretion.
- In 2013, the City issued Water and Sewer Revenue bonds in the amount of $15,785,000. These bonds are tax exempt and the proceeds are being used to finance the costs of constructing improvements to the City's combined water supply and distribution system and sewage collection and disposal system, to fund the debt service reserve account and to pay the cost of issuance of the bonds. The bonds are financed by business-type activities and will mature in 2043.
- Total governmental activity revenues increased by $15 million, or 14%, from 2012. Program revenues increased by $9.2 million and tax and interest revenues increased by $5.8 million.
- The enterprise funds total net position increased $8 million from 2012, ending 2013 at $245.3 million. This increase in net position is comprised of an $8.8 million increase in change of net position offset by a $0.8 million change in accounting principle adjustment related to removing bond issue costs related to prior years as required by GASB 65.

Overview of the financial statements

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

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

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

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

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

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

Governmental funds represent most of the City's basic services such as police, fire, parks, 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 financial resources available for spending. The accounting basis used is modified accrual and there are no capital assets or long-term debt included in these reports. Budgetary comparisons are included with the financial statements in the combining and individual fund statements section of the report and the required supplementary information section for the legally adopted general fund budget. These statements demonstrate compliance with the City's adopted and final revised budget.

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

Enterprise funds account for the operations of five major funds: water, wastewater, surface and stormwater, solid waste and medic one, as well as four other funds that are aggregated into the non-major enterprise fund and eight internal service funds that are consolidated into the governmental activities - internal service funds column on the proprietary fund statements.

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

Fiduciary funds are used to account for resources where the City acts as trustee or agent and is responsible for ensuring that the assets reported in these funds are used for their intended purpose 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 position and a statement of changes in plan net position. These funds are excluded from the government-wide financial statements because these assets cannot be used to finance City operations.

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

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

Government-wide financial analysis

Net position

The City's net position totals $664.8 million at December 31, 2013, an increase of 4.5% over December 31, 2012.

Net position *(in thousands)*

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current	$ 63,253	$ 60,172	$ 47,142	$ 37,201	$ 110,395	$ 97,373
Noncurrent	65,456	56,747	23,745	44,092	89,201	100,839
Capital assets (net of depr)	343,214	335,268	276,977	238,952	620,191	574,220
Total assets	471,923	452,187	347,864	320,245	819,787	772,432
Liabilities						
Current	7,350	6,197	7,346	6,678	14,696	12,875
Current portion long-term	7,070	7,290	3,675	3,194	10,745	10,484
Long-term noncurrent	37,861	39,929	91,557	73,061	129,418	112,990
Total liabilities	52,281	53,416	102,578	82,933	154,859	136,349
Deferred Inflow of Resources	90	-	-	-	90	-
Net position						
Net investment in capital assets	333,862	324,872	210,438	207,442	544,300	532,314
Restricted	62,125	63,216	14,646	10,839	76,771	74,055
Unrestricted	23,565	10,683	20,202	19,031	43,767	29,714
Total net position	$ 419,552	$ 398,771	$ 245,286	$ 237,312	$ 664,838	$ 636,083

Net investment in capital assets, consisting of land, buildings, streets, and other significant investments, represent 81.9% of net position. The net investment in capital assets increased by $12.0 million during 2013.

Restricted net position accounts for those resources that are subject to a variety of external constraints including bond covenants, construction requirements, levy agreements, endowment terms, settlement agreements and the Revised Code of Washington. In 2013, the restricted resources is 11.5% of net position, totaling nearly $76.8 million.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without restricting constraints, comprises 6.6% of net position, an increase of $14.1 million from 2012.

Changes in net position

In 2013, government-wide net position increased by $28.8 million, of which $20.8 million is attributable to governmental activities. Governmental activities total revenues increased by $15 million from 2012.

Governmental activities charges for services increased over $3.1 million, capital grants and contributions increased nearly $6.1 million, and tax revenues increased $5.6 million over 2012 tax revenue.

Business-type activities charges for services primarily from utility sources increased by 10.6% to total nearly $57.9 million. The net position for business-type activity for 2013 increased $8.0 million.

Changes in net position *(in thousands)*

Net Position (in thousands)	Governmental activities		Business-type activities		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Program revenues:						
Charges for services	$ 24,763	$ 21,646	$ 57,898	$ 52,360	$ 82,661	$ 74,006
Operating grants and contributions	6,119	6,169	1,692	3,723	7,811	9,892
Capital grants and contributions	9,393	3,287	1,438	1,118	10,831	4,405
General revenues:						
Property tax	20,987	17,629	-	-	20,987	17,629
Retail sales and use taxes	28,022	25,824	-	-	28,022	25,824
Interfund tax	-	5,855	-	-	-	5,855
Business tax	27,109	20,242	1,275	1,244	28,384	21,486
Other taxes	3,276	4,216	2,933	775	6,209	4,991
Investment Income	177	-	(211)	-	(34)	-
Total revenues	119,846	104,868	65,025	59,220	184,871	164,088
Program expenses:						
General government	$ 11,931	14,291	-	-	11,931	14,291
Public safety	40,762	40,150	-	-	40,762	40,150
Physical environment	5,653	6,826	-	-	5,653	6,826
Transportation	14,957	12,072	-	-	14,957	12,072
Natural and economic environment	6,936	4,208	-	-	6,936	4,208
Social Services	298	77	-	-	298	77
Culture and recreation	13,264	14,844	-	-	13,264	14,844
Interest and redemption of long term deb	2,278	620	-	-	2,278	620
Water	-	-	18,831	17,831	18,831	17,831
Wastewater	-	-	18,727	17,716	18,727	17,716
Surface & stormwater	-	-	5,888	5,551	5,888	5,551
Solid waste	-	-	3,821	1,070	3,821	1,070
Medic one	-	-	9,019	7,307	9,019	7,307
Other business type activities	-	-	3,979	3,667	3,979	3,667
Total expenses	96,079	93,088	60,265	53,142	156,344	146,230
Excess or deficiency before any transfers or gain (loss) on sale of capital assets	23,767	11,780	4,760	6,078	28,527	17,858
Gain (loss) on sale of capital assets	-	-	55	-	55	-
Transfers	(2,764)	(1,412)	2,764	1,412	-	-
Special item - land contribution	-	-	1,177	-	1,177	-
Change in net position	21,003	10,368	8,756	7,490	29,759	17,858
Net position - beginning	398,771	388,311	237,312	231,909	636,083	620,220
Change in accounting principle - GASB 65 removing bond issue costs	(221)		(782)		(1,003)	-
Prior period adjustments	-	92	-	(2,087)	-	(1,995)
Net position - ending	$ 419,553	$ 398,771	$ 245,286	$ 237,312	$ 664,839	$ 636,083

Program revenues and expenses – government-wide

In 2013, overall government-wide revenues increased 12.7% from 2012, to $184.9 million. Charges for services increased from $74 million in 2012 to $82.7 million in 2013. Operating grants and contributions decreased from $9.9 million in 2012 to $7.8 million in 2013. Retail sales and use taxes went up from $25.8 million in 2012 to $28 million in 2013. The sales and use tax increased in part due to the

recovering economy and our proximity to the Canadian border. In 2013, government-wide tax revenues increased from 2012 to $83.6 million.

In 2013, overall government-wide expenses increased 6.9% from 2012, to $156.3 million. Nearly $2.8 million of this increase in government-wide expenses is attributable to the solid waste fund. In December 2013, the remedial investigation and feasibility study (RI/FS) for the Cornwall Landfill was completed. Based on the updated estimated pollution remediation clean-up costs stated in the RI/FS an additional $2.8 million of expenses were added for the Cornwall Landfill site in the solid waste fund. Additionally, Medic One expenses increased nearly $1.7 million. The increase in Medic One expenses is primarily related to a change in the presentation of bad debt expense. Bad debt expense was booked as a contra-revenue account in 2012 whereas in the 2013 proprietary fund statements bad debt is included as part of the general operating expenses. In 2014, Medic One expenses are expected to change again due to a renegotiated contract with Whatcom County that became effective on January 1, 2014. Finally, there was about a $1 million increase in both water and wastewater expenses respectively. During 2012, the City conducted a comprehensive utility rate analysis ultimately enacting a five-year program to increase rates in anticipation of rising operating and capital costs. The rate increases, in addition to switching over several neighborhoods to metered homes to comply with the requirement of WAC 246-290, contributed to the $2 million total increase in water and wastewater expenses. Finally, there were nearly $2.9 million of additional transportation expenses and $2.7 million of additional natural and economic environment expenses. Transportation expenses increased because of the increased activity in the Transportation Benefit District. In June of 2011 an additional 0.2% sales tax was imposed with these additional cash inflows being directed to the TBD. Accordingly, given the additional funding source, TBD expenses increased in 2013.

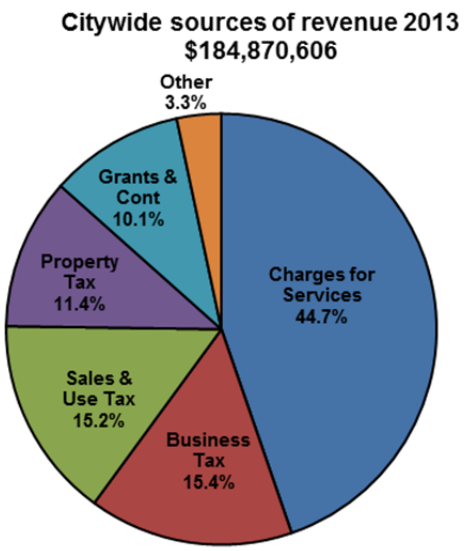
Program revenues and expenses – governmental activities

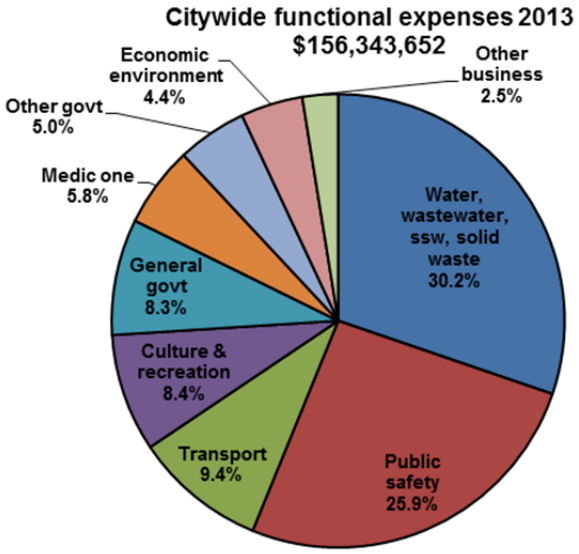
Charges for services program revenue for governmental funds increased overall by $3.1 million in 2013 from 2012. The largest increase in charges for services revenues is from general government, transportation, and culture and recreation. General government increased to nearly $10 million from $8.6 million, transportation increased to $2.7 million from $1.8 million, and culture and recreation program revenue charges for services increased to $4.1 million from $3.3 million. In 2013, overall expenses for governmental activity funds increased by 3.2% compared to 2012. General government, physical environment and culture and recreation expenses all decreased in 2013 compared to the prior year by 14.2%; however this was offset by increases in expenses in transportation, natural and economic environment, social services and interest expenses. The increase in expenses was of a greater magnitude then the decrease which led to the overall increase of 3.2%. In 2013, capital grants and contribution increased significantly jumping from $3.3 million in 2012 up to $9.4 million in 2013. Capital grants and contribution revenues nearly tripled due to the construction of three grant funded roundabouts and the Bakerview overpass. The Bakerview overpass project capital grant revenues were nearly $2.8 million, the Wharf street roundabout revenues were nearly $1.8 million, the Northwest roundabout revenues were $1 million and the McLeod roundabout grant revenues were $921,000. Finally, operating grants and contribution remained flat staying at about $6.2 million in 2012 and 2013.

Program revenues and expenses – business-type activities

Charges for services revenue for the business-type funds increased $5.5 million in 2013 from 2012. Water revenues increased by $2.2 million and wastewater increased by $0.5 million due to an increase in usage rates and the transitioning of some households over to metered water instead of an unmetered flat rate. Additionally Medic One charges for services increased by $1.5 million and surface and storm-water charges for services increased almost $1 million. Overall expenses for business-type activities increased by $7.1 million in 2013 from 2012. Water and wastewater expenses both increased by about $1 million each. This is largely due to an increase in both the water and wastewater operating expenses,

specifically general operations and tax expenses. Surface and stormwater also increased $337,000 and development services increased $185,000. Much of these increases are due to contractually required labor and benefit costs. Parking experienced a decrease in expenses of $37,000. Medic one expenses increased by $1.7 million in 2013 compared to 2012. Medic one is shown separately from the governmental components of public safety as it operates as an enterprise.





Fund level financial analysis

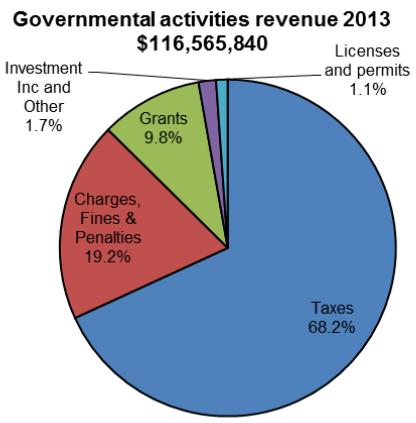
Governmental activities

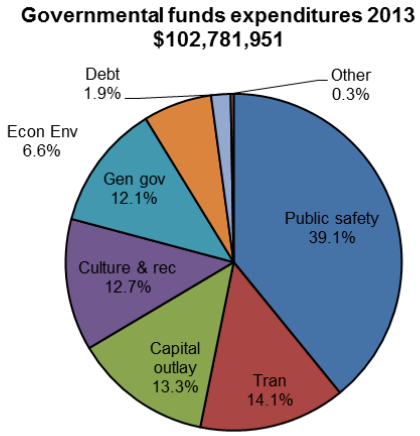
Revenues

In 2011, the City began reporting the former special revenue street fund in the general fund. In 2012, after further evaluation of all special revenue funds, the City reported eleven additional activities in the general fund that were previously reported in special revenue funds given the guidance in GASB 54 (see pages 6-22 to 6-37 in the combining and individual fund statements section). The presentation and grouping of the 2012 major funds is comparable to the 2013 major funds.

Fund balance in governmental funds increased $9.3 million. Of this $9.3 million $13.8 million related to excess revenues over expenditures reduced by $4.5 million in net transfers out, resulting in a final ending fund balance of $87.1 million. Overall governmental revenues increased to $116.6 million from $106.5 million in 2012. The most notable reason for the increase was a significant increase of tax revenues from $72.7 million to $79.5 million in the governmental funds.

Tax revenue is the City's most significant source of governmental revenue, representing 68.2% of total governmental revenue and 71.8% of general fund revenue. Tax revenue supports services such as streets, fire, police and parks which are basic to the City's mission; although they do not generate substantial revenue. The major tax categories are retail sales and use, business and occupation, and property and utility tax. Tax collections overall in these major categories increased 9.4% from 2012 to 2013. Property taxes increased by nearly $3 million with the new low income housing levy which became effective starting in 2013.





Expenditures

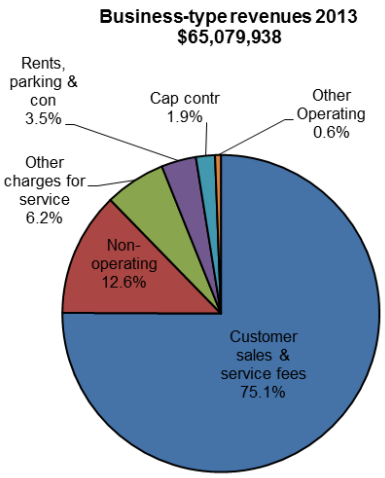
Public safety consisting of fire, police and municipal court accounts for 39.1% of governmental expenditures. General government type expenditures are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprise 12.1% of governmental expenditures. Culture and recreation services include most parks and recreation programs, the museum and the library. They represent another 12.7% of governmental expenditures. Additionally, capital outlay represents 13.3%, natural and economic environment 6.6%, transportation 14.1%, and debt expenses represent 1.9% of total governmental expenditures.

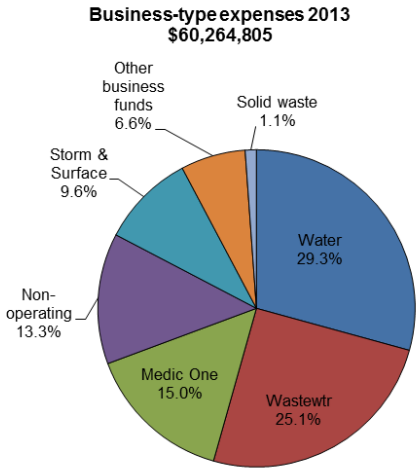
Business-type activities

Net position, including a change in accounting principle adjustment of $782 thousand, increased by $8 million, for a total of $245.3 million in business-type funds. Operating revenues increased by 13.9% and operating expenses increased by 7.5%.

The financial position of the City's business-type funds is largely influenced by the water and wastewater funds. Together they comprise 72.5% of operating revenues, 62.7% of expenses, and 83.5% of net position.

Medic one and the cemetery are business-type activities that require support from the general fund. In 2013, the cemetery received $221,000 and medic one received $1.1 million cash operating subsidies. Additionally, medic one receives a subsidy from Whatcom County and a portion of the voted EMS local sales tax (see note IV-D).





Financial analysis of City funds

At the end of 2013, the City has 24 governmental funds. The general fund is the primary governmental fund and is the City's only major governmental fund.

The general fund ending fund balance increased $5.2 million due to an increase in tax revenues and an increase in charges for services.

The fund balance for non-major governmental funds increased by $4.1 million, due in part to the additional $3 million of property tax assessed in 2013 with the new affordable housing levy.

The City has nine business-type funds. The five major business-type funds are water, wastewater, surface and stormwater, solid waste, and medic one. The water and surface and stormwater funds increased their respective net positions in 2013 by $5.2 million in water and $2.9 million in surface and stormwater due in part to a rate increase. Due to balance sheet recognition of a liability for future estimated pollution remediation costs for closed landfills, the solid waste fund reflects a negative net position of $6.1 million--an increase of about $2.4 million which was related to additional estimated costs noted in the RI/FS report released in December 2013 for the Cornwall Avenue site. The City has four non-major enterprise funds: cemetery, golf, parking services, and development services. Net position for the four funds increased by $1.8 million in 2013 compared to 2012.

The City has eight internal service funds: fleet, purchasing, facilities administration, telecommunication & technology replacement, claims & litigation, unemployment compensation, workers compensation, and health benefits. The overall change in net position for the internal service funds combined was an increase of $631,000 compared to the prior year. The fleet fund decreased $244,000 in 2013, compared to 2012. In 2013, the technology replacement and telecommunication fund had a decrease of $161,000. Claims & litigation fund experienced an increase in net position of $498,000 in 2013 due to a reduction in the number of claims and judgment expenses incurred in 2013. The purchasing materials fund decreased slightly by $148,000 in 2013. Health benefits fund increased $752,000 resulting from insurance premium contribution revenue increasing to $13.1 million in 2013 from $12.4 million in 2012. Unemployment compensation fund had a slight decrease and worker's compensation fund had a increase of $29,000.

General fund budgetary highlights

The budget is legally adopted at the fund level, including the general fund budget. GASB 34 requires the legally adopted budget of the general fund to be presented as required supplementary information (RSI). Accordingly, the general fund in its originally adopted form along with a reconciliation of the general fund presented in the GAAP basis basic financial statements is presented as RSI. The general fund presented in the basic financial statements in accordance with GAAP includes twelve other funds with legally adopted budgets that do not meet the requirements of a special revenue fund per GASB 54 and have accordingly been combined with the general fund. To see comparisons of the original general fund and the general fund combined per GASB 54, see the reconciliation schedule in the Required Supplemental Information (RSI) section of the financial statements. The adopted general fund budget for expenditures was $65.3 million, the final budget after all amendments was $66.8 million and the actual expenditures are $64.1 million. Amendments to the budget are made for the following purposes:

- Supplemental appropriations approved after the beginning of the year to reflect actual beginning account balances and to correct the estimated amounts in the budget adopted December, 2012.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Actual revenues exceeded the budget by $406,000. Property, retail sales, and other tax revenues came in over budget, at $36,000, $498,000, and $78,000, respectively. Licenses and permits and charges for services actual revenues were also above budget, at $72,000 and $448,000. Charges for services are higher than budget due to several small, one-time miscellaneous revenues that were unanticipated for the year. When accumulated together, these one-time miscellaneous revenues (such as donations) accounted for nearly all of the extra $448,000 of charges for services revenues. The most notable area where 2013 actual revenues were less than budget is business taxes. Business taxes fell short of the budgeted revenues by $536,000. Business taxes included both business and occupation taxes (B&O) taxes as well as utility taxes. Both B&O taxes and utility taxes fell short of the expected revenue with the majority of the shortfall in utility taxes. Utility taxes on telephone, electricity, and gas were all below budget. External tax rates for gas fell in 2013 reducing the overall gross base revenue that taxes are collected on. Additionally, the City had a mild winter which also reduces electrical and gas use. Finally, telephone tax revenues continues to fall as consumers shift to cell phones instead of home lines. Additionally, fines and forfeits are lower than budget by $156,000. Investment income is lower than budget by $174,000 due to the economic down-turn causing historically low interest rates which continue to negatively impact the City's earning on its investments.

Actual expenditures are $2.7 million below budget, or 96% of the final budgeted amounts. This is largely due to capital projects that are budgeted on a project basis and not on a yearly basis.

The legally adopted general fund actual ending fund balance of $16.1 million is above the projected balance of $13.9 million, a $2.1 million difference.

Capital asset and debt administration

Capital assets

At December 31, 2013, the City has invested $620.2 million in a wide range of capital assets throughout governmental and business-type activities, an increase of $46 million from the previous year. This increase is due in part, to the following activity:

- Construction in progress work on the wastewater treatment plant expansion project totaled $37.3 million.
- Construction of three new roundabouts and the Bakerview overpass

Capital assets *(net of depreciation, in thousands)*

	Governmental activities		Business-type activities		Total		Increase (Decrease)
	2013	2012	2013	2012	2013	2,012	2013-2012
Land	$ 132,382	$ 131,578	$ 43,651	$ 41,562	$ 176,033	$ 173,140	$ 2,893
Buildings	30,101	30,854	44,589	46,296	74,690	77,150	(2,460)
Improvements/infrastructure	$ 151,708	145,369	125,917	124,306	277,625	269,675	7,950
Machinery and equipment	11,285	11,913	3,114	3,446	14,399	15,359	(960)
Construction in progress	17,738	15,553	59,705	23,342	77,443	38,895	38,548
Total	$ 343,214	$ 335,267	$ 276,976	$ 238,952	$ 620,190	$ 574,219	$ 45,971

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

In addition to the capital assets shown above the City also has made commitments to fund several parks, streets, water, sewer, and storm projects. The following chart displays the amounts spent to date on these commitments and the projected remaining costs to complete.

	Spent to date	Remaining commitment
Parks projects	$ 4,009,915	$ 578,716
Street projects	13,773,554	2,303,644
Water projects	1,506,413	151,756
Sewer projects	56,775,788	7,553,100
Storm projects	1,260,093	685,754
	$ 77,325,763	$ 11,272,970

Long-term debt

At December 31, 2013, the City's total outstanding debt was $103 million, an increase of $12.1 million from 2012. The main source of change that led to this increase was the issuance of a new water and sewer revenue bond in August of 2013 for nearly $15.8 million. The City continues to pay-down it's pre-existing debt as well leading to the net change of the $12.1 million.

Outstanding debt *(in thousands)*

	Governmental activities		Business-type activities		Total		Increase (Decrease)
	2013	2012	2013	2012	2013	2012	2013-2012
General obligation bonds	$ 20,490	$ 21,575	$ 6,210	$ 6,575	$ 26,700	$ 28,150	$ (1,450)
Revenue bonds	-	-	70,775	56,920	70,775	56,920	13,855
Special assessment bonds	-	75	-	-	-	75	(75)
Notes payable	120	129	2,700	2,700	2,820	2,829	(9)
Government loans	1,723	1,929	960	1,023	2,683	2,952	(269)
Total	$ 22,333	$ 23,708	$ 80,645	$ 67,218	$ 102,978	$ 90,926	$ 12,052

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

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

State law limits the amount of general obligation debt the City can issue to a percentage of the total assessed value of the taxable property. The limits are:

- 1.5% non-voted
- 2.5% voted and non-voted
- 7.5% voted if excess over 2.5% is for utilities, parks or open space development

Calculation of legally available debt at December 31, 2013

Legal Debt Margin Calculation for Fiscal Year 2013	
Total assessed value	$8,554,046,711
Debt limit:	
Non-voted debt limit (1.5% of assessed value)	128,310,701
Voted debt limit (1.0% of assessed value)	85,540,467
Total debt limit	213,851,168
Debt applicable to limit:	
General obligation bonds	26,700,000
Other debt	421,169
Less: assets available for repayment of debt	(1,328,937)
Total debt applicable to limit	25,792,232
Legal debt margin	$ 188,058,936

Economic factors and the 2014 budget

Since mid-2010 there has been a modest recovery from the recession, which began in late 2008. The recovery has resulted in the addition of about 3,400 new jobs in the Bellingham/Whatcom County area. The improvement in the number of employed has resulted in a reduction of the unemployment rate which, stood at 6.2% at December 31, 2013 down from the 2012 rate of 7.5%

- Washington statewide 2013 unemployment rate is 6.3%, down from the 2012 rate of 8.2%
- National unemployment rate for 2013 is 6.7%, down from the 2012 rate of 7.9%

The Seattle Metropolitan Statistical Area (MSA) is the closest proximity to Bellingham for inflation rate indication. In 2013, the Seattle MSA inflation rate is 1.2%, which is below the Class B/C national inflation rate of 1.3%.

Over the last ten-years net bonded debt per capita has decreased from $410 to $308.

The City's assessed value per capita has decreased slightly from $102,351 in 2012 to $101,429 in 2013. With 82,310 citizens in the City the ratio of the number of City employees is 10.3 per one thousand of the City's population.

The general fund adopted budget for 2014 has $84.4 million of resources available for appropriation. General fund adopted budget expenditures for 2014 are $71.5 million. The City's financial condition continues to improve in response to the changing economic, social and environmental requirements impacting the community.

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

Contacting the City's financial management

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

CITY OF BELLINGHAM
WASHINGTON

CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Public Facilities District	Public Development Authority
ASSETS					
Cash and cash equivalents	$ 6,964,378	$ 6,742,359	$ 13,706,737	$ 124,506	$ 13,226
Investments	43,360,842	34,348,655	77,709,497	634,288	67,377
Receivables, net	2,483,717	3,914,666	6,398,383	4,225	173
Restricted assets:					
Cash and cash equivalents	7,983,971	3,804,369	11,788,340	138,658	-
Investments	32,110,688	19,381,202	51,491,890	706,390	-
Due from other governments	1,122,912	149,930	1,272,842	-	-
Due from component units	9,235,000	-	9,235,000	-	-
Amortizable bond costs	1,097,757	351,514	1,449,271	-	-
Special assessments	298,761	57,931	356,692	-	-
Inventories	830,613	-	830,613	-	-
Prepaid items	374,903	2,136,484	2,511,387	47,180	-
Notes and contracts receivable	13,606,703	-	13,606,703	-	-
Net pension asset	9,239,274	-	9,239,274	-	-
Capital assets, not being depreciated:					
Land	132,381,530	43,650,796	176,032,326	1,329,860	1,300
Improvements	17,614,900	-	17,614,900	-	-
Construction in progress	17,738,393	59,705,376	77,443,769	-	-
Capital assets, net of depreciation:					
Buildings	30,101,408	44,588,677	74,690,085	15,164,848	-
Improvements other than buildings	134,092,586	125,917,411	260,009,997	7,572,519	-
Machinery and equipment	11,285,039	3,114,159	14,399,198	-	-
Total assets	471,923,375	347,863,529	819,786,904	25,722,474	82,076
LIABILITIES					
Accounts payable	2,928,770	4,062,776	6,991,546	485	601
Accrued wages and benefits	3,305,925	515,937	3,821,862	-	2,290
Due to primary government	-	-	-	9,235,000	-
Internal balances	(990,129)	990,129	-	-	-
Due to other governments	4,668	135,110	139,778	-	-
Other current liabilities	2,104,592	1,777,488	3,882,080	55,327	3,705
Noncurrent liabilities (see note IV-H):					
Due within one year	7,065,347	3,539,718	10,605,065	-	-
Due in more than one year	37,861,438	91,556,834	129,418,272	9,966,312	-
Total liabilities	52,280,611	102,577,992	154,858,603	19,257,124	6,596
DEFERRED INFLOW OF RESOURCES					
Grants received in advance	90,250	-	90,250	-	-
Total deferred inflow of resources	90,250	-	90,250	-	-
NET POSITION					
Net investment in capital assets	333,862,114	210,438,258	544,300,372	4,865,916	1,300
Restricted for:					
Expendable					
Capital projects	451,542	6,826,225	7,277,767	-	-
Cemetery endowment and preneed services	-	396,595	396,595	-	-
Debt service funds	9,266,392	7,422,345	16,688,737	845,048	-
Environmental remediation	1,406,204		1,406,204	-	-
Federal building	427,435	-	427,435	-	-
HUD programs	13,327,977	-	13,327,977	-	-
Library gift	63,739	-	63,739	-	-
Low income housing	2,809,748	-	2,809,748	-	-
Other state and federal programs	26,592	-	26,592	-	-
Parks	10,137,299	-	10,137,299	-	-
Permanent funds	359,487	-	359,487	-	-
Public, education and gov't assistance	701,999	-	701,999	-	-
Public safety	3,839,587	-	3,839,587	-	-
Public safety donations	37,991	-	37,991	-	-
Real estate excise tax for improvements	6,071,257	-	6,071,257	-	-
Tourism	480,133	-	480,133	-	-
Traffic impact fees for streets	1,460,163	-	1,460,163	-	-
Transportation benefit district	2,620,397	-	2,620,397	-	-
Nonexpendable					
Permanent funds principal	8,637,462	-	8,637,462	-	-
Unrestricted	23,564,996	20,202,114	43,767,110	754,386	74,180
Total net position	$ 419,552,514	$ 245,285,537	$ 664,838,051	$ 6,465,350	$ 75,480

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

CITY OF BELLINGHAM
Government-Wide
Statement of Activities
For the Year Ended December 31, 2013

			Program Revenues			Net (Expense) Revenue and Changes in Net Position				
						Primary Government			Component Units	
Functions/Program	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Public Facilities District**	**Public Development Authority**
Primary Government:										
Governmental activities:										
General government	$ 12,938,178	$ (1,006,827)	$ 9,995,525	$ 1,071,141	$ -	$ (864,685)	$ -	$ (864,685)		
Public safety	40,543,763	218,089	5,021,635	2,694,449	11,616	(33,034,152)	-	(33,034,152)		
Physical environment	5,262,932	389,620	2,851,207	603,254	1,122,075	(1,076,016)	-	(1,076,016)		
Transportation	14,739,413	217,963	2,744,691	353,455	8,225,356	(3,633,874)	-	(3,633,874)		
Natural and economic environment	6,935,800	-	13,771	1,268,563	-	(5,653,466)	-	(5,653,466)		
Social services	238,327	60,000	-	-	-	(298,327)	-	(298,327)		
Culture and recreation	13,142,560	121,155	4,136,307	127,886	33,781	(8,965,741)	-	(8,965,741)		
Interest and redemption of long term debt	2,277,874	-	-	-	-	(2,277,874)	-	(2,277,874)		
Total governmental activities	96,078,847	-	24,763,136	6,118,748	9,392,828	(55,804,135)	-	(55,804,135)		
Business-type activities:										
Water	18,831,300	-	22,823,773	-	661,665	-	4,654,138	4,654,138		
Wastewater	18,726,642	-	19,389,261	2,938	279,257	-	944,814	944,814		
Surface and stormwater	5,887,978	-	6,500,655	248,630	497,373	-	1,358,680	1,358,680		
Solid waste	3,820,556	-	209,253	6,034	-	-	(3,605,269)	(3,605,269)		
Cemetery	557,285	-	275,548	-	-	-	(281,737)	(281,737)		
Golf course	265,759	-	224,818	-	-	-	(40,941)	(40,941)		
Parking	1,285,864	-	2,085,321	-	-	-	799,457	799,457		
Medic one	9,019,331	-	3,781,589	1,434,871	-	-	(3,802,871)	(3,802,871)		
Development services	1,870,090	-	2,607,991	-	-	-	737,901	737,901		
Total business-type activities	60,264,805	-	57,898,209	1,692,473	1,438,295	-	764,172	764,172		
Total primary government	$ 156,343,652	$ -	$ 82,661,345	$ 7,811,221	$ 10,831,123	(55,804,135)	764,172	(55,039,963)		
Component units:										
Public Facilities District	$ 1,477,666	$ -	$ 9,452	$ 7,900	$ -				$ (1,460,314)	
Public Development Authority	315,978	-	-	250,000	-					$ (65,978)
Total component units	$ 1,793,644	$ -	$ 9,452	$ 257,900	$ -					
General revenues:										
Property taxes		-				20,986,967	-	20,986,967	-	-
Retail sales and use taxes						28,021,708	-	28,021,708	1,190,698	-
Business taxes						27,109,401	1,274,696	28,384,097	-	-
Other taxes						3,275,785	2,932,997	6,208,782	-	-
Investment Income						176,643	(211,280)	(34,637)	1,452	7,515
Gain (loss) on sale of capital assets						-	54,548	54,548	-	-
Transfers						(2,763,834)	2,763,834	-	-	-
Special items:										
Repayment of land contribution						-	1,176,877	1,176,877	-	(1,176,877)
Total general revenues, gain/loss on capital assets, transfers, and special item						76,806,670	7,991,672	84,798,342	1,192,150	(1,169,362)
Change in net position						21,002,535	8,755,844	29,758,379	(268,164)	(1,235,340)
Net position - beginning						398,771,066	237,311,585	636,082,651	6,869,305	1,310,820
Change in accounting principle - GASB 65 removing bond issue costs						(221,087)	(781,892)	(1,002,979)	(135,791)	-
Net position - ending						$ 419,552,514	$ 245,285,537	$ 664,838,051	$ 6,465,350	$ 75,480

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

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2013

	General	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 8,444,630	$ 3,082,888	$ 11,527,518
Investments	42,674,394	15,369,847	58,044,241
Receivables, net	2,073,444	212,189	2,285,633
Due from other funds	124,614	559	125,173
Due from other governments	631,971	490,941	1,122,912
Due from component units	-	9,235,000	9,235,000
Interfund loans receivable	-	3,232,022	3,232,022
Prepaid items	185,207	129,250	314,457
Special assessments	-	298,761	298,761
Notes and contracts receivable	326,483	13,280,220	13,606,703
Total assets	54,460,743	45,331,677	99,792,420
LIABILITIES			
Accounts payable	1,438,320	845,934	2,284,254
Accrued wages and benefits	2,854,830	217,848	3,072,678
Due to other funds	21,031	100,100	121,131
Interfund loans payable	4,527,796	-	4,527,796
Due to other governments	4,668	-	4,668
Other liabilities	738,980	7,366	746,346
Unearned revenue	1,457,338	341,745	1,799,083
Total liabilities	11,042,963	1,512,993	12,555,956
DEFERRED INFLOW OF RESOURCES			
Grants received in advance	90,250	-	90,250
Total deferred inflow of resources	90,250	-	90,250
FUND BALANCES			
Nonspendable:			
Permanent funds	-	8,637,462	8,637,462
Prepaid items	185,207	129,250	314,457
Restricted:			
Capital project funds		485,450	485,450
Debt service funds	-	8,967,631	8,967,631
Environmental remediation	-	1,011,373	1,011,373
Federal building	-	427,435	427,435
HUD programs	-	13,327,977	13,327,977
Library gift	-	63,739	63,739
Low income housing	-	2,774,207	2,774,207
Other state and federal programs	26,592	-	26,592
Parks	10,062,041	-	10,062,041
Permanent funds	-	352,044	352,044
Public, education and gov't assistance	-	701,999	701,999
Public safety	-	3,839,587	3,839,587
Public safety donations	37,991	-	37,991
Real estate excise tax for improvements	6,071,257	-	6,071,257
Tourism	-	480,133	480,133
Traffic impact fees for streets	1,460,163	-	1,460,163
Transportation benefit district	-	2,620,397	2,620,397
Committed:			
Legal environmental remediation	1,298,107	-	1,298,107
Streets	9,669,579	-	9,669,579
Assigned:			
Public safety donations	8,429	-	8,429
Debt service funds	-	-	-
Civic field maintenance	-	-	-
Unassigned:	14,508,164	-	14,508,164
Total fund balances	43,327,530	43,818,684	87,146,214
Total liabilities, deferred inflow of resources and fund balances	$ 54,460,743	$ 45,331,677	$ 99,792,420

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

CITY OF BELLINGHAM
Reconciliation of the Balance Sheet
of Governmental Funds
to the Statement of Net Position
December 31, 2013

Total fund balance of governmental funds		$ 87,146,214
Amounts reported for governmental activities in the government-wide statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		332,015,158
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Accrued investment interest	147,562	
Net pension asset	9,239,274	
Amortizable bond costs	1,097,757	
Unearned revenue	1,799,083	
		12,283,676
Internal service funds are used by management to charge the cost of certain activities such as fleet, purchasing, facilities, telecommunication and health and welfare benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		24,156,374
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable on long-term debt	(42,601)	
Net OPEB obligation	(812,467)	
Bond premium(discount) amortization	(934,160)	
Compensated absences	(4,812,637)	
GASB 49 pollution remediation costs	(13,594,460)	
GO bonds, loans, and notes payable	(15,852,583)	
		(36,048,908)
Net position of governmental activities		$ 419,552,514

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

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	$ 69,783,402	$ 9,673,789	$ 79,457,191
Licenses and permits	857,526	443,027	1,300,553
Intergovernmental revenue	7,359,650	4,092,926	11,452,576
Charges for services	17,409,056	3,833,944	21,243,000
Fines and penalties	1,159,922	-	1,159,922
Investment income	(118,279)	356,685	238,406
Miscellaneous revenues	762,961	951,231	1,714,192
Total revenues	97,214,238	19,351,602	116,565,840
EXPENDITURES			
Current:			
General government	12,416,812	-	12,416,812
Public safety	35,545,985	4,654,876	40,200,861
Physical environment	2,422	51,909	54,331
Transportation	13,057,124	1,415,170	14,472,294
Natural and economic environment	3,619,666	3,178,785	6,798,451
Social services	238,327	-	238,327
Cultural and recreation	12,747,688	260,783	13,008,471
Debt service:			
Redemption of general long-term debt	-	1,375,686	1,375,686
Interest and other debt service cost	48,264	505,393	553,657
Capital outlay	10,557,520	3,105,541	13,663,061
Total expenditures	88,233,808	14,548,143	102,781,951
Excess (deficiency) of revenues over (under) expenditures	8,980,430	4,803,459	13,783,889
OTHER FINANCING SOURCES (USES)			
Transfers in	1,272,053	930,040	2,202,093
Transfers out	(5,079,083)	(1,614,681)	(6,693,764)
Total other financing sources and (uses)	(3,807,030)	(684,641)	(4,491,671)
Net change in fund balances	5,173,400	4,118,818	9,292,218
Fund balances - beginning	38,154,130	39,699,866	77,853,996
Fund balances - ending	$ 43,327,530	$ 43,818,684	$ 87,146,214

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

CITY OF BELLINGHAM
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances of total governmental funds		$ 9,292,218
Amounts reported for governmental activities in the government-wide statement of activities that are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	5,645,903	
Donated assets	3,434,175	
Current year retired and abandoned assets	(700,153)	
		8,379,925
Revenues in the statement of activities that do not provide current financial resources and are not reported in the funds are:		
Accounts receivable	(39,206)	
Accrued investment interest	(8,582)	
Net pension asset	848,235	
Unearned revenue	(280,554)	
		519,893
Internal service funds are used by management to charge the cost of certain activities, such as fleet, purchasing, facilities, telecommunication and health and welfare benefits to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.		630,979
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accrued interest payable on long-term debt	3,983	
Net OPEB obligation	(140,675)	
Bond premium(discount) amortization	(57,761)	
Compensated absences	(278,078)	
GASB 49 pollution remediation costs	1,215,356	
GO bonds, loans, and notes payable	1,375,686	
		2,118,511
Change in accounting principle - GASB 65 removing bond costs		(160,081)
Change in net position of governmental activities		$ 20,781,445

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

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds							Governmental
ASSETS	**Water**	**Wastewater**	**Surface and Stormwater**	**Solid Waste**	**Medic One**	**Other Non-Major Enterprise Funds**	**Totals**	**Activities - Internal Service Funds**
Current assets:								
Cash and cash equivalents	$ 1,508,972	$ 2,038,394	$ 816,165	$ 1,245,772	$ 141,814	$ 991,242	$ 6,742,359	$ 3,354,619
Investments	7,687,395	10,384,520	4,157,924	6,346,509	722,468	5,049,839	34,348,655	17,089,977
Receivables, net	1,305,822	1,175,076	546,840	25,672	353,353	507,903	3,914,666	50,522
Due from other funds	1,031	-	39,354	-	-	-	40,385	-
Interfund loans receivable	-	-	-	-	-	-	-	986,646
Due from other governments	9,490	52	138,249	2,139	-	-	149,930	-
Inventories	-	-	-	-	-	-	-	830,613
Prepaid items	-	-	-	2,135,796	-	688	2,136,484	60,446
Total current assets	10,512,710	13,598,042	5,698,532	9,755,888	1,217,635	6,549,672	47,332,479	22,372,823
Noncurrent assets:								
Restricted cash and cash equivalents	1,007,461	2,722,400	-	9,433	-	65,075	3,804,369	66,212
Restricted investments	5,132,470	13,869,158	-	48,054	-	331,520	19,381,202	337,312
Amortizable bond costs	328,714	-	-	22,800	-	-	351,514	-
Special assessments	-	57,931	-	-	-	-	57,931	-
Capital assets, not being depreciated:								
Land	34,151,659	3,925,297	4,052,205	-	52,457	1,469,178	43,650,796	40,102
Construction in progress	1,587,030	56,808,675	1,260,093	-	-	49,578	59,705,376	2,323
Capital assets, net of depreciation:								
Buildings	7,256,425	34,686,983	-	2,649	309,055	2,333,565	44,588,677	1,433,189
Improvements	56,245,965	45,736,672	22,923,337	359,188	4,663	647,586	125,917,411	14,418
Machinery and equipment	695,013	1,718,354	250,033	95,741	287,243	67,775	3,114,159	9,708,666
Total noncurrent assets	106,404,737	159,525,470	28,485,668	537,865	653,418	4,964,277	300,571,435	11,602,222
Total assets	116,917,447	173,123,512	34,184,200	10,293,753	1,871,053	11,513,949	347,903,914	33,975,045

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

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
LIABILITIES	**Water**	**Wastewater**	**Surface and Stormwater**	**Solid Waste**	**Medic One**	**Other Non-Major Enterprise Funds**	**Totals**	
Current liabilities:								
Accounts payable	271,250	3,263,122	291,394	42,152	127,188	67,670	4,062,776	644,516
Accrued wages and benefits	150,353	176,069	63,383	6,518	2,468	117,146	515,937	233,247
Due to other funds	39,354	-	2,189	-	2,325	-	43,868	559
Due to other governments	89,706	28,644	7,144	-	-	9,616	135,110	-
Interfund loans payable	986,646	-	-	-	-	-	986,646	-
Other current liabilities	497,729	1,098,149	-	26,089	-	155,521	1,777,488	19,871
Current portion:								
Bonds payable, net	1,690,000	305,000	-	385,000	-	-	2,380,000	-
Compensated absences	183,565	212,895	56,949	6,902	-	109,145	569,456	209,518
Due to other governments	102,283	-	-	-	-	-	102,283	-
Claims and judgements payable		-	-	-	-	-	-	631,275
Pollution remediation obligation	-	-	-	487,979	-	-	487,979	-
Total current liabilities	4,010,886	5,083,879	421,059	954,640	131,981	459,098	11,061,543	1,738,986
Noncurrent liabilities:								
Bonds payable, net	11,873,531	60,668,982	-	5,796,281	-	-	78,338,794	6,480,000
Compensated absences	37,863	18,165	3,559	386	-	4,005	63,978	56,177
Due to other governments	818,267	-	39,354	-	-	-	857,621	-
Claims and judgements payable	-	-	-	-	-	-	-	1,543,508
Notes and contracts payable	2,700,000	-	-	-	-	-	2,700,000	-
Pollution remediation obligation	-	-	-	9,596,441	-	-	9,596,441	-
Total noncurrent liabilities	15,429,661	60,687,147	42,913	15,393,108	-	4,005	91,556,834	8,079,685
Total liabilities	19,440,547	65,771,026	463,972	16,347,748	131,981	463,103	102,618,377	9,818,671
NET POSITION								
Net investment in capital assets	85,599,150	90,714,116	28,446,315	457,577	653,418	4,567,682	210,438,258	11,198,699
Restricted for debt service	1,760,764	5,603,408	-	58,173	-	-	7,422,345	8,693
Restricted for cemetery endowment and preneed	-	-	-	-	-	396,595	396,595	-
Restricted for water capital improvements	4,452,373	-	-	-	-	-	4,452,373	-
Restricted for wastewater capital improvements	-	2,373,852	-	-	-	-	2,373,852	-
Restricted for facilities non-capital improvements	-	-	-	-	-	-	-	394,831
Unrestricted	5,664,613	8,661,110	5,273,913	(6,569,745)	1,085,654	6,086,569	20,202,114	12,554,151
Total net position	$ 97,476,900	$ 107,352,486	$ 33,720,228	$ (6,053,995)	$ 1,739,072	$ 11,050,846	$ 245,285,537	$ 24,156,374

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

CITY OF BELLINGHAM
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Surface and Stormwater	Solid Waste	Medic One	Other Non-Major Enterprise Funds	Totals	
Operating revenues:								
Sales of merchandise	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,479,404
Less: Cost of goods sold	-	-	-	-	-	-	-	(1,559,230)
Customer sales and service fees	20,283,405	16,045,997	5,704,502	170,277	3,765,093	2,881,309	48,850,583	-
Charges for services	1,456,118	2,232,151	351,068	-	-	-	4,039,337	5,161,328
Rents, parking and concessions	-	-	-	-	-	2,307,589	2,307,589	-
Insurance premium contribution	-	-	-	-	-	-	-	15,093,564
Other operating revenues	277,458	-	106,358	-	-	-	383,816	1,523,923
Total operating revenues	22,016,981	18,278,148	6,161,928	170,277	3,765,093	5,188,898	55,581,325	22,698,989
Operating expenses:								
General operations	8,227,788	7,308,483	3,808,945	491,946	8,379,965	1,810,360	30,027,487	8,344,583
General administration	2,526,733	2,562,321	1,004,512	174,871	521,094	2,013,737	8,803,268	1,002,013
Depreciation	2,256,463	2,817,527	887,959	21,374	118,272	154,848	6,256,443	1,517,265
Taxes	4,627,157	2,439,044	76,178	-	-	-	7,142,379	-
Risk transfer payments	-	-	-	-	-	-	-	11,969,774
Payments to claimants and beneficiaries	-	-	-	-	-	-	-	892,334
Total operating expenses	17,638,141	15,127,375	5,777,594	688,191	9,019,331	3,978,945	52,229,577	23,725,969
Operating income (loss)	4,378,840	3,150,773	384,334	(517,914)	(5,254,238)	1,209,953	3,351,748	(1,026,980)
Nonoperating revenues (expenses):								
External operating subsidies	49,432	2,938	369,849	6,034	1,434,871	-	1,863,124	226,724
Operating assessments and tax levies	-	-	-	1,274,696	2,932,997	-	4,207,693	-
Investment interest	123,111	243,322	42,447	64,943	8,004	45,806	527,633	188,820
Net incr (decr) in fair value of investments	(178,309)	(329,140)	(57,622)	(88,519)	(10,162)	(75,161)	(738,913)	(242,001)
Interest expense and related charges	(608,590)	(2,279,854)	-	(335,299)	-	(53)	(3,223,796)	(352,514)
Gain (loss) on sale of capital assets	-	-	54,548	-	-	-	54,548	(15,182)
Other nonoperating revenues	806,792	1,111,113	338,727	38,976	16,496	4,780	2,316,884	185,284
Other nonoperating expenses	(584,569)	(1,319,413)	(110,384)	(2,797,066)	-	-	(4,811,432)	-
Total nonoperating revenues (expenses)	(392,133)	(2,571,034)	637,565	(1,836,235)	4,382,206	(24,628)	195,741	(8,869)
Income (loss) before contributions and transfers	3,986,707	579,739	1,021,899	(2,354,149)	(872,032)	1,185,325	3,547,489	(1,035,849)
Capital contributions	612,233	279,257	376,154	-	-	-	1,267,644	-
Transfers in	874,782	-	1,503,775	-	1,067,774	221,480	3,667,811	1,794,727
Transfers out	(37,165)	(37,214)	(16,601)	-	(13,543)	(799,454)	(903,977)	(66,890)
Special item - repayment of land contribution	-	-	-	-	-	1,176,877	1,176,877	-
Change in net position	5,436,557	821,782	2,885,227	(2,354,149)	182,199	1,784,228	8,755,844	691,988
Total net position - beginning	92,239,020	107,048,006	30,835,001	(3,633,933)	1,556,873	9,266,618	237,311,585	23,525,392
Change in accounting principle - GASB 65 removing bond issue costs	(198,677)	(517,302)	-	(65,913)	-	-	(781,892)	(61,006)
Total net position - ending	$ 97,476,900	$ 107,352,486	$ 33,720,228	$ (6,053,995)	$ 1,739,072	$ 11,050,846	$ 245,285,537	$ 24,156,374

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

CITY OF BELLINGHAM
WASHINGTON

CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds							Governmental Activities Internal Service Funds
	Water	Wastewater	Surface and Stormwater	Solid Waste	Medic One	Other Non-Major Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	$ 21,627,144	$ 17,955,866	$ 6,012,837	$ 160,976	$ 3,893,809	$ 5,222,911	$ 54,873,543	$ 83,217
Receipts from interfund services provided	612,561	927,880	288,607	38,778	-	-	1,867,826	24,164,530
Payments for merchandise	-	-	-	-	-	-	-	(841,426)
Payments for wages and benefits	(3,389,192)	(3,824,770)	(1,604,032)	(164,638)	(4,462,200)	(2,264,877)	(15,709,709)	(3,923,356)
Payments for operating expenses	(12,055,787)	(7,152,256)	(3,179,677)	(489,232)	(4,403,272)	(1,540,058)	(28,820,282)	(18,417,382)
Other receipts	194,231	183,233	50,118	198	16,496	4,778	449,054	49,213
Other payments	(544,680)	(1,044,687)	(102,949)	(18,787)	-	(688)	(1,711,791)	-
Net cash provided (used) by operating activities	6,444,277	7,045,266	1,464,904	(472,705)	(4,955,167)	1,422,066	10,948,641	1,114,796
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	874,782	-	1,503,775	-	1,067,774	221,480	3,667,811	1,750,355
Transfers out	(37,165)	(37,214)	(16,601)	-	(13,543)	(799,454)	(903,977)	(66,890)
Payments for interest	-	-	-	(332,582)	-	-	(332,582)	(352,513)
Principal payments on bonds	-	-	-	(365,000)	-	-	(365,000)	-
Receipts from other governmental units	103,732	3,011	351,926	28,387	4,367,868	1,176,877	6,031,801	226,724
Interfund receipts for bond repayment	-	-	-	-	-	-	-	136,071
Interfund loan repayments	-	-	-	-	-	-	-	731,062
Receipts for taxes	-	-	-	1,274,702	-	-	1,274,702	-
Net cash provided (used) by noncapital financing activities	941,349	(34,203)	1,839,100	605,507	5,422,099	598,903	9,372,755	2,424,809
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Local improvement district proceeds	-	45,031	-	-	-	-	45,031	-
Principal payments on bonds	(1,615,000)	(315,000)	-	-	-	-	(1,930,000)	-
Revenue bond issue revenue	-	15,785,000	-	-	-	-	15,785,000	-
Payments for interest and related charges	(628,515)	(2,012,690)	-	-	-	(53)	(2,641,258)	-
Purchases of capital assets	(1,655,181)	(38,566,652)	(3,091,109)	-	-	(22,284)	(43,335,226)	(1,137,403)
Proceeds from the sale of capital assets	-	-	54,548	-	-	-	54,548	82,983
Interfund loan payments	(731,062)	-	-	-	-	-	(731,062)	-
Principal paid on loans	(102,283)	-	-	-	-	-	(102,283)	-
Net cash provided (used) by capital financing activities	(4,732,041)	(25,064,311)	(3,036,561)	-	-	(22,337)	(32,855,250)	(1,054,420)
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sales and maturity of investments	6,386,388	30,784,867	2,550,331	4,148,339	101,662	1,968,092	45,939,679	9,894,988
Purchase of investments	(9,029,247)	(17,082,273)	(2,928,495)	(4,503,800)	(508,846)	(3,790,181)	(37,842,842)	(12,595,149)
Interest and dividends received	123,544	304,173	44,125	68,249	7,199	43,701	590,991	192,272
Net cash provided (used) in investment activities	(2,519,315)	14,006,767	(334,039)	(287,212)	(399,985)	(1,778,388)	8,687,828	(2,507,889)
Net increase (decrease) in cash and equivalents	134,270	(4,046,481)	(66,596)	(154,410)	66,947	220,244	(3,846,026)	(22,704)
Cash and cash equivalents - beginning of year	2,382,163	8,807,275	882,761	1,409,615	74,867	836,073	14,392,754	3,443,535
Cash and cash equivalents - end of year	2,516,433	4,760,794	816,165	1,255,205	141,814	1,056,317	10,546,728	3,420,831
Cash at end of year consists of								
Cash and cash equivalents	1,508,972	2,038,394	816,165	1,245,772	141,814	991,242	6,742,359	3,354,619
Restricted cash	1,007,461	2,722,400	-	9,433	-	65,075	3,804,369	66,212
Total cash at end of year	$ 2,516,433	$ 4,760,794	$ 816,165	$ 1,255,205	$ 141,814	$ 1,056,317	$ 10,546,728	$ 3,420,831

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

CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2013

	Business-type Activities Enterprise Funds							Governmental Activities Internal Service Funds
	Water	Wastewater	Surface and Stormwater	Solid Waste	Medic One	Other Non-Major Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:								
Operating income (loss)	$ 4,378,840	$ 3,150,773	$ 384,334	$ (517,914)	$ (5,254,238)	$ 1,209,953	$ 3,351,748	$ (1,026,980)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:								
Depreciation	2,256,463	2,817,527	887,959	21,374	118,272	154,849	6,256,444	1,517,265
Other nonoperating receipts	806,792	1,111,113	338,725	38,976	16,496	4,778	2,316,880	49,213
Other nonoperating expenses	(544,680)	(1,044,687)	(102,949)	(18,787)	-	(688)	(1,711,791)	-
Change in assets and liabilities:								
(Increase) decrease in accounts receivable	(351,243)	(274,902)	(149,091)	(9,301)	128,717	46,991	(608,829)	(5,716)
(Increase) decrease in due from other funds	(1,031)	-	-	-	-	-	(1,031)	-
(Increase) decrease in inventory of supplies	-	-	-	-	-	-	-	717,804
(Increase) decrease in prepayments	-	-	-	-	501	-	501	1,781
Increase (decrease) in accounts payable	(117,326)	1,161,259	107,716	9,880	32,718	10,514	1,204,761	(21,909)
Increase (decrease) in wages and benefits payable	(4,567)	30,013	(5,231)	3,067	42	13,824	37,148	64,289
Increase (decrease) in revenues collected in advance	(20,247)	(51,653)	-	-	-	(12,978)	(84,878)	(5,355)
Increase (decrease) in due to other funds	39,354	-	2,189	-	2,325	-	43,868	559
Increase (decrease) in other current liabilities	(17,316)	144,190	-	-	-	(954)	125,920	49,130
Increase (decrease) in other fees and taxes	19,238	1,633	1,252	-	-	(4,223)	17,900	771
Increase (decrease) in other long-term liabilities	-	-	-	-	-	-	-	(226,056)
Net cash provided (used) by operating activities	$ 6,444,277	$ 7,045,266	$ 1,464,904	$ (472,705)	$ (4,955,167)	$ 1,422,066	$ 10,948,641	$ 1,114,796
Non-cash investing, capital, and financing activities:								
Net change in fair value of investments	(178,309)	(329,140)	(57,622)	(88,519)	(10,162)	(75,161)	(738,913)	(242,001)
Contributions from developers	612,233	279,257	376,154	-	-	-	1,267,644	-
Fleet donations	-	-	-	-	-	-	-	44,372

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

CITY OF BELLINGHAM
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ 2,120,039	$ 231,935
Invested in government securities	10,800,453	-
Receivables, net	64,862	2,804
Interfund loans receivable	1,295,774	-
Total assets	14,281,128	234,739
LIABILITIES		
Accounts payable	8,179	66,614
Accrued pension benefits	117,917	-
Other liabilities	34,822	168,125
Total liabilities	160,918	234,739
NET POSITION HELD IN TRUST	$ 14,120,210	$ -

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

CITY OF BELLINGHAM
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2013

	Pension Trust Funds
ADDITIONS	
Contributions:	
Taxes	$ 2,016,993
Auction proceeds - unclaimed property	19,389
Employer contributions	1,373,448
Total trust contributions	3,409,830
Investment income:	
Interest	119,686
Net incr (decr) in fair value of investments	(149,759)
Net investment income	(30,073)
Total additions	3,379,757
DEDUCTIONS	
Benefits	2,652,462
Administration expense	106,517
Total deductions	2,758,979
CHANGE IN NET POSITION	
Pension benefits change	234,276
Net position pension benefits, January 1, 2013	8,962,685
Net position--restricted for pension benefits, December 31, 2013	9,196,961
Long-term care benefits	386,502
Net position long-term care benefits, January 1, 2013	4,536,747
Net position long-term care benefits, December 31, 2013	4,923,249
Total net position, December 31, 2013	$ 14,120,210

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

CITY OF BELLINGHAM
WASHINGTON

Notes to the Basic Financial Statements
December 31, 2013
Index to the Notes

NOTE I.	***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***	***4-19***
I-A	Reporting entity	4-19
I-B	Government-wide and fund financial statements	4-20
I-C	Measurement focus, basis of accounting and financial statement presentation	4-22
I-D	Assets, liabilities and net position or equity	4-23
NOTE II.	***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***	***4-29***
II-A	Budgetary information	4-29
II-B	Deficit fund equity	4-30
II-C	Excess of expenditures over appropriations	4-30
NOTE III.	***ACCOUNTING CHANGES***	
III-A	New and closed funds	4-31
III-B	Special items	4-31
III-C	Implementation of new GASB pronouncements	4-31
NOTE IV.	***DETAILED NOTES ON ALL FUNDS***	***4-33***
IV-A	Deposits and investments	4-33
IV-B	Receivables	4-35
IV-C	Property taxes	4-36
IV-D	Capital assets	4-38
IV-E	Interfund receivables, payables and transfers	4-41
IV-F	Operating leases	4-42
IV-G	Capital construction commitments	4-42
IV-H	Long-term debt	4-43
IV-I	Restricted net position	4-52
NOTE V.	***OTHER DISCLOSURES***	***4-53***
V-A	Risk management	4-53
V-B	Contingencies	4-54
V-C	GASB 49 pollution remediation obligations	4-56
V-D	Interlocal agreements	4-58
V-E	Employee retirement systems and pension plans	4-59
V-F	Other post-employment benefits (OPEB)	4-71
V-G	Endowments	4-77

CITY OF BELLINGHAM
WASHINGTON

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

I-A Reporting entity

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

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

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

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

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

Blended component unit

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

Discretely presented component units

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

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

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

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

I-B Government-wide and fund financial statements

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

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

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

The government reports the following major governmental funds:

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

The government reports the following major proprietary funds:

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

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

The *solid waste fund* accounts for litter compliance expenses and the operations of the Clean Green site where City and County residents bring grass, shrubs, and tree trimmings. This fund also accounts for remediation costs of cleaning up several landfill sites. The City has issued two general obligation bonds for the City's share of remediation costs to be repaid primarily by net revenues from the solid waste fund. These revenues are generated principally by tax revenues paid by the City's garbage contractor. Although the *solid waste fund* is not required to be included as a major proprietary fund, City management has elected to present them in the basic financial statements.

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.

General fund subsidiaries are funds that are budgeted and accounted for similarly to special revenue funds, but are combined with the general fund for balance sheet and operating statement reporting purposes. A separate budget and actual statement is reported in the combining and individual fund section for each of the subsidiaries.

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *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.

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

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

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

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

I-D Assets, liabilities and net position 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 units 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 is assigned to the general fund:

- Library gift
- HUD grant funds
- 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 "interfund loans receivable/interfund loans payable." All other outstanding balances between funds are referred to as "due to/from other funds" in the basic and combining statements. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax is recorded as a receivable when levied, offset by unearned 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 of bad debt expense, or a write-down for 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 accounts 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. Unearned 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 expenditure at the time individual inventory items are purchased.

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

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

Capital assets

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

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

The cost of normal maintenance and repairs 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 an individual cost for each asset category in excess of the following amounts:

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

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

Asset category	Useful life (years)
Buildings	50
Improvements other than buildings	
Infrastructure	20-40
Leasehold improvements	10
Other improvements	5-50
Software	7
Machinery and equipment	
Information technology equipment	4
Equipment	3-20

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

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

City policy permits employees to accumulate unused sick leave. Sick leave is earned at rates established in individual bargaining unit agreements. Each employee may accumulate a maximum of 1040 hours. Unused sick leave is payable upon termination only to LEOFF II employees. LEOFF II employees may cash out up to 150 hours of their accumulated sick leave balance upon retirement. The City maintains a liability for future sick leave cash-out payments. Currently, both the Teamsters 231 and AFSCME 114 bargaining groups are also eligible for an optional sick leave cash out program. Employees with accumulated banks of at least 50% of the maximum have the option of cashing out 24 to 48 hours of sick leave accumulated and not used in the twelve-months prior to December 15 of each year. Employee banks will be reduced by the number of hours cashed out. If an employee's bank is at 960 hours or more, no reduction to their bank balance is made for cashed out hours.

Long-term obligations

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund statements of net position. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as amortizable bond costs 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.

Restricted assets

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

Contribution of capital

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

Estimates

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

Comparative date/reclassifications

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

Fund balance

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

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

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed or constrained due to constitutional provisions or enabling legislation. The City's restricted fund balance includes HUD grant money restricted for federal projects, the spendable portion

of permanent funds, debt service, and special revenue funds. Special revenue fund balance, purpose and funding sources can be found in the combining and individual fund statements.

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

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

Unassigned – the residual classification for the general fund, which also reflects negative residual amounts in other funds.

Spending prioritization in using available resources

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

Fund reserve goals

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

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

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

Meeting the minimum reserve goal is integral to the budget process and is reported in the Adopted Budget document. The budget department tracks the reserve amounts throughout the year. At year end the actual ending reserves are reviewed and adjustments are made if required including turning down requests for re-appropriations that would reduce ending reserves below the minimum levels.

Net position

In accordance with GASB Statement 63, proprietary, fiduciary, and government-wide financial statements shall report net position. Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement 34. The elements of net position are similar to those of net assets.

Net position represents the difference between all other elements in a statement of financial position and should be displayed in three components: net investment in capital assets, restricted, and unrestricted.

NOTE II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

II-A Budgetary information

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

Annual appropriated budgets are adopted at the fund level and legal budgetary control is established at the fund level. Legal budgets are adopted for the 12 funds consolidated with the general fund for GAAP reporting. Budget to actual schedules for these consolidated funds are included in the combining statements. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures. As a management control device, the subsidiary ledgers monitor expenditures for individual functions by department, activity and object class; however, this level of budgetary monitoring is not legally mandated. Appropriations for all funds lapse at year-end.

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

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

Encumbrances are committed amounts for goods and services ordered or contracted. Encumbrances do not constitute expenditures or liabilities. The City reappropriates current year encumbrances into the following year as an amendment to the budget. Encumbrances outstanding as of December 31, 2013 were reappropriated by Ordinance 2014-04-018.

Encumbrances outstanding as of December 31, 2013

Fund	Amount
General	$ 3,497,460
Water	506,220
Wastewater	8,145,306
Storm & surface water	944,808
Solid waste	65,147
Non-major	1,674,348
Total encumbrances	$ 14,833,289

II-B Deficit fund equity

As of December 31, 2013, the following funds reported deficits in fund balance or fund equity:

Fund 440 – The solid waste fund has a deficit net position of $6.1 million. This deficit is due to 1) In 2005 the City issued bonds totaling $8.7 million to finance (a) the environmental cleanup of the Holly Street landfill, (b) the City's share of the environmental cleanup of the Cornwall Avenue and Central Waterfront landfill sites by the Port of Bellingham, and (c) the acquisition of the Colony Wharf property adjacent to the Roeder Avenue landfill. In 2006, the solid waste fund sold Colony Wharf to the general fund, so it no longer has the asset, but still has a liability for the debt. The remediation expenses did not increase assets. 2) Per GASB 49, the City has a net pollution remediation liability in the solid waste fund of $7.9 million at December 31, 2013 (see note V-C). The utility tax received by the solid waste fund was increased from 7% to 11.5% effective May 1, 2005, in order to accommodate the debt service requirements for the projects funded from bond proceeds. The deficit will be reduced as the bonds payable liability is reduced and also as the pollution remediation liability is reduced.

Fund 530 – The facilities administration fund has a deficit net position of $3.9 million. This deficit is due to issuing qualified energy conservation bonds in 2011 to finance noncapital improvements in over 20 City owned municipal building. These improvement expenses did not increase assets. The deficit will be eliminated when the bonds mature in 2025. These are term bonds; principal is due in full on the maturity date. Fund 530 has a long-term bond payable liability of $6.5 million at December 31, 2013.

II-C Excess of expenditures over appropriations

As of December 31, 2013, there has been no material violation of finance related legal or contractual provisions in any City governmental fund.

NOTE III. ACCOUNTING CHANGES

III-A New and closed funds

Fund 181 - ***Low income housing*** - In 2013 the City created a new fund to account for the voter approved seven-year, $21 million dollar levy to provide housing assistance for homeless and low income citizens.

Fund 371 - ***Waterfront construction #1*** - In 2013 the City created a new fund to account for Local Infrastructure Financing Tool (LIFT) revenue received from the state. The City will receive this funding for up to twenty-five years, and the funds are to be spent on public infrastructure projects within the Revenue Development Area (RDA) - the Waterfront District.

Fund 132 - ***Squalicum park/Olympic*** - In 2013 the City made final disbursement of settlement proceeds received from Olympic Pipeline in 2004. All funding was expended and the fund was closed.

Fund 135 - ***Little Squalicum - Oeser settlement*** - In 2013 the City made final disbursement of settlement proceeds received from the Oeser Company in 2006. All funding was expended and the fund was closed.

Fund 270 - ***#1106 Bakerview Rd*** - In 2013 the City made the final debt service payment on the 1996 Local Improvement District No. 1106 bonds and the fund was closed. All remaining funding received for this LID will be accounted for in fund 245 - LID guaranty fund.

III-B Special Items

In 2008, the City of Bellingham Parking Service Fund purchased property located at 1100 Cornwall Avenue for the future site of a parking structure. Management of this property was delegated to the Bellingham Public Development Authority (BPDA), which sold the property in 2012. Agreement between the City and the BPDA provided that the priority for disposition of sale proceeds was to reimburse the City for the City's original direct acquisition and ownership costs for the property and for other City expenditures related to the property. In 2013, the sale proceeds of $1,176,877 were returned to the Parking Fund.

III-C Implementation of new GASB pronouncements

Effective January 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* GASB Statement No. 65 amends or supersedes the accounting and financial reporting guidance for certain items previously reported as assets or liabilities. For instance, voluntary nonexchange transactions where resources are received before time requirements are met, but after all other eligibility requirements have been met, should be reported as a deferred inflow of resources by the recipient. In the City's case, this change mandated by GASB No. 65 led to the reporting of the advanced funded Office of Public Defense grant as a deferred inflow of resources. The Office of Public Defense grant funds period of availability begins in 2014 but the money was received in advance by the City in late 2013.

Additionally, GASB No. 65, changed the accounting treatment and presentation of debt issuance costs. Under GASB No. 65 debt issuance costs, except for any portion related to prepaid insurance costs, is recognized as an expense in the period incurred. As stated in GASB No. 62 ¶ 74, "the issuance of a new pronouncement by the GASB…that creates a new accounting principle…or rejects a specific principle *may require* a government to adopt a change in accounting principle." Accordingly, due to this change in accounting principle, the City expensed the outstanding bond issuance costs retroactively and presented the change as an adjustment to beginning net position. The cumulative effect of expensing the remaining bond issue costs on net position on the Statement of Activities was to reduce governmental activities by $221,087, reduce business-type activities by $781,892, and reduce the Public Facilities District discrete component unit by $135,791. The effect of adopting the new accounting principle on

the change in net position in the current period of change includes expensing all $98,321 of debt issue costs associated with the 2013 water and sewer revenue bonds issue in August 2013.

Finally, with the issuance of GASB No. 65 the use of the term *deferred* was limited to items reported as deferred outflows of resources or deferred inflows of resources.

GASB No. 61, *The Financial Reporting Entity: Omnibus--an amendment of GASB Statements No. 14 and No. 34* also became effective in the City's current fiscal period. After applying the updated criterion laid out in GASB No. 61 related to analyzing the relationship between the City and its potential component units, ultimately the same conclusions and presentation results. The Transportation Benefit District (TBD) meets the criterion of a blended component unit and the Bellingham-Whatcom Public Facilities District (PFD) and the Bellingham Public Development Authority (BPDA) both meet the criteria of discrete component units. See note one for more details on the formation and activities of these components units and the key criterion that led to the classification as a blended component unit or discrete component units respectively.

NOTE IV. DETAILED NOTES ON ALL FUNDS

IV-A Deposits and investments

Deposits

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

Investments

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

- Investment deposits including certificates of deposit, with qualified public depositories as defined in 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.
- Washington State Local Government Investment Pool.
- Other investments authorized by law.

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

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

All investments are valued at fair value as of December 31, 2013. The fair value of the position in the LGIP is the same as the value of the pool shares. All of the City's investments are defined as being insured or registered in the name of the City, or held by the City or by its agent in the City's name.

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

Fair value of deposits and investments at December 31, 2013

		Component Units		
	City	Public Facilities District	Public Development Authority	Total
Cash and cash equivalents				
Cash in bank	13,055,631	123,771	6,220	13,185,622
Petty cash	41,410	-	-	41,410
Local Government Investment Pool	14,750,010	139,393	7,006	14,896,409
Total cash and cash equivalents	27,847,051	263,164	13,226	28,123,441
Investments at fair value				
Federal Agency Coupon Securities	114,926,790	1,100,556	55,309	116,082,655
Municipal Bonds	25,075,050	240,122	12,068	25,327,240
Total investments	140,001,840	1,340,678	67,377	141,409,895
Total deposits and investments	167,848,891	1,603,842	80,603	169,533,336

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, 2013 the overall average maturity for all of the City's investments was 2.684 years. The average maturity of the basic investment categories of the City are as follows:

Average maturity of the basic investment categories

	Average maturity in years
U.S. Government Agencies	3.171
Municipal Bonds	2.031
Rule 2a-7 like pools per GASB 31	0.000
Weighted average maturity of all investments	2.684

Credit risk - Per the City's Investment Policy, "Safety of principal is the foremost objective of the City of Bellingham. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses in individual securities do not exceed the income generated from the remainder of the portfolio." The City's policy further states, "Investments shall be made with judgment and care—under circumstances then prevailing—which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." Per RCW 39.59.020, state law requires that the City only invest in bonds which at the time of purchase have one of the three highest credit ratings of a nationally recognized rating agency. Per RCW 39.59.030, state law requires that the

City only invest in mutual funds with portfolios consisting of only United States government bonds or United States government bonds issued by federal agencies with average maturities of less than four years and possessing one of the four highest credit ratings of a nationally recognized rating agency. The City's investments and deposit accounts are 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's investments in municipal bonds at December 31, 2013 did not meet the diversification constraints as recommended in the City's Investment Policy because 52.2% of the City's investments were through DA Davidson. The City is working towards reallocating investments amongst other institutions in order to remain in line with the established policy. All individual investments did meet the high credit ratings standards policy. Finally, as required by GASB 40 paragraph 11 the City acknowledges that there is a concentration of credit risk in the following five issuers. Investments in any one issuer that represent five percent or more of total investments are disclosed in the table below:

Investments by Issuer	Relative % allocation of total investments	Ending Balance	Bond Rating
Federal National Mortgage Association	34.932%	54,601,215	Aaa
Federal Home Loan Mortgage	16.047%	25,083,210	Aaa
Federal Home Loan Bank	14.327%	22,394,204	Aaa
Federal Farm Credit Bank	8.959%	14,004,026	Aaa
King County School Dist. 414	5.820%	9,096,680	Aa1

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

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

IV-B Receivables

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

Receivables as of December 31, 2013

Governmental activities	General	Nonmajor governmental	Internal service	Total
Interest	$ -	$ 1,037	$ 44,615	$ 45,652
Taxes	322,864	42,984	-	365,848
Accounts	13,779,188	148,109	5,907	13,933,204
Special assessments	-	20,059	-	20,059
Notes and contracts receivable	326,483	13,280,220	-	13,606,703
Due from other governments	631,971	490,941	-	1,122,912
Due from component unit	-	9,235,000	-	9,235,000
Gross receivables	15,060,506	23,218,350	50,522	38,329,378
Less: allow. for uncollect.	(12,028,608)	-	-	(12,028,608)
Total governmental	$ 3,031,898	$ 23,218,350	$ 50,522	$ 26,300,770

Business-type activities	Water	Waste water	Storm & surface water	Solid waste	Medic one	Nonmajor enterprise	Total
Interest	$ 32,820	$ 62,092	$ 10,645	$ 16,371	$ 1,850	$ 13,777	$ 137,555
Accounts	1,273,002	1,112,984	536,195	9,301	613,574	1,923,462	5,468,518
Due from other government	9,490	52	138,249	2,139	-	-	149,930
Gross receivables	1,315,312	1,175,128	685,089	27,811	615,424	1,937,239	5,756,003
Less: allow. for uncollect.	-	-	-	-	(262,071)	(1,429,336)	(1,691,407)
Total business-type	$ 1,315,312	$ 1,175,128	$ 685,089	$ 27,811	$ 353,353	$ 507,903	$ 4,064,596

Fiduciary funds	Fire Pension	Police Pension	Guaranty Deposit	Total
Interest	$ 15,281	$ 12,371		$ 27,652
Taxes	34,822	-		34,822
Accounts	2,388	-	2,804	5,192
Total fiduciary	$ 52,491	$ 12,371	$ 2,804	$ 67,666

As of December 31, 2013, $9,975 of the special assessment receivable is delinquent.

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

Unearned revenue reported in the governmental funds as of December 31, 2013

Unearned revenue	General	Special revenue	Debt service	Permanent	Total
Delinquent property taxes receivable	$ 322,864	$ 35,541	$ -	$ 7,443	$ 365,848
Fines/forfeitures receivable	1,134,474	-	-	-	1,134,474
Special assessments not yet due	-	-	298,761	-	298,761
Total unearned revenue for governmental funds	$ 1,457,338	$ 35,541	$ 298,761	$ 7,443	$ 1,799,083

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 2013 tax levy, the City used all of its banked levy capacity.

In November 2001, the state voters approved Initiative 747, again modifying the RCW, reducing the maximum levy increase to 1%, or the Implicit Price Deflator (IPD), whichever is less. The levy limit applies to a taxing district's levy amount, and not to increases in the assessed value of individual properties. The limit is based on the population of the district as well as the district's need to increase revenue. The law restricts taxing districts from levying, in any year, more than a one-percent increase in its regular, non-voted levy over the highest amount that could have been levied since 1985. Because the levy limit does not include new construction, annexations, re-evaluations and voter approved excess levies, a taxing district's actual revenue increase may be greater than one percent. The IPD for 2013 was 1.295%. Council authorized a 1% increase for 2013.

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

- The 1% limitation may be exceeded by a "lid lift" if the levy is below the $3.60 limit and is approved by a simple majority of the voters.
- The Washington State Constitution limits total regular property taxes to 1% of assessed valuation or $10 per $1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.

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

Property tax levies 2013

Assessment	Type	Valuation	Rate/$1,000	Tax
General fund		$ 8,348,628,061	$ 1.6088	$ 13,431,658
Fire pension		8,348,628,061	0.2250	1,878,441
New What RDA LIFT		8,348,628,061	0.0029	24,494
Total councilmatic			1.8367	15,334,593
Affordable Housing	voter approved	8,348,628,061	0.3593	3,000,000
Greenways III - parks	voter approved	8,348,628,061	0.5394	4,503,417
Total voter approved			0.8987	7,503,417
Total assessments			$ 2.7354	$ 22,838,010

The 2006 Legislature passed Engrossed Second Substitute House Bill (E2SHB) 2673 creating the Local Infrastructure Financing Tool (LIFT) Demonstration Program. Bellingham was one-of-three selected local governments to utilize this form of tax increment financing to pay for public improvements within the Revenue Development Area (RDA). Incremental increases in revenue from local sales/use tax and property taxes generated within the RDA must be used to repay bonds or "pay as you go" financing of public infrastructure improvements that encourage economic development in the RDA. Incremental revenue increases within the RDA and revenue from other local public sources will be used to match state money, which will be distributed through a local sales/use tax that is credited against the state's sales/use tax.

Taxes are levied annually in November for the next fiscal year beginning January 1. The total amount of taxes levied becomes available in February of the year for which they are due. Annually the Assessor establishes assessed values at 100% of fair market value. Tax bills are mailed on February 15 and taxes are due in two equal installments on April 30 and October 31. The Whatcom County Treasurer acts as an agent to collect property taxes levied in the County for all taxing authorities. Collections are distributed monthly on cumulative balances less than $10,000, or weekly on balances exceeding $10,000.

In November 2012, City of Bellingham voters approved a property tax levy lid lift. Beginning in 2013, the levy will provide $3 million a year for Low Income Housing Initiatives.

IV-D Capital assets

Capital asset activity for the year ended December 31, 2013 is summarized as follows:

Primary government

Governmental activities	Beginning balance 1/1/2013	Additions	Reductions	Ending balance 12/31/2013
Capital assets not being depreciated:				
Land	$ 131,577,713	$ 803,817	$ -	$ 132,381,530
Improvements	17,614,900	-	-	17,614,900
Construction in progress	15,553,243	10,482,410	(8,297,260)	17,738,393
Total capital assets, not being depreciated	164,745,856	11,286,227	(8,297,260)	167,734,823
Capital assets being depreciated:				
Buildings	46,798,750	118,654	-	46,917,404
Improvements other than buildings	220,845,161	13,205,747	-	234,050,908
Machinery and equipment	23,935,676	1,265,488	(593,657)	24,607,507
Total capital assets being depreciated	291,579,587	14,589,889	(593,657)	305,575,819
Less accumulated depreciation for:				
Buildings	(15,944,343)	(871,653)	-	(16,815,996)
Improvements other than buildings	(93,091,044)	(6,867,278)	-	(99,958,322)
Machinery and equipment	(12,022,472)	(1,795,488)	495,492	(13,322,468)
Total accumulated depreciation	(121,057,859)	(9,534,419)	495,492	(130,096,786)
Total capital assets, being depreciated, net	170,521,728	5,055,470	(98,165)	175,479,033
Governmental activities capital assets, net	$ 335,267,584	$ 16,341,697	$ (8,395,425)	$ 343,213,856

Business-type activities	Beginning balance 1/1/2013	Additions	Reductions	Ending balance 12/31/2013
Capital assets not depreciated:				
Land	$ 41,561,862	$ 2,088,934	$ -	$ 43,650,796
Construction in progress	23,342,118	38,524,286	(2,161,028)	59,705,376
Total capital assets, not being depreciated	64,903,980	40,613,220	(2,161,028)	103,356,172
Capital assets depreciated:				
Buildings	94,596,436	-	-	94,596,436
Improvements other than buildings	209,445,787	5,762,543	(40,354)	215,167,976
Machinery and equipment	7,003,473	66,084	-	7,069,557
Total capital assets, being depreciated	311,045,696	5,828,627	(40,354)	316,833,969
Less accumulated depreciation for:				
Buildings	(48,300,508)	(1,707,251)	-	(50,007,759)
Improvements other than buildings	(85,139,273)	(4,151,646)	40,354	(89,250,565)
Machinery and equipment	(3,557,852)	(397,546)	-	(3,955,398)
Total accumulated depreciation	(136,997,633)	(6,256,443)	40,354	(143,213,722)
Total capital assets, being depreciated, net	174,048,063	(427,816)	-	173,620,247
Business-type activities capital assets, net	$ 238,952,043	$ 40,185,404	$ (2,161,028)	$ 276,976,419

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

Governmental activities	
General governmental	$ 437,975
Public safety	448,359
Public works	5,876,269
Cultural and recreational	1,188,565
Economic environment	65,986
Internal service fund capital assets are charged to various functions based on the usage of the assets	1,517,265
Total depreciation expense - governmental activities	$ 9,534,419

Business-type activities	
Cemetery	$ 6,565
Water	2,256,463
Wastewater	2,817,527
Storm and surface water	887,959
Solid waste	21,374
Golf	31,684
Parking	99,516
Medic one	118,272
Development services	17,083
Total depreciation expense - business-type activities	$ 6,256,443

Capital asset activity for the year ended December 31, 2013 is summarized as follows:

Discretely presented components

Bellingham-Whatcom Public Facility District	Beginning balance 1/1/2013	Additions	Reductions	Ending balance 12/31/2013
Capital assets not depreciated:				
Land	$ 1,329,860	$ -	$ -	$ 1,329,860
Total capital assets, not being depreciated	1,329,860	-	-	1,329,860
Capital assets being depreciated:				
Buildings	19,094,610	-	-	19,094,610
Improvements other than buildings	9,070,078	-	-	9,070,078
Total capital assets, being depreciated	28,164,688	-	-	28,164,688
Less accumulated depreciation for:				
Buildings	(3,455,614)	(474,148)	-	(3,929,762)
Improvements other than buildings	(1,220,705)	(276,854)	-	(1,497,559)
Total accumulated depreciation	(4,676,319)	(751,002)	-	(5,427,321)
Total capital assets being depreciated, net	23,488,369	(751,002)	-	22,737,367
Public Facilities District capital assets, net	$ 24,818,229	$ (751,002)	$ -	$ 24,067,227

Public Development Authority	Beginning balance 1/1/2013	Additions	Reductions	Ending balance 12/31/2013
Capital assets not depreciated:				
Land	$ 1,300	$ -	$ -	$ 1,300
Total assets not depreciated	1,300	-	-	1,300
Public Development Authority capital assets,	$ 1,300	$ -	$ -	$ 1,300

IV-E Interfund receivables, payables and transfers

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

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

Interfund balances at December 31, 2013

	Interfund loans receivable	Interfund loans payable	Due from other funds	Due to other funds
General	$ -	$ (4,527,796)	$ 124,614	$ 21,031
Nonmajor governmental	3,232,022	-	559	100,100
Water	-	(986,646)	1,031	39,354
Surface and storm	-	-	39,354	2,189
Medic one	-	-	-	2,325
Internal service	986,646	-	-	559
Fiduciary	1,295,774	-	-	-
Total government-wide	$ 5,514,442	$ (5,514,442)	$ 165,558	$ 165,558

Internal balances between governmental activities and business type activities $ 990,129

Firefighter's pension fund made a $2,250,000 loan to the general fund in 2008 for the purpose of buying new fire trucks. There is $1,295,774 remaining on this loan at year-end, and of that amount $1,084,960 will not be repaid in 2014.

Greenways endowment fund made a $3,232,022 loan to the Greenways III fund in 2011 for a land purchase. The repayment terms for this loan are interest only with a balloon payment of $3,232,022 in 2017. The Chuckanut Community Forest Park District was formed by voter approval in 2013. The District has levied a $0.28 cent per thousand dollars of assessed valuation to repay the Greenways endowment fund for this land purchase. The loan is scheduled to be repaid over the next ten years with the first payment anticipated to be received by June 30, 2014.

Fleet fund made a $2,200,000 loan to the water fund in 2012 for a land purchase. There is $986,646 remaining on this loan at year-end, and of that amount $247,846 will not be repaid in 2014.

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

Transfers at December 31, 2013

	Transfers Out								
Transfers In	General	Nonmajor governmental	Water	Waste-water	Surface and Storm	Medic one	Nonmajor enterprise	Internal service	Total
General	$ -	$ 553,211	$ -	$ -	$ -	$ -	$ 718,842	$ -	$ 1,272,053
Nonmajor governmental	930,040	-	-	-	-	-	-	-	930,040
Water	874,782	-	-	-	-	-	-	-	874,782
Surface and Storm	503,775	1,000,000	-	-	-	-	-	-	1,503,775
Medic one	1,067,774	-	-	-	-	-	-	-	1,067,774
Nonmajor enterprise	221,480	-	-	-	-	-	-	-	221,480
Internal service	1,481,232	61,470	37,165	37,214	16,601	13,543	80,612	66,890	1,794,727
Total	$ 5,079,083	$ 1,614,681	$ 37,165	$ 37,214	$ 16,601	$ 13,543	$ 799,454	$ 66,890	$ 7,664,631

IV-F Operating leases

The City leases two radio towers, one off-site data servicing facility and 29 copier leases 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 position. Total operating lease expenditures for 2013 were $225,517.

Future minimum lease payments year ending December 31, 2013

2014	246,393
2015	242,774
2016	110,273
2017	37,689
2018	9,415
2019-2023	-
Total	$ 646,544

IV-G Capital construction commitments

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

Construction commitments as of December 31, 2013

	Spent to date	Remaining commitment
Parks projects	$ 4,009,915	$ 578,716
Street projects	13,773,554	2,303,644
Water projects	1,506,413	151,756
Sewer projects	56,775,788	7,553,100
Storm projects	1,260,093	685,754
	$ 77,325,763	$ 11,272,970

IV-H Long-term debt

General obligation bonds

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

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

The City currently has four outstanding general obligation bond issues and the original amount issued was $29,545,000. The City issued no new general obligation bonds in 2013.

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 cleanup 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.

2011 LTGO Qualified Energy Conservation (QEC) bonds were issued April 27, 2011, in the amount of $6,480,000. These are term bonds with principal due in full on the maturity date. The City will make interest only payments until 2025. These bonds are taxable and the proceeds are being used for financing improvements in over 20 City-owned municipal buildings for the purpose of reducing energy consumption by at least 20 percent. The City has elected to receive a subsidy payment from the federal government equal to 70 percent of the interest calculated at the tax credit rate published by the United States Treasury on the date of sale. The federal credit payment will be paid to the City; no holders of the bonds will be entitled to a tax credit. The proceeds were deposited in accordance with the bond ordinance into the facilities fund. These bonds are financed by the facilities fund, a governmental activity, and will mature in 2025.

The City was notified that Congress included the QEC bond tax program subsidy as part of the "sequester" agreement, which took effect March 1, 2013. The May 2013 subsidy received was reduced by 8.7%, which equated to a $10,714 reduction in the subsidy provided to the City. The November 2013 subsidy received was reduced by 7.2%, which equated to a $8,867 reduction in funding. The 2014 subsidy payments are expected be reduced by 7.2% which is $17,734 less than originally slated.

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

General obligation bonds currently outstanding

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
2011 LTGO Qual energy conserv	6,480,000	04/27/11	12/01/25	5.43%	6,480,000
2012 LTGO Refunding	14,370,000	03/29/12	12/01/28	2.00 - 4.00%	14,010,000
Total governmental activities					20,490,000
Business-type activities					
2005 LTGO Solid Waste Series A	1,545,000	12/08/05	12/01/25	4.125 - 4.20%	1,545,000
2005 LTGO Solid Waste Series B	7,150,000	12/08/05	12/01/23	4.80 - 5.40%	4,665,000
Total business-type activities					6,210,000
Total general obligation bonds outstanding					$ 26,700,000

General obligation bond annual debt service requirements to maturity

Year ending December 31	Governmental activities Principal	Interest	Total requirements	Business-type activities Principal	Interest	Total requirements
2014	$ 1,170,000	$ 793,289	$ 1,963,289	$ 385,000	$ 313,073	$ 698,073
2015	1,110,000	777,389	1,887,389	405,000	292,860	697,860
2016	1,190,000	744,089	1,934,089	425,000	271,517	696,517
2017	1,275,000	696,489	1,971,489	450,000	248,949	698,949
2018	1,370,000	645,489	2,015,489	470,000	225,054	695,054
2019-2023	4,115,000	2,854,545	6,969,545	2,760,000	720,995	3,480,995
2024-2028	10,260,000	995,953	11,255,953	1,315,000	83,046	1,398,046
Total	$ 20,490,000	$ 7,507,243	$ 27,997,243	$ 6,210,000	$ 2,155,494	$ 8,365,494

Notes payable

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

Water and sewer revenue bond anticipation note, 2012 (revolving line of credit) - on December 10, 2012 the City entered into a Note agreement with Wells Fargo Bank, National Association for a revolving line of credit, not to exceed $5,000,000. The Note is to provide interim financing for the purchase of various parcels of land within the Lake Whatcom Watershed, and paying the cost of issuance of the Note. The Note is expected to be repaid from revenues of the water and sewer system, including, but not limited to, a portion of the City's watershed management fee set aside and dedicated to support the watershed management program.

The City shall make draws against the revolving line of credit, and repaid principal amounts of draws may be re-borrowed under the Note, provided that the outstanding balance of all draws under the Note

shall never exceed $5,000,000 at any time. Each draw shall have its own terms and maturity date. The City reserves the right to prepay and redeem the Note prior to the maturity date in whole or in part.

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

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

On December 14, 2012 the City made the first draw against the revolving line of credit in the amount of $2,700.000. The required repayment terms for this draw are interest only payments until the maturity date of December 31, 2015. The interest rate in effect on December 31, 2013 was .812%

Notes payable debt currently outstanding

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
Drake property note payable	$ 225,000	12/31/92	12/31/22	7.00%	$ 119,689
Total governmental activities					119,689
Business-type activities					
Revolving line of credit	2,700,000	12/14/12	12/31/15	variable	2,700,000
Total business-type activites					2,700,000
Total notes payable outstanding					$ 2,819,689

Notes payable annual debt service requirements to maturity

Year ending December 31	Governmental activities Principal	Interest	Total requirement	Business-type activities Principal	Interest	Total requirement
2014	$ 9,899	$ 8,065	$ 17,964	$ -	$ 31,200	$ 31,200
2015	10,614	7,349	17,963	2,700,000	31,200	2,731,200
2016	11,382	6,582	17,964	-		-
2017	12,204	5,759	17,963	-	-	-
2018	13,087	4,877	17,964	-	-	-
2019-2022	62,503	9,337	71,840	-	-	-
Total	$ 119,689	$ 41,969	$ 161,658	$ 2,700,000	$ 62,400	$ 2,762,400

Government loans

Public Work Trust Fund loans - The City has Public Work Trust Fund construction loan agreements with the State Department of Community Development. There are two existing Public Work Trust Fund loans with original loan amounts totaling $4,913,000. Loans for governmental activity purposes are financed through street revenues and loans for business-type activity purposes are financed through the water and wastewater funds. There were no new loan agreements entered into during 2013.

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

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

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

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

Government loan debt currently outstanding

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
Street Resurfacing PWTF loan	$ 2,975,000	07/25/02	07/01/22	0.50%	$ 1,421,415
EDI - Whatcom County loan	350,000	03/29/12	03/29/19	1.00%	301,480
Total governmental activities					1,722,895
Business-type activities					
Watermain Repl PWTF loan	1,938,000	07/25/02	07/01/22	0.50%	920,550
DOE Loan - Surface & Stormwater	39,354	05/10/13	12/31/35	2.60%	39,354
Total business-type activities					959,904
Total governmental loans outstanding					$ 2,682,799

Government loan annual debt service requirements to maturity

Year ending December 31	Governmental activities Principal	Interest	Total requirements	Business-type activities Principal	Interest	Total requirements
2014	$ 206,940	$ 10,122	$ 217,062	$ 102,283	$ 4,603	$ 106,886
2015	207,430	8,842	216,272	102,283	4,091	106,374
2016	207,925	7,558	215,483	102,559	4,615	107,174
2017	208,425	6,268	214,693	103,895	4,080	107,975
2018	208,930	4,973	213,903	103,937	3,526	107,463
2019-2022	683,245	8,412	691,657	418,080	9,281	427,361
2023-2028	-	-	-	10,187	2,927	13,114
2029-2033	-	-	-	11,600	1,514	13,114
2034-2035	-	-	-	5,080	167	5,247
Total	$ 1,722,895	$ 46,175	$ 1,769,070	$ 959,904	$ 34,804	$ 994,708

Revenue bonds

The City also issued bonds where revenue derived from the acquired or constructed assets are pledged to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council and financed from enterprise fund revenues. The City currently has six revenue bonds and the original amount issued was $89,775,000. The water/sewer revenue bonds are issued to finance capital projects and watershed property acquisitions. There was one new revenue bond issued in 2013.

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. On March 29, 2012 the City made an advanced refunding on a portion of these bonds in the amount of $3,275,000. The remaining bonds are financed by business-type activities and will mature in 2014.

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

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

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

2012 Water and Sewer Refunding bonds were issued March 29, 2012 in the amount of $3,275,000. These bonds are tax exempt and the proceeds of this issue were used for an advance refunding of $3,135,000 of the *2004 Water and Sewer Revenue Improvement and Refunding bonds* and to pay the bond issuance costs. The proceeds were deposited directly with the refunded debt escrow agent in accordance with the bond ordinance. The bonds are financed by business-type activities and will mature in 2024.

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

Revenue bonds currently outstanding

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Business-type activities					
2004 Water/sewer impr/refunding *	$ 10,690,000	05/01/04	08/01/14	3.00 - 5.00%	$ 205,000
2006 Water/sewer revenue	11,330,000	06/15/06	08/01/26	4.00 - 4.50%	6,410,000
2008 Water/sewer revenue	6,040,000	08/21/08	08/01/18	3.00 - 4.25%	3,430,000
2011 Water/sewer revenue	42,655,000	09/27/11	08/01/41	2.00 - 5.00%	41,730,000
2012 Water/sewer refunding	3,275,000	03/29/12	08/01/24	2.00 - 4.00%	3,215,000
2013 Water/sewer revenue	15,785,000	08/27/13	08/01/43	4.25 - 5.00%	15,785,000
Total revenue bonds outstanding					$ 70,775,000

**$3,135,000 of these bonds were advanced refunded in 2012*

Revenue bond annual debt service requirements to maturity

Year ending December 31	Business-type activities Principal	Interest	Total requirements
2014	$ 1,995,000	$ 3,178,028	$ 5,173,028
2015	2,070,000	3,160,818	5,230,818
2016	2,145,000	3,086,518	5,231,518
2017	2,220,000	3,009,318	5,229,318
2018	2,300,000	2,926,018	5,226,018
2019-2023	7,250,000	13,610,300	20,860,300
2024-2028	8,955,000	11,916,626	20,871,626
2029-2033	11,315,000	9,554,594	20,869,594
2034-2038	14,330,000	6,537,243	20,867,243
2039-2043	18,195,000	2,671,077	20,866,077
Total	$ 70,775,000	$ 59,650,540	$ 130,425,540

To service revenue debt, $5,231,518 is available in the reserve accounts of the water and wastewater enterprise funds as of December 31, 2013 in compliance with applicable bond covenants.

Water and sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 times the maximum annual debt service (see statistical section). The City complies with bond covenants, with a current ratio coverage of 4.38%. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all debt covenants.

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

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

The table on the following page is a summary of the changes in long-term liabilities for the year ending December 31, 2013. The portion of the long-term debt due within one year is noted in the table on the far right and is broken out on the Statement of Net Position from the rest of the long-term debt balance. The City of Bellingham did not enter into any short-term debt activity during the year nor does it have any short-term debt outstanding at year-end.

Summary of changes in long-term liabilities for the year ending December 31, 2013

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
Bonds payable:					
General obligation bonds	$15,095,000	$ -	$ (1,085,000)	$ 14,010,000	$ 1,170,000
Less deferred amounts:					
for issuance premiums	953,662	-	(19,502)	934,160	-
for issuance discounts	(7,094)	-	7,094	-	-
Taxable energy conservation bond	6,480,000	-	-	6,480,000	-
Less deferred amounts:					
for issuance discounts	(42,934)	-	42,934	-	-
Total general obligation bonds	22,478,634	-	(1,054,474)	21,424,160	1,170,000
Special assessment bonds with government commitment	75,000	-	(75,000)	-	-
Less deferred amounts:					
for issuance discounts	(29,014)	-	29,014	-	-
Total special assessment bonds	45,986	-	(45,986)	-	-
Total bonds payable	22,524,620	-	(1,100,460)	21,424,160	1,170,000
Notes payable	128,920	-	(9,231)	119,689	9,899
Government loans	1,929,349	-	(206,454)	1,722,895	206,940
Claims and litigation	2,350,839	412,746	(588,802)	2,174,783	631,275
Pollution remediation obligation	14,809,816	-	(1,215,356)	13,594,460	965,000
Net pension/OPEB obligation	671,792	2,538,557	(2,397,882)	812,467	-
Compensated absences	4,799,297	305,999	(26,964)	5,078,332	4,082,233
Governmental activities long-term liabilties	$47,214,633	$ 3,257,302	$ (5,545,149)	$ 44,926,786	$ 7,065,347
Business-type activities					
Bonds payable:					
Revenue bonds	$56,920,000	$15,785,000	$ (1,930,000)	$ 70,775,000	$ 1,995,000
General obligation bonds	6,575,000	-	(365,000)	6,210,000	385,000
Less deferred amounts:					
for issuance premiums	3,655,870	254,500	(147,856)	3,762,514	-
for issuance discounts	(553,680)	-	524,960	(28,720)	-
Total bonds payable	66,597,190	16,039,500	(1,917,896)	80,718,794	2,380,000
Notes payable	2,700,000	-	-	2,700,000	-
Government loans	1,022,833	39,354	(102,283)	959,904	102,283
Pollution remediation obligation	5,170,343	5,378,527	(464,450)	10,084,420	487,979
Compensated absences	646,588	25,718	(38,872)	633,434	569,456
Total business-type activities long-term liabilites	$76,136,954	$21,483,099	$ (2,523,501)	$ 95,096,552	$ 3,539,718

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 $56,177 and short-term liabilities of $209,518 for internal service fund compensated absences are included in the above amounts. For the governmental activities, compensated absences are generally liquidated by the general fund.

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

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

Discretely presented component units

Bellingham-Whatcom Public Facilities District

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

Limited sales tax obligation bonds currently outstanding

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

Limited sales tax annual debt service requirements to maturity

	Discretely presented component unit		
Year ending December 31	Principal	Interest	Total requirements
2014	$ -	$ 409,173	$ 409,173
2015	-	409,173	409,173
2016	-	409,173	409,173
2017	-	409,173	409,173
2018	210,000	409,173	619,173
2019-2023	4,085,000	1,711,212	5,796,212
2024-2027	5,700,000	655,983	6,355,983
Total	$ 9,995,000	$ 4,413,060	$ 14,408,060

The PFD entered into an agreement with the City of Bellingham to borrow funds from the City's 2004 LTGO PFD/Civic/Aquatic refunding bond. Of the total $16,375,000 bond issue, $9,370,000 was for the PFD to fund the construction of the Whatcom Museum. The PFD pays the debt service costs on its portion of the bond. The PFD portion of the bond matures in 2026.

The PFD entered into a loan agreement with the City of Bellingham in 2008 to borrow $2,800,000 for the purpose of funding the construction of the Whatcom Museum. This loan had a term of 10 years and

payments were interest only for the first five years. In 2010 the PFD made an unscheduled $1,000,000 principal payment, reducing the outstanding principal amount to $1,800,000. In 2013 the loan was restructured, setting an interest rate of 3.25% and extending the loan term to mature on December 31, 2027.

Intergovernmental loan currently outstanding

Name of issuance	Original loan amount	Issue date	Maturity date	Interest rates	Debt outstanding
2004 City of Bellingham loan	$ 9,370,000	11/09/04	12/01/26	2.00 - 4.00%	$ 7,435,000
2008 City of Bellingham loan	2,800,000	12/31/08	12/31/27	3.25%	1,800,000
Total bonds outstanding					$ 9,235,000

Intergovernmental loan annual debt service requirements to maturity

	Discretely presented component unit		
Year ending December 31	Principal	Interest	Total requirements
2014	$ 485,232	$ 309,284	$ 794,516
2015	448,222	339,122	787,344
2016	490,228	321,775	812,003
2017	532,350	302,753	835,103
2018	574,593	282,053	856,646
2019-2023	3,631,349	1,035,288	4,666,637
2024-2026	3,073,026	246,165	3,319,191
Total	$ 9,235,000	$ 2,836,440	$ 12,071,440

Summary of changes in long-term liabilities for the year ending December 31, 2013

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due within one year
General obligation bonds	$ 9,995,000	$ -	$ -	$ 9,995,000	$ -
Less deferred amounts: for issuance discounts	(30,737)	-	2,049	(28,688)	-
Total bonds payable	9,964,263	-	2,049	9,966,312	-
Notes payable	9,584,000	-	(349,000)	9,235,000	485,232
Total long-term liabilites	$ 19,548,263	$ -	$ (346,951)	$ 19,201,312	$ 485,232

IV-I Restricted net position

The government-wide statement of net position reports $76,770,569 of restricted net position, of which $31,674,040 is restricted by enabling legislation.

NOTE V. OTHER DISCLOSURES

V-A Risk management

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

The claims, litigation and property loss fund is the source for payment of third party claims and judgments, excess liability insurance premiums and property insurance premiums. Currently the City maintains commercial property insurance for fire and other hazards on City properties having an estimated total replacement value of $189 million in 2013 and $210 million in 2014. During the current and preceding two years, no City property losses exceeded the City's insurance coverage.

Departments of the City contribute premiums to pay prior and current year claims and to provide a reserve for future losses, including catastrophic losses. For 2013, department contributions, judgments and settlements flowing into the fund totaled $1,218,125. For this same year, the City purchased excess liability insurance with a retained self-insurance limit of $1 million and $15 million in policy limits. The City Council has established by ordinance a goal of $5 million as the minimum amount to be made available to cover losses.

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

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

In 2013, the estimated claims liability decreased by $226,056.

The unemployment compensation fund was established to reimburse the State of Washington Employment Security Department, on a quarterly basis, for claims paid to former employees. State statutes mandate that most employers pay a tax or contribution to support the unemployment insurance system. City department contributions for 2013 totaled $108,713. In 2013, the City paid $89,413 in unemployment claims and $24,279 in administrative costs. At December 31, 2013, the total estimated liability is $160,000 and $493,794 is available. Discretely presented component unit employees are covered under the City self-insurance and are included in the figures above, with the exception of the PDA director who is covered by Washington State Employment Security.

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

2013 totaled $660,630. The department contribution rates are based on an internal formula derived from Washington State standard rates. In 2013, the City paid $371,374 in worker's compensation claims and $256,717 in administrative and reinsurance costs. At December 31, 2013, the total estimated liability is $430,000 and $1,046,690 is available. Discretely presented component unit employees are covered under the City self-insurance and are included in the figures above, with the exception of the PDA director who is covered by Washington State Labor & Industries.

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

Changes in estimated claims liabilities

Fund	Beginning liability	Claims and changes in estimates	Actual claims payments	Ending liability
Claims and litigation				
2011-2012	2,628,000	(353,503)	(463,658)	1,810,839
2012-2013	1,810,839	(98,041)	(128,015)	1,584,783
Unemployment compensation				
2011-2012	175,000	53,949	(68,949)	160,000
2012-2013	160,000	89,413	(89,413)	160,000
Workers' compensation				
2011-2012	350,000	373,734	(343,734)	380,000
2012-2013	380,000	421,374	(371,374)	430,000

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

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

City departments pay monthly premiums to the health benefits fund to cover premiums paid to third parties, administrative overhead, and other obligations. City department contributions for 2013 totaled $11,079,564 for the medical program, $1,195,283 for the dental program, and $83,836 for the vision program. Employee contributions for 2013 totaled $759,130 for medical, $0 for dental, and $709 for vision. The City and employees paid a total of $13,118,522 to the fund and spent $11,833,791 on insurance and health care and $527,817 on administrative costs. At December 31, 2013, $3,091,611 is available for all purposes. Discretely presented component unit employees are covered under the City's health plan with the exception of the PDA director who is covered by a separate contract with the Association of Washington Cities.

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 remedial actions. The City has issued two general obligation bonds for the City's share of remediation costs to be repaid primarily by net revenues from the solid waste fund. These revenues are generated principally by tax revenues paid by the City's solid waste contractor. The solid waste fund's projected cash flow indicates sufficient net revenue to repay the estimated principal and interest costs over a twenty-year period.

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

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

- *Contingent loan commitment for bonds* - In 2007, the PFD issued $9,995,000 of limited sales tax obligation bonds. The issue funded a portion of the cost of constructing the Whatcom Art and Children's Museum and paid 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 paid issuance costs 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 provide for the payment of principal or interest on any of its bonds.
- *Bridge loan* – In 2009, the City made a bridge loan to the PFD, at the PFD's request, in an amount up to the $2,800,000 with a term of 5 years interest only and 5 years principal and interest. The PFD made an early payment of $1 million in principal in 2010. In December of 2013, the outstanding balance of $1,800,000 was restructured (Ordinance 2013-12-096) into a fourteen year loan at 3.25%, with annual debt service payments of $160,203.

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

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, 2013, the outstanding balance of these loans is $12,067, and the resultant contingent liability is $10,861.

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). 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. Rental income is applied to bond repayment and maintenance of reserve accounts. 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.

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.

V-C GASB 49 pollution remediation obligations

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

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

RI/FS reports are in process for the other three sites where the City of Bellingham has been named as a PLP. Per the Department of Ecology website, the RI/FS reports for the remaining sites are slated for completion in 2014: South State Street Manufactured Gas Plant, the RG Haley Site, and the Central Waterfront. Costs will be updated as clean-up actions are finalized for each site.

Estimated pollution remediation obligations

Site	Governmental activities	Business-type activities
S. State St Man. Gas Plant (f.k.a Boulevard Park)	$ 8,553,817	$ -
Cornwall Ave Landfill Site	-	7,150,381
RG Haley Site	5,040,643	-
Eldridge Municipal Landfill	-	95,453
Central Waterfront	-	2,838,586
Total	$ 13,594,460	$ 10,084,420

Estimated pollution remediation prepaid assets

Site	Governmental activities	Business-type activities
Cornwall Ave Landfill Site	$ -	$ 803,710
Central Waterfront	-	1,332,086
Total	$ -	$ 2,135,796

South State Street Manufactured Gas Plant site (formerly known as: Boulevard Park) – Remediation is required to cleanup contamination from the use of this site for the manufacturing of gas from coal. The current estimated cost of remediation is $8.5 million. The City is negotiating for financial contributions from other potentially liable parties.

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

An RI/FS was released in December 2013 and placed the new estimate for groundwater and sediment cleanup at $9.1 million. Additionally, the City and Port expect another $434 thousand of Ecology oversight costs on top of the estimate in the RI/FS. Of the $1.44 million prepaid, $636 thousand has been exhausted leaving a residual prepaid asset of $804 thousand. The City's current estimated remediation liability is $7.15 million based on the cost sharing agreement between the City and the Port. The net balance of the City's prepaid pollution remediation asset and the City's pollution remediation obligation related to the Cornwall Ave Landfill site is $6.35 million.

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

During 2013, approximately $412 thousand was spent on a contamination containment interim action to prevent the spread of petroleum hydrocarbon to the waters of Bellingham Bay. Containment was achieved by placing amended or reactive cap material on top of the contaminated sediment. The interim action was intended to contain contaminants while the City completes the Remedial Investigation and Feasibility Study (RI/FS) process in accordance with the Washington State Model Toxics Control Act. The interim action did not preclude the evaluation or selection of alternatives for the final cleanup action. The total liability related to the RG Haley Site was increased in the 2012 financial statements based on the anticipated interim action costs. Based on currently available information, the pollution remediation obligation recorded above is a reasonable estimate of the future costs. The estimate will be updated upon issuance of the RI/FS report.

Eldridge Avenue Municipal Landfill – Remediation is required to cleanup contamination from the use of this site as a landfill for garbage. The remediation of this site is now complete. Ongoing monitoring and testing of the site is being coordinated with the Department of Ecology. The current cost estimate for completion of the remaining work is $95 thousand.

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

cleanup this site for an estimated $6.8 million. The City pre-paid the Port of Bellingham $2.26 million in 2005 to be applied against the future remediation expenses. Of the $2.26 million prepaid, $928 thousand has been exhausted leaving a residual prepaid asset of $1.33 million. The City's current estimated remediation liability is $2.8 million. The net of the prepaid pollution remediation asset and the pollution remediation obligation related to the Central Waterfront site is $1.5 million.

V-D Interlocal agreements

Whatcom Medic One

In November 2005, Whatcom County voters approved a ballot proposition authorizing the County to collect 1/10th of one percent sales tax for the purposes of supporting countywide emergency medical and law enforcement services. 1/3rd of this new tax remains with the county/cities for law enforcement and 2/3rds of this new tax is remitted to the County to be used for countywide emergency medical services. A 2006 interlocal agreement between the County and City reflects a higher County monetary contribution, with the City matching this amount with an in-kind contribution of city resources assigned to provide administrative support services. Per the interlocal agreement, the contribution amounts stated for 2007 will increase at the rate of 1% per year. In 2013, Whatcom County contributed $1,432,588 to Whatcom Medic One operations and the City contributed $1,067,774. Beginning in 2007, the EMS sales tax is being used to fund the unfunded portion of Whatcom Medic One's budget. In 2013, the EMS sales tax funded $2,932,997 of Whatcom Medic One's operations.

In 2010, Whatcom County advised the City of its intent to opt out of the ambulance services contract renewal. On January 1, 2014, the County assumed management responsibility of the countywide emergency medical service. The City of Bellingham now contracts with the county to provide ambulance service in certain areas of the county. The co-owned Whatcom Medic One inventory and assets will be equally divided between Whatcom County and the City as of December 31, 2013.

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 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 2013, the City contributed $1,868,999 to the public safety dispatch fund as its share of operations, approximately 40% of total revenues.

V-E Pension plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50*, Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

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

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

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

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

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

to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

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

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

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

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

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

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

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

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

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

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

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

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

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

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

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

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

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

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

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

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

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

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

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to

reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

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

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

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

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

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	**263,347**

Funding Policy

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

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

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

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

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

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

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

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 96,731	$ 1,590,094	$ 669,138
2012	103,272	1,314,610	557,991
2011	$ 97,037	$ 1,169,344	$468,314

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

Plan Description

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

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

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

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

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

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

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

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

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

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

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

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

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

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

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

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

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

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

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Non-vested	2,633
Total	**27,784**

Funding Policy

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' fiscal year 2013, the state contributed $54.2 million to LEOFF Plan 2.

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

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

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

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

	LEOFF Plan 1	LEOFF Plan 2
2013	$ 890	$ 1,312,368
2012	822	1,167,707
2011	$ 1,029	$ 1,148,899

City of Bellingham Firefighters' and Police Officers' Pension Funds

Plan description:

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

Membership and eligibility:

Membership is limited to firefighters' and police officers' employed prior to March 1, 1970 when the DRS LEOFF Plan I retirement system was established.

Firefighter plan membership as of December 31, 2013, consisted of 49 retirees and beneficiaries of which 43 were receiving benefits.

Police officer plan membership as of December 31, 2013, consisted of 26 retirees and beneficiaries of which 16 were receiving benefits.

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

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

Benefit obligations:

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

Pension benefits are tied to the current pay rates and/or the cost of living index. Benefits are calculated based on length of service (a percentage for each year of service) and on the AFC for the last two years of credited service.

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

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

Summary of significant accounting policies:

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

Investments:

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

Funding policy and contributions:

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

The firefighters' pension plan employer contributions for 2013 consist of $548,805 of City levied property tax, $50,066 investment interest, $70,000 from general fund, and $129,799 of state fire insurance premium tax.

The police officers' pension plan employer contributions for 2013 consist of $29,531 investment interest, $243,955 from General Fund, and $19,389 of unclaimed property auction proceeds.

Actuarial methods and assumptions:

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and the amounts are subject to continual revision and reflect a long-term perspective. Actuarial valuations of these plans are performed every two years, with the most recent valuation being performed to determine the funded status as of December 31, 2012. The actuarial assumptions involving investment earnings and salary growth for both police officers' and firefighters' pension plans have been determined in accordance with the recommendation of the system's retained actuary. Under LEOFF Plan I, the benefit is adjusted after retirement in proportion to the change in the Consumer Price Index (CPI). Most adjustments are based on the change in salary for the rank the members held at retirement. The salaries are based on salary and benefits surveys collected by the Association of Washington Cities (AWC) for an upper-level police officer and firefighter. The CPI figures used are for classification *Urban Wage Earners and Clerical Workers, Seattle-Everett, Washing*ton, which is the basis of LEOFF Plan I increases.

While assumptions are made regarding mortality, inflation and wage rates, our actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The City uses this cash flow projection to budget annual amounts to transfer to these plans for benefits. The annual required contribution (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 market value. The amortization period is "30 year closed" beginning January 1, 1997. As of December 31, 2013 there are 13 years remaining.

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

- 2.5% Inflation rate
- 4.5% investment return on present and future assets
- 3.5% Salary increase
- 2.5% CPI increase for LEOFF Plan I benefits
- Life expectancy for retirees is based on RP-2000 mortality tables using scale AA
- 9% assumed medical care expense inflation rate
- 4.5% long-term care expense

Funding status and progress:

As of the last valuation date, December 31, 2012, the firefighters' pension plan is 87.0% funded and the police officers' pension plan is 216.4% funded.

Schedule of funding status and funding progress for pension

	Firefighters' 12/31/12	Police Officers' 12/31/12
Actuarial value of plan assets	$ 5,555,000	$ 3,408,000
Actuarial accrued liability (AAL)	6,382,000	1,575,000
Unfunded actuarial liability (UAAL)	827,000	(1,833,000)
Funded ratio	87.0%	216.4%
Covered payroll	**	**
UAAL actuarial accrued liability as a % of covered payroll	0%	0%

** 2012 is the most current actuarial valuation. The next valuation will occur in 2014. ** There are no active plan employees to contribute to covered payroll in these plans*

A schedule of funding progress provided in the required supplemental information section of this report provides information on whether the funded ratio is increasing or decreasing over time.

In 2013, the City contributed more than the ARC in both the firefighters' and the police officers' pension plans.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

	Firefighters' 12/31/13	Police Officers' 12/31/13
Annual required contribution (ARC)	$ 73,616	$ -
Interest on net pension obligation (NPO)	(280,503)	(181,004)
Actuarial adjustment to ARC	434,436	117,168
Annual pension cost (APC)	227,549	(63,836)
Employer contributions	(748,604)	(263,344)
Increase / (decrease) in net pension obligation	(521,055)	(327,180)
Net pension obligation (asset) at beginning of year	(5,100,061)	(3,290,978)
Net pension obligation (asset) at end of year	$ (5,621,116)	$ (3,618,158)

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

Three year pension trend information

	Year ending	Annual pension cost (APC)	Employer contributions	Contribution as a % of APC	Net pension obligation (NPO)
Firefighters'	12/31/11	$ 230,808	$ 496,590	215.2%	$ (4,719,253)
	12/31/12	252,555	633,363	250.8%	(5,100,061)
	12/31/13	227,549	748,604	329.0%	(5,621,116)
Police Officers'	12/31/11	**	73,432	**	(2,873,833)
	12/31/12	**	399,991	**	(3,290,978)
	12/31/13	**	$ 263,344	**	$ (3,618,158)

*** Annual pension cost is less than zero.*

V-F Other post-employment benefits (OPEB)

Firefighters' and Police Officers' Medical and Long-Term Care Plans

Plan description:

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

Membership and eligibility:

As of December 31, 2013, there are 117 LEOFF Plan I employees and former employees of the City who have established membership after June 8, 1961 and before October 1, 1977. Of these 117 employees, 68 firefighters' and 44 police officers' are retired and meet the retirement eligibility requirements.

Benefit obligations:

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

Summary of significant accounting policies:

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

Investments:

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

Funding policy and contributions:

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

The firefighters' medical and long-term care health plans' contributions for 2013 consisted of $1,338,389 of City levied property tax, $135,220 of employer general fund contribution, and $21,274 of investment earnings.

The police officers' medical and long-term care health plans' contributions for 2013 consisted of $924,273 of employer general fund contribution and $18,815 of investment earnings.

Member benefits and expenses:

In 2013, the City purchased group insurance from Association of Washington Cities (AWC) to provide comprehensive medical coverage for LEOFF Plan I retirees under the age of 65 and supplemental medical coverage for LEOFF Plan I retirees over the age of 65. The City reimburses Medicare Part B premiums for eligible LEOFF Plan I retirees over the age of 65.

The fixed AWC insurance premiums paid in 2013 were $1,573 per month for retirees not enrolled in Medicare and $1,003 per month for retirees enrolled in Medicare. The Medicare Part B insurance premiums paid in 2013 were $105 per month.

OPEB medical and long-term care benefit and expenses paid in 2013

	Firefighters'	Police Officers'
Medical	$ 1,077,118	$ 696,486
Long-term care	58,261	61,564
Administrative expenses	53,681	47,788
Total	$ 1,189,060	$ 805,838

Funding status and progress:

Actuarial valuations involve estimates and assumptions about the probability of events far into the future and the amounts are subject to continual revision and reflect a long-term perspective. Actuarial valuations of these plans are performed every two years, with the most recent valuation being performed to determine the funded status as of December 31, 2012. The actuarial assumptions involving investment earnings and salary growth for both police officers' and firefighters' long-term care plans have been determined in accordance with the recommendation of the system's retained actuary.

While assumptions are made regarding mortality, inflation and wage rates, our actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The City uses this cash flow projection to budget annual amounts to transfer to these plans for benefits. The 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 market value of assets. The amortization period used for unfunded obligations is a closed 30-year period beginning January 1, 2007, with 23 years remaining.

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

- 2.5% inflation rate
- 4.5% investment return on present and future assets
- 9.0% medical care expense inflation rate
- 4.5% long-term care expense inflation rate
- Life expectancy based on RP-2000 mortality tables using scale AA

As of the last valuation date, December 31, 2012 the firefighters' OPEB long-term care plan is 9.8% funded and the police officers' OPEB long-term care plan is 13.2% funded.

Schedule of funding status and funding progress for OPEB

	Firefighters' 12/31/12	Police Officers' 12/31/12
Actuarial value of plan assets	$ 2,365,000	$ 2,172,000
Actuarial accrued liability (AAL)	24,127,000	16,445,000
Unfunded actuarial accrued liability (UAAL)	21,762,000	14,273,000
Funded ratio	9.8%	13.2%
Covered payroll	**	**
UAAL as a % of covered payroll	0.0%	0.0%

** 2012 is the most current actuarial valuation. The next valuation will occur in 2014. ** There are no active plan employees to contribute to covered payroll in these plans*

A schedule of funding progress provided in the required supplemental information section of this report provides information on whether the funded ratio is increasing or decreasing over time.

Annual OPEB cost (AOC) and net OPEB obligation

	Firefighters' 12/31/13	Police Officers' 12/31/13
Annual required contribution (ARC)	$ 1,538,195	$ 1,008,853
Interest on net OPEB obligation	21,972	14,977
Actuarial adjustment to ARC	(27,021)	(18,419)
Annual OPEB cost (AOC)	1,533,146	1,005,411
Employer contributions	(1,473,609)	(924,273)
Increase / (decrease) in net OPEB obligation	59,537	81,138
Net OPEB obligation (asset) at beginning of year	399,483	272,309
Net OPEB obligation (asset) at end of year	$ 459,020	$ 353,447

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

Three-year OPEB trend information

	Year ending	Annual OPEB (AOC)	Employer contributions	Contribution as a % of AOC	Net OPEB obligation
Firefighters'	12/31/11	$ 1,649,442	$ 1,740,949	105.5%	$ 339,193
	12/31/12	1,650,398	1,590,108	96.3%	399,483
	12/31/13	1,533,146	1,473,609	96.1%	459,020
Police Officers'	12/31/11	1,100,224	822,505	74.8%	261,883
	12/31/12	1,095,506	1,085,080	99.0%	272,309
	12/31/13	$ 1,005,411	$ 924,373	91.9%	$ 353,447

The statement of net position and the statement of changes in plan net position for the trust funds are presented below with separation between the pension, medical care, and long-term care plans.

Statement of Net Position
Firefighters' Pension & OPEB
December 31, 2013

	Pension	Medical Care	LT Care	Totals
ASSETS				
Cash and cash equivalents	$ 709,003	$ -	$ 462,634	$1,171,637
Investments:				
Governments securities	3,796,375	-	2,172,480	5,968,855
Employer receivable	46,666	-	5,825	52,491
Interfund loans receivable	1,295,774	-	-	1,295,774
Total assets	5,847,818	-	2,640,939	8,488,757
LIABILITIES				
Accounts payable	5,951	-	500	6,451
Accrued pension benefits	107,714	-	-	107,714
Other liabilities	34,822	-	-	34,822
Total liabilities	148,487	-	500	148,987
NET POSITION - HELD IN TRUST				
Net Position--restricted for pension & OPEB benefits	$5,699,331	-	$2,640,439	$8,339,770

Statement of Changes in Plan Net Position
Firefighters' Pension & OPEB
December 31, 2013

ADDITIONS	Pension	Medical Care	LT Care	Total
Contributions:				
Taxes	$ 678,604	$ 1,130,798	$ 207,591	$ 2,016,993
Employer contributions	70,000	-	135,220	205,220
Total trust contributions	748,604	1,130,798	342,811	2,222,213
Investment income:				
Interest	50,066	-	21,274	71,340
Net incr (decr) in fair value of investments	(52,649)	-	(30,186)	(82,835)
Net investment income	(2,583)	-	(8,912)	(11,495)
Total additions	746,021	1,130,798	333,899	2,210,718
DEDUCTIONS				
Benefits	598,129	1,077,118	58,261	1,733,508
Administration expense	3,493	53,680	-	57,173
Total deductions	601,622	1,130,798	58,261	1,790,681
CHANGE IN NET ASSETS				
Pension benefits	144,399	-	-	144,399
Long-term care benefits	-	-	275,638	275,638
Net position--restricted pension & OPEB benefits, Jan. 1, 2013	5,554,932	-	2,364,801	7,919,733
Net position--restricted pension & OPEB benefits, Dec. 31, 2013	$ 5,699,331	$ -	$ 2,640,439	$ 8,339,770

Statement of Net Position
Police Officer's Pension & OPEB
December 31, 2013

	Pension	Medical Care	LT Care	Totals
ASSETS				
Cash and cash equivalents	$ 574,631	$ -	$ 373,771	$ 948,402
Investments:				
Governments securities	2,927,435	-	1,904,163	4,831,598
Receivables, net	7,495	-	4,876	12,371
Total assets	3,509,561	-	2,282,810	5,792,371
LIABILITIES				
Accounts payable	1,728	-	-	1,728
Accrued pension benefits	10,203	-	-	10,203
Total liabilities	11,931	-	-	11,931
NET POSITION - HELD IN TRUST				
Net position--restricted employees' pension & OPEB benefits	$ 3,497,630	-	$ 2,282,810	$ 5,780,440

Statement of Changes in Plan Net Assets
Police Officers' Pension & OPEB
December 31, 2013

	Pension	Medical Care	LT Care	Totals
ADDITIONS				
Contributions:				
Auction proceeds	$ 19,389	$ -	$ -	$ 19,389
Employer contributions	243,955	744,273	180,000	1,168,228
Total trust contributions	263,344	744,273	180,000	1,187,617
Investment income:				
Interest	29,531	-	18,815	48,346
Net increase in fair value of investments	(40,537)	-	(26,387)	(66,924)
Net investment income	(11,006)	-	(7,572)	(18,578)
Total additions	252,338	744,273	172,428	1,169,039
DEDUCTIONS				
Benefits	160,904	696,486	61,564	918,954
Administration expense	1,557	47,787	-	49,344
Total deductions	162,461	744,273	61,564	968,298
NET INCREASE				
Pension benefits	89,877	-	-	89,877
Long-term care benefits	-	-	110,864	110,864
Net position--restricted pension & OPEB benefits, Jan. 1, 2013	3,407,753	-	2,171,946	5,579,699
Net position--restricted pension & OPEB benefits, Dec. 31, 2013	$ 3,497,630	$ -	$ 2,282,810	$ 5,780,440

V-G Endowments

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

On May 16, 2006, the voters passed a ballot authorizing the City to increase its regular property tax levy in 2007 to $2.49 per thousand (which included $.057 per thousand from the beyond greenways levy) of assessed valuation on all of the taxable property within the City. The ballot specified increases in 2008 and each of the nine succeeding years as allowed by RCW 84.55 to be used for the costs of parks, greenways, trail, and open space property acquisition, development, and maintenance. The City created the greenways III fund to account for 91% of the levy property tax receipts to be used for acquisition and development/improvement of property. 9% of the levy property tax receipts and interest earnings that are not yet needed for operational purposes are deposited into the endowment fund.

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

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

As of December 31, 2013, a total of $4,637,462 in property taxes and donations has been receipted into the endowment fund and is nonspendable. During 2013 all available interest was spent.

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

According to the terms of the agreement, the corpus (or original lump 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, 2013, $352,044 is available to spend.

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

CITY OF BELLINGHAM
WASHINGTON

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Legally Adopted Original General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	$ 13,480,000	$ 13,480,000	$ 13,516,117	$ 36,117
Retail sales and use	12,820,000	12,820,000	13,318,107	498,107
Business	27,750,381	27,645,381	27,109,401	(535,980)
Other	800,000	860,000	938,015	78,015
Licenses and permits	729,271	729,271	801,609	72,338
Intergovernmental revenue	1,283,718	1,208,180	1,193,343	(14,837)
Charges for services	7,028,136	7,490,681	7,938,371	447,690
Fines and penalties	1,271,100	1,316,100	1,159,922	(156,178)
Investment income	160,425	160,425	(13,543)	(173,968)
Miscellaneous revenue	444,644	444,644	599,236	154,592
Total revenues	65,767,675	66,154,682	66,560,578	405,896
EXPENDITURES				
Current:				
General government services	11,734,076	13,415,761	12,227,033	1,188,728
Public safety	36,683,437	35,777,749	35,545,985	231,764
Physical environment	-	4,430	2,422	2,008
Natural and economic environment	3,567,282	3,976,094	3,471,034	505,060
Social Services	255,902	276,560	238,327	38,233
Cultural and recreation	12,857,101	12,899,686	12,361,892	537,794
Debt service:				
Redemption of general long-term debt	208,213	208,213	-	208,213
Interest and other debt service cost	14,651	14,651	14,651	-
Capital outlay	-	212,900	220,308	(7,408)
Total expenditures	65,320,662	66,786,044	64,081,652	2,704,392
Excess (deficiency) of revenues over (under) expenditures	447,013	(631,362)	2,478,926	3,110,288
OTHER FINANCING SOURCES (USES)				
Transfers in	1,445,582	1,445,582	1,272,053	(173,529)
Transfers out	(3,072,000)	(3,072,000)	(3,071,999)	1
Total other financing sources and (uses)	(1,626,418)	(1,626,418)	(1,799,946)	(173,528)
Net change in fund balances	(1,179,405)	(2,257,780)	678,980	2,936,760
Fund balances - beginning	14,182,602	16,200,070	15,383,510	(816,560)
Fund balances - ending	$ 13,003,197	$ 13,942,290	$ 16,062,490	$ 2,120,200

CITY OF BELLINGHAM
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balances
Legally Adopted General Fund Budget compared to
Combined GASB 54 General Fund GAAP Basis Budget
For the Year Ended December 31, 2013

REVENUES	
General fund Budgeted	$66,154,682
Budgeted separately and consolidated for GASB 54 reporting -	
Streets	32,067,541
Paths and Trails Reserve	7,895
Park Site Acquisition	2,325
Squalicum Park/Olympic	-
Olympic - Whatcom Falls Park Addition	2,318
Little Squalicum Oeser Settlement	-
First 1/4% Real Estate Excise Tax	1,620,660
Second 1/4% Real Estate Excise Tax	2,217,012
Beyond Greenway Levy	12,143
Greenway III Levy	4,279,408
Park Impact Fees	416,989
Sportsplex	1,279
Combined General Fund Revenues	106,782,252
EXPENDITURES	
General fund Budgeted	66,786,044
Budgeted separately and consolidated for GASB 54 reporting -	
Streets	40,444,332
Paths and Trails Reserve	2,514
Park Site Acquisition	218,894
Squalicum Park/Olympic	-
Olympic - Whatcom Falls Park Addition	27,514
Little Squalicum Oeser Settlement	5,976
First 1/4% Real Estate Excise Tax	2,920,465
Second 1/4% Real Estate Excise Tax	2,268,629
Beyond Greenway Levy	1,201,996
Greenway III Levy	7,018,392
Park Impact Fees	1,461,313
Sportsplex	-
Combined General Fund Expenditures	122,356,069
OTHER FINANCING SOURCES (USES)	
General fund Budgeted	(1,626,418)
Budgeted separately and consolidated for GASB 54 reporting -	(2,027,569)
Combined General Fund other financing sources and uses	(3,653,987)
NET CHANGES IN FUND BALANCES	
General fund Budgeted	(2,257,780)
Budgeted separately and consolidated for GASB 54 reporting -	(16,970,024)
Combined General Fund Net Changes in Fund Balance	($19,227,804)

**Note: The twelve funds delineated above do not meet the definition of a special revenue fund as defined in GASB 54 ¶30-31and by the WA State Auditors office "GASB Statement 54 - Focusing on Special Revenue Funds" publication. Accordingly, they were combined with the general fund for GAAP basis reporting. However, the budgets for these twelve funds and the originally budgeted general fund were legally appropriated and as such are presented as part of the combining and individual fund statements.*

Actuarial valuations for the following pension plans are performed every two years using the Entry Age Normal Cost Method. The most recent valuation was performed December 31, 2012. The next scheduled valuation date is December 31, 2014.

Schedule of funding progress for pension funds

	Valuation date	Actuarial value of plan assets	Actuarial accrued liabilities entry age (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
Firefighters'	12/31/2008	$ 4,762,000	$ 7,385,000	$ 2,623,000	64.5%	N/A	N/A
	12/31/2010	5,441,000	6,570,000	1,129,000	82.8%	N/A	N/A
	12/31/2012	5,555,000	6,382,000	827,000	87.0%	N/A	N/A
Police Officers'	12/31/2008	3,216,000	2,205,000	(1,011,000)	145.9%	N/A	N/A
	12/31/2010	3,134,000	1,899,000	(1,235,000)	165.0%	N/A	N/A
	12/31/2012	$ 3,408,000	$ 1,575,000	$ (1,833,000)	216.4%	N/A	N/A

Schedule of employer contributions for pension funds

	Year ending	Annual required contribution (ARC)	Employer contributions	Percentage contributed
Firefighters'	12/31/2008	$ 372,881	$ 1,158,121	310.6%
	12/31/2009	219,490	1,028,402	468.5%
	12/31/2010	219,490	628,673	286.4%
	12/31/2011	100,391	496,590	494.7%
	12/31/2012	100,391	633,363	630.9%
	12/31/2013	73,616	748,604	1016.9%
Police Officers'	12/31/2008	**	64,815	**
	12/31/2009	**	17,559	**
	12/31/2010	**	150,745	**
	12/31/2011	**	73,432	**
	12/31/2012	**	399,991	**
	12/31/2013	**	$ 263,344	**

*** The annual required contribution is less than zero.*

Actuarial valuations for the following OPEB long-term care plans are performed every two years using the Entry Age Normal Cost Method. The most recent valuation was performed December 31, 2012. The next scheduled valuation date is December 31, 2014.

Schedule of funding progress for OPEB long-term care

	Valuation date	Actuarial value of plan assets	Actuarial accrued liabilities entry age (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a % of covered payroll
Firefighters'	12/31/2008	$ 1,480,000	$ 20,939,000	$ 19,459,000	7.1%	N/A	N/A
	12/31/2010	1,713,000	23,929,000	22,216,000	7.2%	N/A	N/A
	12/31/2012	2,365,000	24,127,000	21,762,000	9.8%	N/A	N/A
Police Officers'	12/31/2008	2,008,000	14,738,000	12,730,000	13.6%	N/A	N/A
	12/31/2010	2,043,000	16,798,000	14,755,000	12.2%	N/A	N/A
	12/31/2012	$ 2,172,000	$ 16,445,000	$ 14,273,000	13.2%	N/A	N/A

Schedule of employer contributions for OPEB long-term care

	Year ending	Annual required contribution (ARC)	Employer contributions	Percentage contributed
Firefighters'	12/31/2008	$ 1,306,122	$ 1,093,128	83.7%
	12/31/2009	1,400,119	1,059,211	75.7%
	12/31/2010	1,400,119	1,577,876	112.7%
	12/31/2011	1,656,188	1,740,949	105.1%
	12/31/2012	1,656,188	1,590,108	96.0%
	12/31/2013	1,538,195	1,473,609	95.8%
Police Officers'	12/31/2008	926,221	$ 1,096,621	118.4%
	12/31/2009	915,952	852,957	93.1%
	12/31/2010	915,952	692,509	75.6%
	12/31/2011	1,099,976	822,505	74.8%
	12/31/2012	1,099,976	1,085,080	98.6%
	12/31/2013	$ 1,008,853	$ 924,273	91.6%

CITY OF BELLINGHAM
WASHINGTON

CITY OF BELLINGHAM

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

ASSETS	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Other Non-Major Governmental Funds
Cash and cash equivalents	$ 2,104,710	$ 248,304	$ 79,484	$ 650,390	$ 3,082,888
Investments	10,387,145	1,264,385	404,929	3,313,388	15,369,847
Receivables, net	183,137	20,059	1,037	7,956	212,189
Due from other funds	-	-		559	559
Due from other governments	490,941	-	-	-	490,941
Due from component units	-	7,435,000	-	1,800,000	9,235,000
Interfund loans receivable	-	-	-	3,232,022	3,232,022
Prepaid items	129,250	-	-	-	129,250
Special assessments	-	298,761	-	-	298,761
Notes and contracts receivable	13,280,220	-	-	-	13,280,220
Total assets	26,575,403	9,266,509	485,450	9,004,315	45,331,677
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	845,817	117	-	-	845,934
Accrued wages and benefits	217,848	-	-	-	217,848
Due to other funds	100,100	-	-	-	100,100
Other liabilities	-	-	-	7,366	7,366
Unearned revenue	35,541	298,761	-	7,443	341,745
Total liabilities	1,199,306	298,878	-	14,809	1,512,993
FUND BALANCES					
Nonspendable	129,250	-	-	8,637,462	8,766,712
Restricted	25,246,847	8,967,631	485,450	352,044	35,051,972
Total fund balances	25,376,097	8,967,631	485,450	8,989,506	43,818,684
Total liabilities and fund balances	$ 26,575,403	$ 9,266,509	$ 485,450	$ 9,004,315	$ 45,331,677

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2013

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Total Other Non-Major Governmental Funds
REVENUES					
Taxes	$ 8,776,646	$ -	$ 490,189	$ 406,954	$ 9,673,789
Licenses and permits	443,027	-	-	-	443,027
Intergovernmental revenues	4,092,926	-	-	-	4,092,926
Charges for goods and services	3,476,801	357,143	-	-	3,833,944
Investment income	63,685	257,893	(4,739)	39,846	356,685
Miscellaneous revenues	392,747	558,484	-	-	951,231
Total revenues	17,245,832	1,173,520	485,450	446,800	19,351,602
EXPENDITURES					
Current:					
Public safety	4,654,876	-	-	-	4,654,876
Physical environment	51,909	-	-	-	51,909
Transportation	1,415,170	-	-	-	1,415,170
Natural and economic environment	3,056,713	-	-	122,072	3,178,785
Cultural and recreation	254,703	-	-	6,080	260,783
Debt service:					
Redemption of general long-term debt	-	1,375,686	-	-	1,375,686
Interest and other debt service cost	-	505,393	-	-	505,393
Capital outlay	3,105,541	-	-	-	3,105,541
Total expenditures	12,538,912	1,881,079	-	128,152	14,548,143
Excess (deficiency) of revenues Over (under) expenditures	4,706,920	(707,559)	485,450	318,648	4,803,459
OTHER FINANCING SOURCES (USES)					
Transfers in	-	930,040	-	-	930,040
Transfers out	(573,629)	(1,000,000)	-	(41,052)	(1,614,681)
Total other financing sources (uses)	(573,629)	(69,960)	-	(41,052)	(684,641)
Net change in fund balances	4,133,291	(777,519)	485,450	277,596	4,118,818
Fund balances - beginning	21,242,806	9,745,150	-	8,711,910	39,699,866
Fund balances - ending	$ 25,376,097	$ 8,967,631	$ 485,450	$ 8,989,506	$ 43,818,684

SPECIAL REVENUE FUNDS

125 – Federal Building
Created to account for a $2.61 million federal grant dedicated to maintenance and restoration of the Federal Building. This fund will be closed after all proceeds placed in the fund have been disbursed. Established by Ordinance 2012-03-014.

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

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

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

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

152 – Asset Forfeiture/Drug Enforcement
Proceeds of seizures are deposited into this fund. Used exclusively for expansion of narcotics enforcement services. Established by Ordinance 9894 and amended by Ordinance 10624.

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

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

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

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

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

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

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

City of Bellingham
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2013

ASSETS	Federal Building	Library Gift	Olympic Pipeline Incident	Environmental Remediation	Police Federal Equitable	Asset Forfeit/Drug Enforcement	Criminal Justice	Public Safety Dispatch	Transportation Benefit District	Public, Ed & Govt Access TV	Tourism	Low Income Housing	HUD Grant Fund	Total Nonmajor Special Revenue Funds
Cash and cash equivalents	$ 70,135	$ 65,800	$ 84,723	$ 37,475	$ 67,903	$ 8,273	$ 87,324	$ 511,474	$ 497,332	$ 111,528	$ 96,240	$ 453,326	$ 13,177	$ 2,104,710
Investments	357,300	-	431,618	190,916	345,931	42,145	444,866	2,605,683	2,533,638	568,172	490,295	2,309,449	67,132	10,387,145
Receivables, net	-	-	-	106,228	-	-	-	-	-	38,177	-	38,732	-	183,137
Due from other governments	-	999	-	211,406	10,284	-	-	-	-	-	-	-	268,252	490,941
Prepaid items	-	-	-	-	-	-	-	-	129,250	-	-	-	-	129,250
Notes and contracts receivable	-	-	-	-	-	-	-	-	-	-	-	19,157	13,261,063	13,280,220
Total assets	427,435	66,799	516,341	546,025	424,118	50,418	532,190	3,117,157	3,160,220	717,877	586,535	2,820,664	13,609,624	26,575,403
LIABILITIES AND FUND BALANCES														
LIABILITIES														
Accounts payable	-	3,060	500	50,493	13,028	7,769	37,407	19,781	408,980	6,472	105,864	10,916	181,547	845,817
Accrued wages and benefits	-	-	-	-	-	-	-	206,311	1,593	9,406	538	-	-	217,848
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	100,100	100,100
Unearned revenue	-	-	-	-	-	-	-	-	-	-	-	35,541	-	35,541
Total liabilities	-	3,060	500	50,493	13,028	7,769	37,407	226,092	410,573	15,878	106,402	46,457	281,647	1,199,306
FUND BALANCES														
Nonspendable	-	-	-	-	-	-	-	-	129,250	-	-	-	-	129,250
Restricted	427,435	63,739	515,841	495,532	411,090	42,649	494,783	2,891,065	2,620,397	701,999	480,133	2,774,207	13,327,977	25,246,847
Total fund balances	427,435	63,739	515,841	495,532	411,090	42,649	494,783	2,891,065	2,749,647	701,999	480,133	2,774,207	13,327,977	25,376,097
Total liabilities and fund balances	$ 427,435	$ 66,799	$ 516,341	$ 546,025	$ 424,118	$ 50,418	$ 532,190	$ 3,117,157	$ 3,160,220	$ 717,877	$ 586,535	$ 2,820,664	$ 13,609,624	$ 26,575,403

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2013

	Federal Building	Library Gift	Olympic Pipeline Incident	Environmental Remediation	Police Federal Equitable	Asset Forfeit/Drug Enforcement	Criminal Justice	Public Safety Dispatch	Transportation Benefit District	Public, Ed & Govt Access TV	Tourism	Low Income Housing	HUD Grant Fund	Total Nonmajor Special Revenue Funds
REVENUES														
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,655,993	$ -	$ 1,159,012	$ 2,961,641	$ -	$ 8,776,646
Licenses and permits	-	-	-	-	-	-	-	-	-	443,027	-	-	-	443,027
Intergovernmental revenues	-	999	-	523,780	47,618	-	305,507	1,966,084	-	-	-	-	1,248,938	4,092,926
Charges for goods and services	-	-	-	-	-	-	-	3,039,265	436,471	1,065	-	-	-	3,476,801
Investment income	(952)	-	(1,084)	3,266	(1,159)	61	(789)	(14,550)	(7,251)	(2,946)	(3,063)	(21,891)	114,043	63,685
Miscellaneous revenues	-	69,942	-	133,298	-	72,580	-	5,500	-	108,827	-	-	2,600	392,747
Total revenues	(952)	70,941	(1,084)	660,344	46,459	72,641	304,718	4,996,299	5,085,213	549,973	1,155,949	2,939,750	1,365,581	17,245,832
EXPENDITURES														
Current:														
Public safety	-	-	-	-	73,081	41,415	141,049	4,399,331	-	-	-	-	-	4,654,876
Physical environment	51,909	-	-	-	-	-	-	-	-	-	-	-	-	51,909
Transportation	-	-	-	-	-	-	-	-	1,415,170	-	-	-	-	1,415,170
Natural and economic environment	-	-	84,499	1,068,347	-	-	-	-	-	240,698	930,126	165,543	567,500	3,056,713
Cultural and recreation	-	52,114	-	202,589	-	-	-	-	-	-	-	-	-	254,703
Capital outlay	-	-	-	-	-	-	-	45,728	3,059,813	-	-	-	-	3,105,541
Total expenditures	51,909	52,114	84,499	1,270,936	73,081	41,415	141,049	4,445,059	4,474,983	240,698	930,126	165,543	567,500	12,538,912
Excess (deficiency) of revenues over (under) expenditures	(52,861)	18,827	(85,583)	(610,592)	(26,622)	31,226	163,669	551,240	610,230	309,275	225,823	2,774,207	798,081	4,706,920
OTHER FINANCING SOURCES (USES)														
Transfers out	-	-	-	-	-	-	(365,000)	(12,629)	-	(46,000)	(150,000)	-	-	(573,629)
Total other financing sources (uses)	-	-	-	-	-	-	(365,000)	(12,629)	-	(46,000)	(150,000)	-	-	(573,629)
Net change in fund balances	(52,861)	18,827	(85,583)	(610,592)	(26,622)	31,226	(201,331)	538,611	610,230	263,275	75,823	2,774,207	798,081	4,133,291
Fund balance - beginning	480,296	44,912	601,424	1,106,124	437,712	11,423	696,114	2,352,454	2,139,417	438,724	404,310	-	12,529,896	21,242,806
Fund balance - ending	$ 427,435	$ 63,739	$ 515,841	$ 495,532	$ 411,090	$ 42,649	$ 494,783	$ 2,891,065	$ 2,749,647	$ 701,999	$ 480,133	$ 2,774,207	$ 13,327,977	$ 25,376,097

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Federal Building Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 5,202	$ 5,202	$ (952)	$ (6,154)
Total revenues	5,202	5,202	(952)	(6,154)
EXPENDITURES				
Current:				
Physical environment	51,909	131,909	51,909	80,000
Total expenditures	51,909	131,909	51,909	80,000
Excess (deficiency) of revenues over (under) expenditures	(46,707)	(126,707)	(52,861)	73,846
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(46,707)	(126,707)	(52,861)	73,846
Fund balance - beginning	480,216	480,467	480,296	(171)
Fund balance - ending	$ 433,509	$ 353,760	$ 427,435	$ 73,675

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ -	$ -	$ 999	$ 999
Miscellaneous revenues	25,000	25,000	69,942	44,942
Total revenues	25,000	25,000	70,941	45,941
EXPENDITURES				
Current:				
Cultural and recreation	25,000	55,000	52,114	2,886
Total expenditures	25,000	55,000	52,114	2,886
Excess (deficiency) of revenues over (under) expenditures	-	(30,000)	18,827	48,827
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	(30,000)	18,827	48,827
Fund balance - beginning	6,000	44,912	44,912	-
Fund balance - ending	$ 6,000	$ 14,912	$ 63,739	$ 48,827

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 5,814	$ 5,814	$ (1,084)	$ (6,898)
Total revenues	5,814	5,814	(1,084)	(6,898)
EXPENDITURES				
Current:				
Natural and economic environment	2,572	104,620	84,499	20,121
Total expenditures	2,572	104,620	84,499	20,121
Excess (deficiency) of revenues over (under) expenditures	3,242	(98,806)	(85,583)	13,223
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	3,242	(98,806)	(85,583)	13,223
Fund balance - beginning	44,956	601,643	601,424	(219)
Fund balance - ending	$ 48,198	$ 502,837	$ 515,841	$ 13,004

CITY OF BELLINGHAM

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Environmental Remediation Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ 53,750	$ 2,469,835	$ 523,780	$ (1,946,055)
Investment income	12,000	12,000	3,266	(8,734)
Miscellaneous revenues	-	1,363,852	133,298	(1,230,554)
Total revenues	65,750	3,845,687	660,344	(3,185,343)
EXPENDITURES				
Current:				
Natural and economic environment	-	1,899,137	1,068,347	830,790
Cultural and recreation	57,268	2,065,385	202,589	1,862,796
Total expenditures	57,268	3,964,522	1,270,936	2,693,586
Excess (deficiency) of revenues over (under) expenditures	8,482	(118,835)	(610,592)	(491,757)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	8,482	(118,835)	(610,592)	(491,757)
Fund balance - beginning	1,062,240	1,090,538	1,106,124	15,586
Fund balance - ending	$ 1,070,722	$ 971,703	$ 495,532	$ (476,171)

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ 12,600	$ 12,600	$ 47,618	$ 35,018
Investment income	3,090	3,090	(1,159)	(4,249)
Total revenues	15,690	15,690	46,459	30,769
EXPENDITURES				
Current:				
Public safety	58,280	58,280	73,081	(14,801)
Capital outlay	36,000	36,000	-	36,000
Total expenditures	94,280	94,280	73,081	21,199
Excess (deficiency) of revenues over (under) expenditures	(78,590)	(78,590)	(26,622)	51,968
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(78,590)	(78,590)	(26,622)	51,968
Fund balance - beginning	386,662	337,085	437,712	100,627
Fund balance - ending	$ 308,072	$ 258,495	$ 411,090	$ 152,595

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 1,187	$ 1,187	$ 61	$ (1,126)
Miscellaneous revenues	40,000	40,000	72,580	32,580
Total revenues	41,187	41,187	72,641	31,454
EXPENDITURES				
Current:				
Public safety	48,523	48,523	41,415	7,108
Total expenditures	48,523	48,523	41,415	7,108
Excess (deficiency) of revenues over (under) expenditures	(7,336)	(7,336)	31,226	38,562
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(7,336)	(7,336)	31,226	38,562
Fund balance - beginning	61,002	112,214	11,423	(100,791)
Fund balance - ending	$ 53,666	$ 104,878	$ 42,649	$ (62,229)

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ 299,634	$ 299,634	$ 305,507	$ 5,873
Investment income	5,386	5,386	(789)	(6,175)
Total revenues	305,020	305,020	304,718	(302)
EXPENDITURES				
Current:				
Public safety	142,876	142,876	141,049	1,827
Total expenditures	142,876	142,876	141,049	1,827
Excess (deficiency) of revenues over (under) expenditures	162,144	162,144	163,669	1,525
OTHER FINANCING SOURCES (USES)				
Transfers out	(365,000)	(365,000)	(365,000)	-
Total other financing sources (uses)	(365,000)	(365,000)	(365,000)	-
Net change in fund balances	(202,856)	(202,856)	(201,331)	1,525
Fund balance - beginning	836,499	696,369	696,114	(255)
Fund balance - ending	$ 633,643	$ 493,513	$ 494,783	$ 1,270

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ 3,026,172	$ 1,900,000	$ 1,966,084	$ 66,084
Charges for goods and services	1,880,532	3,006,704	3,039,265	32,561
Investment income	25,763	25,763	(14,550)	(40,313)
Miscellaneous revenues	-	-	5,500	5,500
Total revenues	4,932,467	4,932,467	4,996,299	63,832
EXPENDITURES				
Current:				
Public safety	4,673,870	4,679,297	4,399,331	279,966
Capital outlay	94,000	94,000	45,728	48,272
Total expenditures	4,767,870	4,773,297	4,445,059	328,238
Excess (deficiency) of revenues over (under) expenditures	164,597	159,170	551,240	392,070
OTHER FINANCING SOURCES (USES)				
Transfers out	(12,629)	(12,629)	(12,629)	-
Total other financing sources (uses)	(12,629)	(12,629)	(12,629)	-
Net change in fund balances	151,968	146,541	538,611	392,070
Fund balance - beginning	1,949,217	2,353,562	2,352,454	(1,108)
Fund balance - ending	$ 2,101,185	$ 2,500,103	$ 2,891,065	$ 390,962

CITY OF BELLINGHAM

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Transportation Benefit District Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 4,300,000	$ 4,300,000	$ 4,655,993	$ 355,993
Charges for goods and services	-	135,522	436,471	300,949
Investment income	15,000	15,000	(7,251)	(22,251)
Total revenues	4,315,000	4,450,522	5,085,213	634,691
EXPENDITURES				
Current:				
Transportation	-	-	1,415,170	(1,415,170)
Capital outlay	3,710,850	4,868,987	3,059,813	1,809,174
Total expenditures	3,710,850	4,868,987	4,474,983	394,004
Excess (deficiency) of revenues over (under) expenditures	604,150	(418,465)	610,230	1,028,695
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	604,150	(418,465)	610,230	1,028,695
Fund balance - beginning	1,131,059	2,153,674	2,139,417	(14,257)
Fund balance - ending	$ 1,735,209	$ 1,735,209	$ 2,749,647	$ 1,014,438

CITY OF BELLINGHAM

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Public, Education and Government Access Television Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Licenses and permits	$ 367,000	$ 367,000	$ 443,027	$ 76,027
Intergovernmental revenues	1,800	-	-	-
Charges for goods and services	-	2,050	1,065	(985)
Investment income	6,250	6,000	(2,946)	(8,946)
Miscellaneous revenues	130,000	130,000	108,827	(21,173)
Total revenues	505,050	505,050	549,973	44,923
EXPENDITURES				
Current:				
Natural and economic environment	236,942	238,593	240,698	(2,105)
Capital outlay	35,000	35,000	-	35,000
Total expenditures	271,942	273,593	240,698	32,895
Excess (deficiency) of revenues over (under) expenditures	233,108	231,457	309,275	77,818
OTHER FINANCING SOURCES (USES)				
Transfers out	(46,000)	(46,000)	(46,000)	-
Total other financing sources (uses)	(46,000)	(46,000)	(46,000)	-
Net change in fund balances	187,108	185,457	263,275	77,818
Fund balance - beginning	429,899	391,085	438,724	47,639
Fund balance - ending	$ 617,007	$ 576,542	$ 701,999	$ 125,457

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 1,100,000	$ 1,100,000	$ 1,159,012	$ 59,012
Investment income	3,521	3,521	(3,063)	(6,584)
Total revenues	1,103,521	1,103,521	1,155,949	52,428
EXPENDITURES				
Current:				
Natural and economic environment	1,058,841	1,079,841	930,126	149,715
Total expenditures	1,058,841	1,079,841	930,126	149,715
Excess (deficiency) of revenues over (under) expenditures	44,680	23,680	225,823	202,143
OTHER FINANCING SOURCES (USES)				
Transfers out	(150,000)	(150,000)	(150,000)	-
Total other financing sources (uses)	(150,000)	(150,000)	(150,000)	-
Net change in fund balances	(105,320)	(126,320)	75,823	202,143
Fund balance - beginning	399,592	404,480	404,310	(170)
Fund balance - ending	$ 294,272	$ 278,160	$ 480,133	$ 201,973

CITY OF BELLINGHAM

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Low Income Housing Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 3,000,000	$ 3,000,000	$ 2,961,641	$ (38,359)
Investment income	-	-	(21,891)	(21,891)
Total revenues	3,000,000	3,000,000	2,939,750	(60,250)
EXPENDITURES				
Current:				
Natural and economic environment	2,883,557	2,883,557	165,543	2,718,014
Total expenditures	2,883,557	2,883,557	165,543	2,718,014
Excess (deficiency) of revenues over (under) expenditures	116,443	116,443	2,774,207	2,657,764
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	116,443	116,443	2,774,207	2,657,764
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ 116,443	$ 116,443	$ 2,774,207	$ 2,657,764

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
HUD Grant Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	$ 1,408,300	$ 2,199,509	$ 1,248,938	$ (950,571)
Charges for services	134,699	134,699	-	(134,699)
Investment income	70,301	70,301	114,043	43,742
Miscellaneous revenues	-	-	2,600	2,600
Total revenues	1,613,300	2,404,509	1,365,581	(1,038,928)
EXPENDITURES				
Current:				
Natural and economic environment	1,613,300	2,404,509	567,500	1,837,009
Total expenditures	1,613,300	2,404,509	567,500	1,837,009
Excess (deficiency) of revenues over (under) expenditures	-	-	798,081	798,081
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	798,081	798,081
Fund balance - beginning	-	-	12,529,896	12,529,896
Fund balance - ending	$ -	$ -	$ 13,327,977	$ 13,327,977

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 8,400,000	$ 8,400,000	$ 8,776,646	$ 376,646
Licenses and permits	367,000	367,000	443,027	76,027
Intergovernmental revenues	4,802,256	6,881,578	4,092,926	(2,788,652)
Charges for goods and services	2,015,231	3,278,975	3,476,801	197,826
Investment income	153,514	153,264	63,685	(89,579)
Miscellaneous revenues	195,000	1,558,852	392,747	(1,166,105)
Total revenues	15,933,001	20,639,669	17,245,832	(3,393,837)
EXPENDITURES				
Current:				
Public safety	4,923,549	4,928,976	4,654,876	274,100
Utilities	51,909	131,909	51,909	80,000
Transportation	-	-	1,415,170	(1,415,170)
Natural and economic environment	5,795,212	8,610,257	3,056,713	5,553,544
Cultural and recreation	82,268	2,120,385	254,703	1,865,682
Capital outlay	3,875,850	5,033,987	3,105,541	1,928,446
Total expenditures	14,728,788	20,825,514	12,538,912	8,286,602
Excess (deficiency) of revenues over (under) expenditures	1,204,213	(185,845)	4,706,920	4,892,765
OTHER FINANCING SOURCES (USES)				
Transfers out	(573,629)	(573,629)	(573,629)	-
Total other financing sources (uses)	(573,629)	(573,629)	(573,629)	-
Net change in fund balances	630,584	(759,474)	4,133,291	4,892,765
Fund balance - beginning	6,787,342	8,666,029	21,242,806	12,576,777
Fund balance - ending	$ 7,417,926	$ 7,906,555	$ 25,376,097	$ 17,469,542

FUNDS CONSOLIDATED WITH GENERAL FUND FOR GASB 54 REPORTING

111 – Street
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

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

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

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. In 2013 all funds were disbursed and this fund was closed.

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. In 2013 all funds were disbursed and this fund was closed.

141 – First ¼% Real Estate Excise Tax
Proceeds from this tax fund construction, repair, replacement, rehabilitation, or improvement projects as authorized by RCW 82.46.010. Established by Ordinance 9270 and amended by Ordinance 10273.

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

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

FUNDS CONSOLIDATED WITH GENERAL FUND FOR GASB 54 REPORTING

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

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

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

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Original General Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	$ 13,480,000	$ 13,480,000	$ 13,516,117	$ 36,117
Retail sales and use	12,820,000	12,820,000	13,318,107	498,107
Business	27,750,381	27,645,381	27,109,401	(535,980)
Other	800,000	860,000	938,015	78,015
Licenses and permits	729,271	729,271	801,609	72,338
Intergovernmental revenue	1,283,718	1,208,180	1,193,343	(14,837)
Charges for services	7,028,136	7,490,681	7,938,371	447,690
Fines and penalties	1,271,100	1,316,100	1,159,922	(156,178)
Investment income	160,425	160,425	(13,543)	(173,968)
Miscellaneous revenue	444,644	444,644	599,236	154,592
Total revenues	65,767,675	66,154,682	66,560,578	405,896
EXPENDITURES				
Current:				
General government services	11,734,076	13,415,761	12,227,033	1,188,728
Public safety	36,683,437	35,777,749	35,545,985	231,764
Physical environment	-	4,430	2,422	2,008
Natural and economic environment	3,567,282	3,976,094	3,471,034	505,060
Social Services	255,902	276,560	238,327	38,233
Cultural and recreation	12,857,101	12,899,686	12,361,892	537,794
Debt service:				
Redemption of general long-term debt	208,213	208,213	-	208,213
Interest and other debt service cost	14,651	14,651	14,651	-
Capital outlay	-	212,900	220,308	(7,408)
Total expenditures	65,320,662	66,786,044	64,081,652	2,704,392
Excess (deficiency) of revenues over (under) expenditures	447,013	(631,362)	2,478,926	3,110,288
OTHER FINANCING SOURCES (USES)				
Transfers in	1,445,582	1,445,582	1,272,053	(173,529)
Transfers out	(3,072,000)	(3,072,000)	(3,071,999)	1
Total other financing sources and (uses)	(1,626,418)	(1,626,418)	(1,799,946)	(173,528)
Net change in fund balances	(1,179,405)	(2,257,780)	678,980	2,936,760
Fund balances - beginning	14,182,602	16,200,070	15,383,510	(816,560)
Fund balances - ending	$ 13,003,197	$ 13,942,290	$ 16,062,490	$ 2,120,200

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Street Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Retail sales and use	$ 7,555,500	$ 7,555,500	$ 8,449,232	$ 893,732
Licenses and permits	42,000	42,000	55,917	13,917
Intergovernmental revenue	4,267,000	15,845,131	4,959,214	(10,885,917)
Charges for services	7,534,375	8,197,118	7,837,044	(360,074)
Investment income	99,535	99,535	(31,282)	(130,817)
Miscellaneous revenues	69,000	328,257	151,040	(177,217)
Total revenues	19,567,410	32,067,541	21,421,165	(10,646,376)
EXPENDITURES				
Current:				
General government services	245,070	245,070	165,449	79,621
Transportation	13,916,679	14,488,477	13,054,610	1,433,867
Natural and economic environment	-	754,160	148,632	605,528
Capital outlay	5,247,746	24,956,625	6,317,042	18,639,583
Total expenditures	19,409,495	40,444,332	19,685,733	20,758,599
Excess (deficiency) of revenues over (under) expenditures	157,915	(8,376,791)	1,735,432	10,112,223
OTHER FINANCING SOURCES (USES)				
Transfers out	(749,935)	(1,305,730)	(1,312,859)	(7,129)
Total other financing sources (uses)	(749,935)	(1,305,730)	(1,312,859)	(7,129)
Net change in fund balances	(592,020)	(9,682,521)	422,573	10,105,094
Fund balance - beginning	1,839,968	10,713,344	10,709,169	(4,175)
Fund balance - ending	$ 1,247,948	$ 1,030,823	$ 11,131,742	$ 10,100,919

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Paths and Trails Reserve Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	$ 7,750	$ 7,750	$ 8,410	$ 660
Investment income	145	145	(93)	(238)
Total revenues	7,895	7,895	8,317	422
EXPENDITURES				
Current:				
Transportation	2,514	2,514	2,514	-
Total expenditures	2,514	2,514	2,514	-
Excess (deficiency) of revenues over (under) expenditures	5,381	5,381	5,803	422
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	5,381	5,381	5,803	422
Fund balances - beginning	17,141	17,355	17,349	(6)
Fund balances - ending	$ 22,522	$ 22,736	$ 23,152	$ 416

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Park Site Acquisition Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 2,325	$ 2,325	$ (464)	$ (2,789)
Total revenues	2,325	2,325	(464)	(2,789)
EXPENDITURES				
Current:				
Cultural and recreation	2,514	2,514	2,514	-
Capital outlay	-	216,380	100,000	116,380
Total expenditures	2,514	218,894	102,514	116,380
Excess (deficiency) of revenues over (under) expenditures	(189)	(216,569)	(102,978)	113,591
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(189)	(216,569)	(102,978)	113,591
Fund balances - beginning	82,985	299,945	299,838	(107)
Fund balances - ending	$ 82,796	$ 83,376	$ 196,860	$ 113,484

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Squalicum Park/Olympic Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	Legal Basis	(Negative)
REVENUES				
Investment income	$ -	$ -	$ 81	$ 81
Total revenues	-	-	81	81
EXPENDITURES				
Current:				
Capital outlay	-	-	15,515	(15,515)
Total expenditures	-	-	15,515	(15,515)
Excess (deficiency) of revenues over (under) expenditures	-	-	(15,434)	(15,434)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(15,434)	(15,434)
Fund balance - beginning	-	15,439	15,434	(5)
Fund balance - ending	$ -	$ 15,439	$ -	$ (15,439)

CITY OF BELLINGHAM

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Olympic - Whatcom Falls Park Addition
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	Legal Basis	(Negative)
REVENUES				
Investment income	$ 2,318	$ 2,318	$ (704)	$ (3,022)
Total revenues	2,318	2,318	(704)	(3,022)
EXPENDITURES				
Current:				
Cultural and recreation	2,514	2,514	2,514	-
Capital outlay	25,000	25,000	-	25,000
Total expenditures	27,514	27,514	2,514	25,000
Excess (deficiency) of revenues over (under) expenditures	(25,196)	(25,196)	(3,218)	21,978
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(25,196)	(25,196)	(3,218)	21,978
Fund balance - beginning	262,033	265,392	265,297	(95)
Fund balance - ending	$ 236,837	$ 240,196	$ 262,079	$ 21,883

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Little Squalicum Oeser Settlement Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ -	$ -	$ 15	$ 15
Total revenues	-	-	15	15
EXPENDITURES				
Current:				
Cultural and recreation	-	5,976	6,154	(178)
Total expenditures	-	5,976	6,154	(178)
Excess (deficiency) of revenues over (under) expenditures	-	(5,976)	(6,139)	(163)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	-	(5,976)	(6,139)	(163)
Fund balances - beginning	-	6,144	6,139	(5)
Fund balances - ending	$ -	$ 168	$ -	$ (168)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
First 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	Legal Basis	(Negative)
REVENUES				
Taxes				
Real estate excise tax (REET)	$ 850,000	$ 850,000	$ 1,168,885	$ 318,885
Intergovernmental revenue	-	750,000	11,542	(738,458)
Investment income	20,660	20,660	(13,170)	(33,830)
Total revenues	870,660	1,620,660	1,167,257	(453,403)
EXPENDITURES				
Current:				
General government services	8,083	8,083	16,525	(8,442)
Cultural and recreation	66,000	66,000	31,466	34,534
Capital outlay	1,000,000	2,846,382	121,481	2,724,901
Total expenditures	1,074,083	2,920,465	169,472	2,750,993
Excess (deficiency) of revenues over (under) expenditures	(203,423)	(1,299,805)	997,785	2,297,590
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(203,423)	(1,299,805)	997,785	2,297,590
Fund balances - beginning	993,745	2,287,979	2,287,160	(819)
Fund balances - ending	$ 790,322	$ 988,174	$ 3,284,945	$ 2,296,771

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Second 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	Legal Basis	(Negative)
REVENUES				
Taxes				
Real estate excise tax (REET)	$ 850,000	$ 850,000	$ 1,168,885	$ 318,885
Intergovernmental revenue	385,000	1,346,400	1,186,376	(160,024)
Charges for services	-	-	65	65
Investment income	20,612	20,612	(7,982)	(28,594)
Total revenues	1,255,612	2,217,012	2,347,344	130,332
EXPENDITURES				
Current:				
General government services	7,805	7,805	7,805	-
Natural and economic environment	-	1,950	-	1,950
Cultural and recreation	175,000	177,307	124,240	53,067
Capital outlay	481,250	2,081,567	1,308,908	772,659
Total expenditures	664,055	2,268,629	1,440,953	827,676
Excess (deficiency) of revenues over (under) expenditures	591,557	(51,617)	906,391	958,008
OTHER FINANCING SOURCES (USES)				
Transfers out	(721,839)	(721,839)	(694,225)	27,614
Total other financing sources and (uses)	(721,839)	(721,839)	(694,225)	27,614
Net change in fund balances	(130,282)	(773,456)	212,166	985,622
Fund balances - beginning	2,204,499	2,573,565	2,574,146	581
Fund balances - ending	$ 2,074,217	$ 1,800,109	$ 2,786,312	$ 986,203

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Beyond Greenway Levy Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 12,143	$ 12,143	$ 878	$ (11,265)
Total revenues	12,143	12,143	878	(11,265)
EXPENDITURES				
Current:				
Cultural and recreation	178,551	241,595	129,841	111,754
Capital outlay	542,065	960,401	398,296	562,105
Total expenditures	720,616	1,201,996	528,137	673,859
Excess (deficiency) of revenues over (under) expenditures	(708,473)	(1,189,853)	(527,259)	662,594
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	(708,473)	(1,189,853)	(527,259)	662,594
Fund balances - beginning	1,195,126	1,189,853	1,189,153	(700)
Fund balances - ending	$ 486,653	$ -	$ 661,894	$ 661,894

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Greenway III Levy Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	$ 4,089,720	$ 4,089,720	$ 4,114,760	$ 25,040
Intergovernmental revenue	-	165,969	-	(165,969)
Investment income	23,719	23,719	(36,375)	(60,094)
Miscellaneous revenues	-	-	12,607	12,607
Total revenues	4,113,439	4,279,408	4,090,992	(188,416)
EXPENDITURES				
Current:				
Cultural and recreation	53,784	53,784	81,612	(27,828)
Debt service:				
Interest and other debt service cost	33,613	33,613	33,613	-
Capital outlay	2,847,775	6,930,995	1,718,598	5,212,397
Total expenditures	2,935,172	7,018,392	1,833,823	5,184,569
Excess (deficiency) of revenues over (under) expenditures	1,178,267	(2,738,984)	2,257,169	4,996,153
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	1,178,267	(2,738,984)	2,257,169	4,996,153
Fund balances - beginning	5,624,547	5,887,854	2,657,688	(3,230,166)
Fund balances - ending	$ 6,802,814	$ 3,148,870	$ 4,914,857	$ 1,765,987

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Park Impact Fees Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts Legal Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	$ -	$ -	$ 765	$ 765
Charges for services	400,000	400,000	1,633,576	1,233,576
Investment income	16,989	16,989	(15,743)	(32,732)
Total revenues	416,989	416,989	1,618,598	1,201,609
EXPENDITURES				
Current:				
Cultural and recreation	30,898	30,898	7,455	23,443
Capital outlay	361,458	1,430,415	357,372	1,073,043
Total expenditures	392,356	1,461,313	364,827	1,096,486
Excess (deficiency) of revenues over (under) expenditures	24,633	(1,044,324)	1,253,771	2,298,095
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	24,633	(1,044,324)	1,253,771	2,298,095
Fund balances - beginning	2,427,888	2,708,752	2,707,773	(979)
Fund balances - ending	$ 2,452,521	$ 1,664,428	$ 3,961,544	$ 2,297,116

CITY OF BELLINGHAM

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Legal Basis
Sportsplex Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final	Legal Basis	(Negative)
REVENUES				
Investment income	$ 1,279	$ 1,279	$ 103	$ (1,176)
Miscellaneous revenues	-	-	78	78
Total revenues	1,279	1,279	181	(1,098)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,279	1,279	181	(1,098)
OTHER FINANCING SOURCES (USES)				
Total other financing sources and (uses)	-	-	-	-
Net change in fund balances	1,279	1,279	181	(1,098)
Fund balances - beginning	40,077	41,532	41,474	(58)
Fund balances - ending	$ 41,356	$ 42,811	$ 41,655	$ (1,156)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
General Fund combined per GASB 54
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	$17,569,720	$17,569,720	$17,630,877	$61,157
Retail sales and use	20,375,500	20,375,500	21,767,339	1,391,839
Real estate excise tax (REET)	1,700,000	1,700,000	2,337,770	637,770
Business	27,750,381	27,645,381	27,109,401	(535,980)
Other	800,000	860,000	938,015	78,015
Licenses and permits	771,271	771,271	857,526	86,255
Intergovernmental revenue	5,943,468	19,323,430	7,359,650	(11,963,780)
Charges for services	14,962,511	16,087,799	17,409,056	1,321,257
Fines and forfeits	1,271,100	1,316,100	1,159,922	(156,178)
Investment income	360,150	360,150	(118,279)	(478,429)
Miscellaneous revenues	513,644	772,901	762,961	(9,940)
Total revenues	92,017,745	106,782,252	97,214,238	(9,568,014)
EXPENDITURES				
Current:				
General government services	11,995,034	13,676,719	12,416,812	1,259,907
Public safety	36,683,437	35,777,749	35,545,985	231,764
Physical environment	-	4,430	2,422	2,008
Transportation	13,919,193	14,490,991	13,057,124	1,433,867
Economic environment	3,567,282	4,732,204	3,619,666	1,112,538
Mental and physical health	255,902	276,560	238,327	38,233
Cultural and recreation	13,366,362	13,480,274	12,747,688	732,586
Debt service:				
Redemption of general long-term debt	208,213	208,213	-	208,213
Interest and other debt service cost	48,264	48,264	48,264	-
Capital outlay	10,505,294	39,660,665	10,557,520	29,103,145
Total expenditures	90,548,981	122,356,069	88,233,808	34,122,261
Excess (deficiency) of revenues over (under) expenditures	1,468,764	(15,573,817)	8,980,430	24,554,247
OTHER FINANCING SOURCES (USES)				
Transfers in	1,445,582	1,445,582	1,272,053	(173,529)
Transfers out	(4,543,774)	(5,099,569)	(5,079,083)	20,486
Total other financing sources and (uses)	(3,098,192)	(3,653,987)	(3,807,030)	(153,043)
Net change in fund balances	(1,629,428)	(19,227,804)	5,173,400	24,401,204
Fund balances - beginning	28,870,611	42,207,224	38,154,130	(4,053,094)
Fund balances - ending	$ 27,241,183	$ 22,979,420	$ 43,327,530	$ 20,348,110

DEBT SERVICE FUNDS

224 – 2004 Sportsplex LTGO Bond
$4,315,000 to finance the cost of acquiring the Sportsplex building, an indoor ice-rink and soccer facility. These facilities are leased to the Whatcom Soccer Commission. Established by Ordinance 2004-02-011.

225 – 2004 PFD/Civic Field LTGO Bond
$16,375,000 to finance the cost of development of a regional center, improvements to the City-owned civic field complex, and the refunding of the 1996 aquatic facility bonds. Established by Ordinance 2004-12-093.

226 – 2011 Qualified Energy Conservation Bond (QECB)
$6,480,000 to finance the costs of improvements in over 20 City-owned municipal buildings. These bonds are term bonds, principal is due in full at the maturity date. The City is accumulating money in this fund to make the principal payment in 2025. Established by Ordinance 2011-12-077.

231 – Drake Note
$225,000 for the Big Rock Garden Nursery. Established by Ordinances 10347, 48, 49 and 10378.

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

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

270 – Local Improvement District (LID) Bonds
$4,357,957 to finance Bakerview Road LID (I-5 to Deemer Rd.) project. Established by ordinance 10795. This bond was paid in full and the fund was closed in 2013.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2013

ASSETS	2004 Sportsplex LTGO Bond	2004 PFD/Civic Fld LTGO Bond	2011 QEC Bond	Drake Note	Governmental Debt Service	LID Guaranty	LID Assessment	Total Nonmajor Debt Service Funds
Cash and cash equivalents	$ 3,759	$ 117	$ 207,197	$ -	$ -	$ 37,231	$ -	$ 248,304
Investments	19,153	-	1,055,559	-	-	189,673	-	1,264,385
Receivables, net	-	-	-	-	-	20,059	-	20,059
Due from component units	-	7,435,000	-	-	-	-	-	7,435,000
Special assessments	-	-	-	-	-	298,761	-	298,761
Total assets	22,912	7,435,117	1,262,756	-	-	545,724	-	9,266,509
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable	-	117	-	-	-	-	-	117
Unearned revenue	-	-	-	-	-	298,761	-	298,761
Total liabilities	-	117	-	-	-	298,761	-	298,878
FUND BALANCES								
Restricted	22,912	7,435,000	1,262,756	-	-	246,963	-	8,967,631
Total fund balances	22,912	7,435,000	1,262,756	-	-	246,963	-	8,967,631
Total liabilities and fund balances	$ 22,912	$ 7,435,117	$ 1,262,756	$ -	$ -	$ 545,724	$ -	$ 9,266,509

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2013

	2004 Sportsplex LTGO Bond	2004 PFD/Civic Fld LTGO Bond	2011 QEC Bond	Governmental Drake Note	Governmental Debt Service	LID Guaranty	LID Assessment	Total Nonmajor Debt Service Funds
REVENUES								
Charges for services	$ -	$ -	$ 357,143	$ -	$ -	$ -	$ -	$ 357,143
Investment income	(265)	264,367	(9,663)	-	-	3,454	-	257,893
Miscellaneous revenues	257,860	-	66,432	-	-	214,969	19,223	558,484
Total revenues	257,595	264,367	413,912	-	-	218,423	19,223	1,173,520
EXPENDITURES								
Debt service:								
Redemption of general long-term debt	150,000	935,000	-	9,231	206,455	-	75,000	1,375,686
Interest and other debt service cost	107,938	372,592	-	8,732	11,397	-	4,734	505,393
Total expenditures	257,938	1,307,592	-	17,963	217,852	-	79,734	1,881,079
Excess (deficiency) of revenues over (under) expenditures	(343)	(1,043,225)	413,912	(17,963)	(217,852)	218,423	(60,511)	(707,559)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	694,225	-	17,963	217,852	-	-	930,040
Transfers out	-	-	-	-	-	(1,000,000)	-	(1,000,000)
Total other financing sources (uses)	-	694,225	-	17,963	217,852	(1,000,000)	-	(69,960)
Net change in fund balances	(343)	(349,000)	413,912	-	-	(781,577)	(60,511)	(777,519)
Fund balances - beginning	23,255	7,784,000	848,844	-	-	1,028,540	60,511	9,745,150
Fund balance - ending	$ 22,912	$ 7,435,000	$ 1,262,756	$ -	$ -	$ 246,963	$ -	$ 8,967,631

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 Sportsplex LTGO Bond Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 697	$ 697	$ (265)	$ (962)
Miscellaneous revenues	277,471	277,471	257,860	(19,611)
Total revenues	278,168	278,168	257,595	(20,573)
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	150,000	150,000	150,000	-
Interest and other debt service cost	123,062	123,062	107,938	15,124
Total expenditures	273,062	273,062	257,938	15,124
Excess (deficiency) of revenues over (under) expenditures	5,106	5,106	(343)	(5,449)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
N/et change in fund balances	5,106	5,106	(343)	(5,449)
Fund balance - beginning	23,162	23,263	23,255	(8)
Fund balance - ending	$ 28,268	$ 28,369	$ 22,912	$ (5,457)

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 PFD/Civic Fld LTGO Bond Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ -	$ -	$ 264,367	$ 264,367
Total revenues	-	-	264,367	264,367
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	855,000	855,000	935,000	(80,000)
Interest and other debt service cost	529,568	529,568	372,592	156,976
Total expenditures	1,384,568	1,384,568	1,307,592	76,976
Excess (deficiency) of revenues over (under) expenditures	(1,384,568)	(1,384,568)	(1,043,225)	341,343
OTHER FINANCING SOURCES (USES)				
Transfers in	721,839	721,839	694,225	(27,614)
Total other financing sources (uses)	721,839	721,839	694,225	(27,614)
Net change in fund balances	(662,729)	(662,729)	(349,000)	313,729
Fund balance - beginning	-	-	7,784,000	7,784,000
Fund balance - ending	$ (662,729)	$ (662,729)	$ 7,435,000	$ 8,097,729

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2011 QEC Bond Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	$ 387,655	$ 387,655	$ 357,143	$ (30,512)
Investment income	7,288	7,288	(9,663)	(16,951)
Miscellaneous revenues	-	-	66,432	66,432
Total revenues	394,943	394,943	413,912	18,969
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	394,943	394,943	413,912	18,969
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	394,943	394,943	413,912	18,969
Fund balance - beginning	730,864	849,147	848,844	(303)
Fund balance - ending	$ 1,125,807	$ 1,244,090	$ 1,262,756	$ 18,666

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	9,232	9,232	9,231	1
Interest and other debt service cost	8,732	8,732	8,732	-
Total expenditures	17,964	17,964	17,963	1
Excess (deficiency) of revenues over (under) expenditures	(17,964)	(17,964)	(17,963)	1
OTHER FINANCING SOURCES (USES)				
Transfers in	17,964	17,964	17,963	(1)
Total other financing sources (uses)	17,964	17,964	17,963	(1)
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ -	$ -	$ -	$ -

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Governmental Debt Service Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	$ -	$ -	$ -	$ -
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	157,935	206,455	206,455	-
Interest and other debt service cost	7,897	11,397	11,397	-
Total expenditures	165,832	217,852	217,852	-
Excess (deficiency) of revenues over (under) expenditures	(165,832)	(217,852)	(217,852)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	165,832	217,852	217,852	-
Total other financing sources (uses)	165,832	217,852	217,852	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ -	$ -	$ -	$ -

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
LID Guaranty Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 8,507	$ 8,507	$ 3,454	$ (5,053)
Miscellaneous revenues	-	-	214,969	214,969
Total revenues	8,507	8,507	218,423	209,916
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	8,507	8,507	218,423	209,916
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	-	(1,000,000)	(1,000,000)	-
Net change in fund balances	8,507	(991,493)	(781,577)	209,916
Fund balance - beginning	847,078	1,007,507	1,028,540	21,033
Fund balance - ending	$ 855,585	$ 16,014	$ 246,963	$ 230,949

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
LID Assessment Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous revenues	$ -	$ -	$ 19,223	$ 19,223
Total revenues	-	-	19,223	19,223
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	-	-	75,000	(75,000)
Interest and other debt service cost	-	-	4,734	(4,734)
Total expenditures	-	-	79,734	(79,734)
Excess (deficiency) of revenues over (under) expenditures	-	-	(60,511)	(60,511)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(60,511)	(60,511)
Fund balance - beginning	-	-	60,511	60,511
Fund balance - ending	$ -	$ -	$ -	$ -

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Non-Major Debt Service Funds
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	$ 387,655	$ 387,655	$ 357,143	$ (30,512)
Investment income	16,492	16,492	257,893	241,401
Miscellaneous revenues	277,471	277,471	558,484	281,013
Total revenues	681,618	681,618	1,173,520	491,902
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	1,172,167	1,220,687	1,375,686	(154,999)
Interest and other debt service cost	669,259	672,759	505,393	167,366
Total expenditures	1,841,426	1,893,446	1,881,079	12,367
Excess (deficiency) of revenues over (under) expenditures	(1,159,808)	(1,211,828)	(707,559)	504,269
OTHER FINANCING SOURCES (USES)				
Transfers in	905,635	957,655	930,040	(27,615)
Transfers out	-	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	905,635	(42,345)	(69,960)	(27,615)
Net change in fund balances	(254,173)	(1,254,173)	(777,519)	476,654
Fund balance - beginning	1,601,104	1,879,917	9,745,150	7,865,233
Fund balance - ending	$ 1,346,931	$ 625,744	$ 8,967,631	$ 8,341,887

CAPITAL PROJECT FUND

371 – Waterfront Construction #1

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

CITY OF BELLINGHAM
Balance Sheet
Waterfront Construction #1
December 31, 2013

	Waterfront Construction #1
ASSETS	
Cash and cash equivalents	$ 79,484
Investments	404,929
Receivable (net)	1,037
Total assets	485,450
LIABILITIES	
Total liabilities	-
FUND BALANCE	
Restricted fund balance	485,450
Total fund balance	485,450
Total liabilities and fund balance	$ 485,450

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Waterfront Construction #1
For the Year Ended December 31, 2013

	Waterfront Construction #1
REVENUES	
Taxes	$ 490,189
Investment income	(4,739)
Total revenues	485,450
EXPENDITURES	
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	485,450
Net change in fund balances	485,450
Fund balance - beginning	-
Fund balance - ending	$ 485,450

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Waterfront Construction #1
From Inception and For the Year Ended December 31, 2013

	Project Authorized	Prior Years' Actual	Current Year Actual	Total To Date Actual
REVENUES				
Taxes	$ 490,189	$ -	$ 490,189	$ 490,189
Investment income	-	-	(4,739)	(4,739)
Total revenues	490,189	-	485,450	485,450
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	490,189	-	485,450	485,450
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	490,189	-	485,450	485,450
Fund balance - beginning	-	-	-	-
Fund balance - ending	$ 490,189	$ -	$ 485,450	$ 485,450

PERMANENT FUNDS

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

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

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Permanent Funds
For the Year Ended December 31, 2013

	Greenways Maintenance Endowment	Natural Resource Protection & Restoration	Totals
ASSETS			
Cash and cash equivalents	$ 230,525	$ 419,865	$ 650,390
Investments	1,174,402	2,138,986	3,313,388
Receivables, net	7,956	-	7,956
Due from other funds	-	559	559
Due from component units	-	1,800,000	1,800,000
Interfund loans receivable	3,232,022	-	3,232,022
Total assets	4,644,905	4,359,410	9,004,315
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Other liabilities	-	7,366	7,366
Unearned revenue	7,443	-	7,443
Total liabilities	7,443	7,366	14,809
FUND BALANCES			
Nonspendable	4,637,462	4,000,000	8,637,462
Restricted	-	352,044	352,044
Total fund balances	4,637,462	4,352,044	8,989,506
Total liabilities and fund balances	$ 4,644,905	$ 4,359,410	$ 9,004,315

CITY OF BELLINGHAM

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2013

	Greenways Maintenance Endowment	Natural Resource Protection & Restoration	Totals
REVENUES			
Taxes	$ 406,954	$ -	$ 406,954
Investment income	27,798	12,048	39,846
Total revenues	434,752	12,048	446,800
EXPENDITURES			
Natural and economic environment	-	122,072	122,072
Culture and recreation	6,080	-	6,080
Total expenditures	6,080	122,072	128,152
Excess (deficiency) of revenues over (under) expenditures	428,672	(110,024)	318,648
OTHER FINANCING SOURCES (USES)			
Transfers out	(41,052)	-	(41,052)
Total other financing sources (uses)	(41,052)	-	(41,052)
Net change in fund balances	387,620	(110,024)	277,596
Fund balance - beginning	4,249,842	4,462,068	8,711,910
Fund balance - ending	$ 4,637,462	$ 4,352,044	$ 8,989,506

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Greenways Maintenance Endowment Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 418,600	$ 418,600	$ 406,954	$ (11,646)
Investment income	4,547	38,160	27,798	(10,362)
Total revenues	423,147	456,760	434,752	(22,008)
EXPENDITURES				
Culture and recreation	6,080	6,080	6,080	-
Total expenditures	6,080	6,080	6,080	-
Excess (deficiency) of revenues over (under) expenditures	417,067	450,680	428,672	(22,008)
OTHER FINANCING SOURCES (USES)				
Transfers out	(154,581)	(154,581)	(41,052)	113,529
Total other financing sources (uses)	(154,581)	(154,581)	(41,052)	113,529
Net change in fund balances	262,486	296,099	387,620	91,521
Fund balance - beginning	1,027,640	1,017,791	4,249,842	3,232,051
Fund balance - ending	$ 1,290,126	$ 1,313,890	$ 4,637,462	$ 3,323,572

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Natural Resource Protection and Restoration Fund
For the Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Investment income	$ 23,578	$ 42,298	$ 12,048	$ (30,250)
Total revenues	23,578	42,298	12,048	(30,250)
EXPENDITURES				
Natural and economic environment	2,558	122,211	122,072	139
Total expenditures	2,558	122,211	122,072	139
Excess (deficiency) of revenues over (under) expenditures	21,020	(79,913)	(110,024)	(30,111)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	21,020	(79,913)	(110,024)	(30,111)
Fund balance - beginning	2,544,854	2,663,018	4,462,068	1,799,050
Fund balance - ending	$ 2,565,874	$ 2,583,105	$ 4,352,044	$ 1,768,939

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, 2013

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	$ 418,600	$ 418,600	$ 406,954	$ (11,646)
Investment Income	28,125	80,458	39,846	(40,612)
Total revenues	446,725	499,058	446,800	(52,258)
EXPENDITURES				
Natural and economic environment	2,558	122,211	122,072	139
Culture and recreation	6,080	6,080	6,080	-
Total expenditures	8,638	128,291	128,152	139
Excess (deficiency) of revenues over (under) expenditures	438,087	370,767	318,648	(52,119)
OTHER FINANCING SOURCES (USES)				
Transfers out	(154,581)	(154,581)	(41,052)	113,529
Total other financing sources (uses)	(154,581)	(154,581)	(41,052)	113,529
Net change in fund balances	283,506	216,186	277,596	61,410
Fund balance - beginning	3,572,494	3,680,809	8,711,910	5,031,101
Fund balance - ending	$ 3,856,000	$ 3,896,995	$ 8,989,506	$ 5,092,511

bhbπa !Whw 9b¢9wPRISE FUNDS

456 – Cemetery
Operates and maintains 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. Established 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 leases out the operation of the golf course. Established in the 1971 Budget by Ordinance 7967.

465 – Parking Services
Operates and maintains the municipal parking system consisting of parking garages, surface lots, on-street parking and commercial space rental. Revenue is 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 Position
Other Nonmajor Enterprise Funds
December 31, 2013

	Cemetery	Golf Course	Parking Services	Development Services	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ -	$ 47,799	$ 492,939	$ 450,504	$ 991,242
Investments	-	243,510	2,511,257	2,295,072	5,049,839
Receivables, net	2,536	18,395	481,097	5,875	507,903
Prepaid items	688	-	-	-	688
Total current assets	3,224	309,704	3,485,293	2,751,451	6,549,672
Noncurrent assets:					
Restricted cash and cash equivalents	65,075	-	-	-	65,075
Restricted investments	331,520	-	-	-	331,520
Capital assets, net of depreciation:					
Land	359,274	-	1,109,904	-	1,469,178
Construction in progress	-	49,578	-	-	49,578
Capital assets, net of depreciation:					
Buildings	41,154	402,499	1,889,912	-	2,333,565
Improvements	3,626	213,914	411,336	18,710	647,586
Machinery and equipment	-	35,505	32,270	-	67,775
Total noncurrent assets	800,649	701,496	3,443,422	18,710	4,964,277
Total assets	803,873	1,011,200	6,928,715	2,770,161	11,513,949
LIABILITIES					
Current liabilities:					
Accounts payable	4,372	19,375	37,669	6,254	67,670
Accrued wages and benefits	13,037	2,096	16,778	85,235	117,146
Due to other governments	1,218	-	8,398	-	9,616
Other current liabilities	124,720	14,883	15,918	-	155,521
Current portion:					
Compensated absences	9,743	2,989	14,487	81,926	109,145
Total current liabilities	153,090	39,343	93,250	173,415	459,098
Noncurrent liabilities:					
Compensated absences	-	-	-	4,005	4,005
Total noncurrent liabilities	-	-	-	4,005	4,005
Total liabilities	153,090	39,343	93,250	177,420	463,103
NET POSITION					
Net investment in capital assets	404,054	701,495	3,443,423	18,710	4,567,682
Restricted for cemetery endowment / preneed	396,595	-	-	-	396,595
Unrestricted	(149,866)	270,362	3,392,042	2,574,031	6,086,569
Total net position	$ 650,783	$ 971,857	$ 6,835,465	$ 2,592,741	$ 11,050,846

CITY OF BELLINGHAM
Combining Statement of Revenue, Expenses and Changes in Net Position
Other Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	Cemetery	Golf Course	Parking Services	Development Services	Totals
Operating revenues:					
Customer sales and service fees	$ 275,520	$ -	$ -	$ 2,605,789	$ 2,881,309
Rents, parking and concessions	-	224,818	2,082,771	-	2,307,589
Total operating revenues	275,520	224,818	2,082,771	2,605,789	5,188,898
Operating expenses:					
General operations	389,990	234,075	1,186,295	-	1,810,360
General administration	160,730	-	-	1,853,007	2,013,737
Depreciation	6,565	31,684	99,516	17,083	154,848
Total operating expenses	557,285	265,759	1,285,811	1,870,090	3,978,945
Operating income (loss)	(281,765)	(40,941)	796,960	735,699	1,209,953
Nonoperating revenues (expenses):					
Investment interest	3,414	2,748	17,759	21,885	45,806
Net increase (decrease) in fair value of investments	(4,565)	(3,356)	(35,235)	(32,005)	(75,161)
Interest expense and related charges	-	-	(53)	-	(53)
Other nonoperating revenues	28	-	2,550	2,202	4,780
Total nonoperating revenues (expenses)	(1,123)	(608)	(14,979)	(7,918)	(24,628)
Income (loss) before transfers	(282,888)	(41,549)	781,981	727,781	1,185,325
Transfers in	221,480	-	-	-	221,480
Transfers out	(510)	-	(726,721)	(72,223)	(799,454)
Special item - repayment of land contribution	-	-	1,176,877	-	1,176,877
Change in net position	(61,918)	(41,549)	1,232,137	655,558	1,784,228
Total net position - beginning	712,701	1,013,406	5,603,328	1,937,183	9,266,618
Total net position - ending	$ 650,783	$ 971,857	$ 6,835,465	$ 2,592,741	$ 11,050,846

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Other Nonmajor Enterprise Funds
For the Year Ended December 31, 2013

	Cemetery	Golf Course	Parking Services	Development Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 267,908	$ 207,047	$ 2,142,166	$ 2,605,790	$ 5,222,911
Payments for wages and benefits	(322,246)	(40,235)	(390,519)	(1,511,877)	(2,264,877)
Payments for operating expenses	(227,411)	(181,965)	(815,947)	(314,735)	(1,540,058)
Other receipts	26	-	2,550	2,202	4,778
Other payments	(688)	-	-	-	(688)
Net cash provided (used) by operating activities	(282,411)	(15,153)	938,250	781,380	1,422,066
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	221,480	-	-	-	221,480
Transfers out	(510)	-	(726,721)	(72,223)	(799,454)
Receipts from other governmental units	-	-	1,176,877	-	1,176,877
Net cash provided (used) by noncapital financing	220,970	-	450,156	(72,223)	598,903
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Payments for interest and related charges	-	-	(53)	-	(53)
Purchases of capital assets	-	(22,284)	-	-	(22,284)
Net cash provided (used) by capital financing activities	-	(22,284)	(53)	-	(22,337)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	270,436	192,209	551,839	953,608	1,968,092
Purchase of investments	(233,495)	(171,508)	(1,768,720)	(1,616,458)	(3,790,181)
Interest and dividends received	3,764	2,983	15,600	21,354	43,701
Net cash provided (used) in investment activities	40,705	23,684	(1,201,281)	(641,496)	(1,778,388)
Net increase (decrease) in cash and equivalents	(20,736)	(13,753)	187,072	67,661	220,244
Cash and cash equivalents - beginning of year	85,811	61,552	305,867	382,843	836,073
Cash and cash equivalents - end of year	65,075	47,799	492,939	450,504	1,056,317
Cash at end of year consists of					
Cash and cash equivalents	-	47,799	492,939	450,504	991,242
Restricted cash	65,075	-	-	-	65,075
Total cash at end of year	$ 65,075	$ 47,799	$ 492,939	$ 450,504	$ 1,056,317
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (281,765)	$ (40,941)	$ 796,960	$ 735,699	$ 1,209,953
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	6,565	31,684	99,516	17,084	154,849
Other nonoperating receipts	26	-	2,550	2,202	4,778
Other nonoperating expenses	(688)	-	-	-	(688)
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(196)	(17,771)	64,958	-	46,991
Increase (decrease) in accounts payable	791	8,366	(3,060)	4,417	10,514
Increase (decrease) in wages and benefits payable	(298)	3,509	(12,214)	22,827	13,824
Increase (decrease) in revenues collected in advance	(7,415)	-	(5,563)	-	(12,978)
Increase (decrease) in other current liabilities	-	-	(954)	-	(954)
Increase (decrease) in other fees and taxes	569	-	(3,943)	(849)	(4,223)
Net cash provided (used) by operating activities	$ (282,411)	$ (15,153)	$ 938,250	$ 781,380	$ 1,422,066
Noncash investing, capital, and financing activities:					
Net change in fair value of investments	(4,565)	(3,356)	(35,235)	(32,005)	(75,161)

INTERNAL SERVICE FUNDS

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

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

530 – Facilities Administration
Consolidates custodial services and facility maintenance under one fund. Established by Ordinance 10269.

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

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

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

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

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

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2013

ASSETS	Fleet Administration	Purchasing Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
Current assets:					
Cash and cash equivalents	$ 1,169,138	$ 100,256	$ 169,047	$ 352,133	$ 811,484
Investments	5,956,128	510,754	861,199	1,793,930	4,134,075
Receivables, net	21,154	1,308	3,068	4,593	10,583
Interfund loans receivable	986,646	-	-	-	-
Inventories	-	830,613	-	-	-
Prepaid items	-	-	-	-	-
Total current assets	8,133,066	1,442,931	1,033,314	2,150,656	4,956,142
Noncurrent assets:					
Restricted cash and cash equivalents	-	-	66,212	-	-
Restricted investments	-	-	337,312	-	-
Capital assets, not being depreciated:					
Land	-	-	40,102	-	-
Construction in progress	2,323	-	-	-	-
Capital assets, net of depreciation:					
Buildings	-	-	1,433,189	-	-
Improvements	-	-	-	14,418	-
Machinery and equipment	9,616,135	-	28,876	63,655	-
Total noncurrent assets	9,618,458	-	1,905,691	78,073	-
Total assets	17,751,524	1,442,931	2,939,005	2,228,729	4,956,142
LIABILITIES					
Current liabilities:					
Accounts payable	153,304	47,087	175,278	165,933	3,027
Accrued wages and benefits	42,152	56,508	77,455	18,645	7,279
Due to other funds	559	-	-	-	-
Other current liabiities	1,433	-	9,397	-	-
Current portion:					
Compensated absences	44,731	35,745	69,921	21,526	8,094
Claims and judgements payable	-	-	-	-	41,275
Total current liabilities	242,179	139,340	332,051	206,104	59,675
Noncurrent liabilities:					
Bonds payable, net	-	-	6,480,000	-	-
Compensated absences	17,929	12,748	16,675	8,514	-
Claims and judgements payable	-	-	-	-	1,543,508
Total noncurrent liabilities	17,929	12,748	6,496,675	8,514	1,543,508
Total liabilities	260,108	152,088	6,828,726	214,618	1,603,183
NET POSITION					
Net investment in capital assets	9,618,458	-	1,502,167	78,074	-
Restricted for debt service	-	-	8,693	-	-
Restricted for facilities improvements	-	-	394,831	-	-
Unrestricted	7,872,958	1,290,843	(5,795,412)	1,936,037	3,352,959
Total net position	$ 17,491,416	$ 1,290,843	$ (3,889,721)	$ 2,014,111	$ 3,352,959

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2013

ASSETS	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
Current assets:				
Cash and cash equivalents	$ 80,069	$ 169,721	$ 502,771	$ 3,354,619
Investments	407,907	864,637	2,561,347	17,089,977
Receivables, net	1,045	2,214	6,557	50,522
Interfund loans receivable	-	-	-	986,646
Inventories	-	-	-	830,613
Prepaid items	-	53,364	7,082	60,446
Total current assets	489,021	1,089,936	3,077,757	22,372,823
Noncurrent assets:				
Restricted cash and cash equivalents	-	-	-	66,212
Restricted investments	-	-	-	337,312
Capital assets, not being depreciated:				
Land	-	-	-	40,102
Construction in progress	-	-	-	2,323
Capital assets, net of depreciation:				
Buildings	-	-	-	1,433,189
Improvements	-	-	-	14,418
Machinery and equipment	-	-	-	9,708,666
Total noncurrent assets	-	-	-	11,602,222
Total assets	489,021	1,089,936	3,077,757	33,975,045
LIABILITIES				
Current liabilities:				
Accounts payable	18,619	70,938	10,330	644,516
Accrued wages and benefits	566	4,756	25,886	233,247
Due to other funds	-	-	-	559
Other current liabiities	-	-	9,041	19,871
Current portion:				
Compensated absences	1,109	7,486	20,906	209,518
Claims and judgements payable	160,000	430,000	-	631,275
Total current liabilities	180,294	513,180	66,163	1,738,986
Noncurrent liabilities:				
Bonds payable, net	-	-	-	6,480,000
Compensated absences	-	-	311	56,177
Claims and judgements payable	-	-	-	1,543,508
Total noncurrent liabilities	-	-	311	8,079,685
Total liabilities	180,294	513,180	66,474	9,818,671
NET POSITION				
Net investment in capital assets	-	-	-	11,198,699
Restricted for debt service	-	-	-	8,693
Restricted for noncapital improvements	-	-	-	394,831
Unrestricted	308,727	576,756	3,011,283	12,554,151
Total net position	$ 308,727	$ 576,756	$ 3,011,283	$ 24,156,374

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2013

	Fleet Administration	Purchasing Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
Operating revenues:					
Sales of merchandise	$ -	$ 2,479,404	$ -	$ -	$ -
Less: cost of goods sold	-	(1,559,230)	-	-	-
Charges for services	1,765,400	5,508	2,603,205	772,221	14,994
Insurance premium contributions	-	-	-	-	1,203,131
Other operating revenues	1,444,479	-	79,444	-	-
Total operating revenues	3,209,879	925,682	2,682,649	772,221	1,218,125
Operating expenses:					
General operations	2,197,210	1,022,563	3,289,449	1,835,361	-
General administration	-	66,409	-	-	236,750
Depreciation	1,283,309	-	80,536	153,420	-
Risk transfer payment	-	-	-	-	467,269
Payments to claimants and beneficiaries	-	-	-	-	-
Total operating expenses	3,480,519	1,088,972	3,369,985	1,988,781	704,019
Operating income (loss)	(270,640)	(163,290)	(687,336)	(1,216,560)	514,106
Nonoperating revenues (expenses):					
External operating subsidies	-	-	226,724	-	-
Investment interest	73,344	6,134	11,598	18,839	41,646
Net incr (decr) in fair value of investments	(82,709)	(7,260)	(16,513)	(24,874)	(57,299)
Interest expense and related charges	-	-	(352,514)	-	-
Gain (loss) on sale of capital assets	(15,182)	-	-	-	-
Other nonoperating revenues	13,466	24,602	142,156	1,322	-
Total nonoperating revenues (expenses)	(11,081)	23,476	11,451	(4,713)	(15,653)
Income (loss) before transfers	(281,721)	(139,814)	(675,885)	(1,221,273)	498,453
Transfers in	44,372	-	690,000	1,060,355	-
Transfers out	(6,729)	(8,182)	(42,279)	-	-
Change in net position	(244,078)	(147,996)	(28,164)	(160,918)	498,453
Total net position - beginning	17,735,494	1,438,839	(3,800,551)	2,175,029	2,854,506
Change in accounting principle - GASB 65 bond issue costs	-	-	(61,006)	-	-
Total net position - ending	$ 17,491,416	$ 1,290,843	$ (3,889,721)	$ 2,014,111	$ 3,352,959

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2013

	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
Operating revenues:				
Sales of merchandise	$ -	$ -	$ -	$ 2,479,404
Less: cost of goods sold	-	-	-	(1,559,230)
Charges for services	-	-	-	5,161,328
Insurance premium contributions	108,713	660,630	13,121,090	15,093,564
Other operating revenues	-	-	-	1,523,923
Total operating revenues	108,713	660,630	13,121,090	$ 22,698,989
Operating expenses:				
General operations	-	-	-	8,344,583
General administration	13,334	166,903	518,617	1,002,013
Depreciation	-	-	-	1,517,265
Risk transfer payments	-	89,815	11,412,690	11,969,774
Payments to claimants and beneficiaries	100,358	371,374	420,602	892,334
Total operating expenses	113,692	628,092	12,351,909	23,725,969
Operating income (loss)	(4,979)	32,538	769,181	(1,026,980)
Nonoperating revenues (expenses):				
External operating subsidies	-	-	-	226,724
Investment interest	3,957	8,404	24,898	188,820
Net increase (decrease) in fair value of investments	(5,639)	(11,995)	(35,712)	(242,001)
Interest expense and related charges	-	-	-	(352,514)
Gain (loss) on sale of capital assets	-	-	-	(15,182)
Other nonoperating revenues	-	-	3,738	185,284
Total nonoperating revenues (expenses)	(1,682)	(3,591)	(7,076)	(8,869)
Income (loss) before transfers	(6,661)	28,947	762,105	(1,035,849)
Transfers in	-	-	-	1,794,727
Transfers out	-	-	(9,700)	(66,890)
Change in net position	(6,661)	28,947	752,405	691,988
Total net position - beginning	315,388	547,809	2,258,878	23,525,392
Change in accounting principle - GASB 65 bond issue costs	-	-	-	(61,006)
Total net position - ending	$ 308,727	$ 576,756	$ 3,011,283	$ 24,156,374

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2013

	Fleet Administration	Purchasing Materials Management	Facilities Administration	Technology & Telecom	Claims & Litigation
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ -	$ -	$ 74,689	$ 8,528	$ -
Receipts from interfund services provided	3,203,974	2,484,912	2,603,205	763,881	1,218,125
Payments for merchandise	-	(841,426)	-	-	-
Payments for wages and benefits	(813,651)	(710,206)	(1,486,643)	(385,885)	(165,145)
Payments for operating expenses	(1,263,795)	(406,868)	(2,015,858)	(1,297,300)	(765,503)
Other receipts	13,466	24,602	6,085	1,322	-
Net cash provided (used) by operating activities	1,139,994	551,014	(818,522)	(909,454)	287,477
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	690,000	1,060,355	-
Transfers out	(6,729)	(8,182)	(42,279)	-	-
Payments for interest	-	-	(352,513)	-	-
Receipts from other governmental units	-	-	226,724	-	-
Interfund receipts for bond repayment	-	-	136,071	-	-
Interfund loan repayments	731,062	-	-	-	-
Net cash provided (used) by noncapital financing activities	724,333	(8,182)	658,003	1,060,355	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,105,902)	-	(31,501)	-	-
Proceeds from the sale of capital assets	82,983	-	-	-	-
Net cash provided (used) by capital financing activities	(1,022,919)	-	(31,501)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	3,271,472	16	953,873	1,290,889	2,518,667
Purchase of investments	(4,195,001)	(460,773)	(844,131)	(1,483,271)	(2,911,699)
Interest and dividends received	74,520	5,010	12,784	19,469	43,259
Net cash provided (used) in investment activities	(849,009)	(455,747)	122,526	(172,913)	(349,773)
Net increase (decrease) in cash and equivalents	(7,601)	87,085	(69,494)	(22,012)	(62,296)
Cash and cash equivalents - beginning of year	1,176,739	13,171	304,753	374,145	873,780
Cash and cash equivalents - end of year	1,169,138	100,256	235,259	352,133	811,484
Cash at end of year consists of					
Cash and cash equivalents	1,169,138	100,256	169,047	352,133	811,484
Restricted cash	-	-	66,212	-	-
Total cash at end of year	$ 1,169,138	$ 100,256	$ 235,259	$ 352,133	$ 811,484
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	$ (270,640)	$ (163,290)	$ (687,336)	$ (1,216,560)	$ 514,106
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	1,283,309	-	80,536	153,420	-
Other nonoperating receipts	13,466	24,602	6,085	1,322	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	(5,904)	-	-	188	-
(Increase) decrease in inventory of supplies	-	717,804	-	-	-
(Increase) decrease in prepayments	-	-	-	-	-
Increase (decrease) in accounts payable	119,922	(35,077)	(228,861)	114,082	(921)
Increase (decrease) in wages and benefits payable	(1,386)	6,975	15,715	38,085	348
Increase (decrease) in revenues collected in advance	-	-	(5,355)	-	-
Increase (decrease) in due to other funds	559	-	-	-	-
Increase (decrease) in other current liabilities	-	-	600	-	-
Increase (decrease) in other fees and taxes	668	-	94	9	-
Increase (decrease) in other long-term liabilities	-	-	-	-	(226,056)
Net cash provided (used) by operating activities	$ 1,139,994	$ 551,014	$ (818,522)	$ (909,454)	$ 287,477
Noncash investing, capital, and financing activities:					
Net change in fair value of investments	(82,709)	(7,260)	(16,513)	(24,874)	(57,299)
Fleet donations	44,372	-	-	-	-

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2013

	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$ -	$ -	$ -	$ 83,217
Receipts from interfund services provided	108,713	660,630	13,121,090	24,164,530
Payments for merchandise	-	-	-	(841,426)
Payments for wages and benefits	(13,168)	(109,156)	(239,502)	(3,923,356)
Payments for operating expenses	(107,453)	(459,486)	(12,101,119)	(18,417,382)
Other receipts	-	-	3,738	49,213
Net cash provided (used) by operating activities	(11,908)	91,988	784,207	1,114,796
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	1,750,355
Transfers out	-	-	(9,700)	(66,890)
Payments for interest	-	-	-	(352,513)
Receipts from other governmental units	-	-	-	226,724
Interfund receipts for bond repayment	-	-	-	136,071
Interfund loan repayments	-	-	-	731,062
Net cash provided (used) by noncapital financing activities	-	-	(9,700)	2,424,809
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	-	-	(1,137,403)
Proceeds from the sale of capital assets	-	-	-	82,983
Net cash provided (used) by capital financing activities	-	-	-	(1,054,420)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturity of investments	281,297	501,186	1,077,588	9,894,988
Purchase of investments	(287,296)	(608,978)	(1,804,000)	(12,595,149)
Interest and dividends received	4,223	8,660	24,347	192,272
Net cash provided (used) in investment activities	(1,776)	(99,132)	(702,065)	(2,507,889)
Net increase (decrease) in cash and equivalents	(13,684)	(7,144)	72,442	(22,704)
Cash and cash equivalents - beginning of year	93,753	176,865	430,329	3,443,535
Cash and cash equivalents - end of year	80,069	169,721	502,771	3,420,831
Cash at end of year consists of				
Cash and cash equivalents	80,069	169,721	502,771	3,354,619
Restricted cash	-	-	-	66,212
Total cash at end of year	$ 80,069	$ 169,721	$ 502,771	$ 3,420,831
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$ (4,979)	$ 32,538	$ 769,181	$ (1,026,980)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	-	-	1,517,265
Other nonoperating receipts	-	-	3,738	49,213
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	(5,716)
(Increase) decrease in inventory of supplies	-	-	-	717,804
(Increase) decrease in prepayments	-	(2,137)	3,918	1,781
Increase (decrease) in accounts payable	(7,095)	11,331	4,710	(21,909)
Increase (decrease) in wages and benefits payable	166	256	4,130	64,289
Increase (decrease) in revenues collected in advance	-	-	-	(5,355)
Increase (decrease) in due to other funds	-	-	-	559
Increase (decrease) in other current liabilities	-	50,000	(1,470)	49,130
Increase (decrease) in other fees and taxes	-	-	-	771
Increase (decrease) in other long-term liabilities	-	-	-	(226,056)
Net cash provided (used) by operating activities	$ (11,908)	$ 91,988	$ 784,207	$ 1,114,796
Noncash investing, capital, and financing activities:				
Net change in fair value of investments	(5,639)	(11,995)	(35,712)	(242,001)
Fleet donations	-	-	-	44,372

CITY OF BELLINGHAM
WASHINGTON

FIDUCIARY FUNDS

Pension Trust

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

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

Agency

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

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

CITY OF BELLINGHAM
Combining Statement of Net Position
Pension Trust Funds
December 31, 2013

	Firefighters' Pension	Police Officers' Pension	Total Pension Funds
ASSETS			
Cash and cash equivalents	$ 1,171,637	$ 948,402	$ 2,120,039
Governments securities	5,968,855	4,831,598	10,800,453
Receivables, net	52,491	12,371	64,862
Interfund loans receivable	1,295,774	-	1,295,774
Total assets	8,488,757	5,792,371	14,281,128
LIABILITIES			
Accounts payable	6,451	1,728	8,179
Accrued pension benefits	107,714	10,203	117,917
Other liabilities	34,822	-	34,822
Total liabilities	148,987	11,931	160,918
NET POSITION			
Restricted for pension benefits	5,699,331	3,497,630	9,196,961
Restricted for long-term care	2,640,439	2,282,810	4,923,249
Total net position	$ 8,339,770	$ 5,780,440	$ 14,120,210

CITY OF BELLINGHAM
Combining Statement of Changes in Plan Net Position
Pension Trust Funds
For the Year Ended December 31, 2013

	Firefighters' Pension	Police Officers' Pension	Totals
ADDITIONS			
Contributions:			
Taxes	$ 2,016,993	$ -	$ 2,016,993
Auction proceeds - unclaimed property	-	19,389	19,389
Employer contributions	205,220	1,168,228	1,373,448
Total trust contributions	2,222,213	1,187,617	3,409,830
Investment income:			
Interest	71,340	48,346	119,686
Net incr (decr) in fair value of investments	(82,835)	(66,924)	(149,759)
Net investment income	(11,495)	(18,578)	(30,073)
Total additions	2,210,718	1,169,039	3,379,757
DEDUCTIONS			
Benefits	1,733,508	918,954	2,652,462
Administration expense	57,173	49,344	106,517
Total deductions	1,790,681	968,298	2,758,979
CHANGE IN NET POSITION			
Pension benefits change	144,399	89,877	234,276
Net position restricted for pension benefits, January 1, 2013	5,554,932	3,407,753	8,962,685
Net position pension benefits, December 31, 2013	5,699,331	3,497,630	9,196,961
Long-term care benefits	275,638	110,864	386,502
Net position long-term care benefits, January 1, 2013	2,364,801	2,171,946	4,536,747
Net position long-term care benefits, December 31, 2013	2,640,439	2,282,810	4,923,249
Total net position, December 31,2013	$ 8,339,770	$ 5,780,440	$ 14,120,210

CITY OF BELLINGHAM
Combining Statement of Net Position
Agency Funds
December 31, 2013

	Guaranty Deposit	School Impact Fees	Total Agency Funds
ASSETS			
Cash and cash equivalents	$ 228,217	$ 3,718	$ 231,935
Accounts receivable	2,804	-	2,804
Total assets	231,021	3,718	234,739
LIABILITIES			
Accounts payable	62,896	3,718	66,614
Other liabilities	168,125	-	168,125
Total liabilities	$ 231,021	$ 3,718	$ 234,739

CITY OF BELLINGHAM
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2013

	Balance December 31, 2012	Additions	Deductions	Balance December 31, 2013
GUARANTY DEPOSIT				
ASSETS				
Cash and cash equivalents	$ 162,492	$ 65,725	$ -	$ 228,217
Accounts receivable	-	2,804	-	2,804
Total assets	162,492	68,529	-	231,021
LIABILITIES				
Accounts payable	7,500	55,396	-	62,896
Other liabilities	154,992	13,133	-	168,125
Total liabilities	$ 162,492	$ 68,529	$ -	$ 231,021
SCHOOL IMPACT FEES				
ASSETS				
Cash and cash equivalents	$ 22,289	$ -	$ 18,571	$ 3,718
Total assets	22,289	-	18,571	3,718
LIABILITIES				
Accounts payable	22,289	-	18,571	3,718
Total liabilities	$ 22,289	$ -	$ 18,571	$ 3,718
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	$ 184,781	$ 65,725	$ 18,571	$ 231,935
Accounts receivable	-	2,804	-	2,804
Total assets	184,781	68,529	18,571	234,739
LIABILITIES				
Accounts payable	29,789	55,396	18,571	66,614
Other liabilities	154,992	13,133	-	168,125
Total liabilities	$ 184,781	$ 68,529	$ 18,571	$ 234,739

CITY OF BELLINGHAM
WASHINGTON

STATISTICAL SECTION

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

Contents Page

Financial Trends — 7-2
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity — 7-9
These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity — 7-13
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.

Demographic and Economic Information — 7-18
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information — 7-21
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.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	$ 192,350,431	$ 200,189,756	$ 220,101,614	$ 251,023,811	$ 275,562,771	$ 294,335,598	$ 314,661,962	$ 324,665,481	$ 324,871,812	$ 333,862,114
Restricted	42,746,769	49,900,468	43,251,138	43,371,259	42,022,692	36,300,224	48,968,976	59,689,364	63,216,204	62,125,404
Unrestricted	44,904,378	49,526,184	56,458,719	57,555,947	55,239,874	46,656,052	26,636,479	3,956,622	10,683,052	23,564,996
Total governmental activities net assets	280,001,578	299,616,408	319,811,471	351,951,017	372,825,337	377,291,874	390,267,417	388,311,467	398,771,068	419,552,514
Business-type activities										
Net investment in capital assets	160,449,099	158,377,192	162,349,648	180,824,082	184,549,549	192,943,450	200,721,924	202,646,637	207,441,809	210,438,258
Restricted	1,833,500	6,351,590	12,465,769	10,378,265	20,483,281	13,055,191	12,337,425	56,042,820	10,839,307	14,645,165
Unrestricted	26,859,475	27,255,759	24,743,675	20,744,147	16,807,591	14,771,564	7,104,917	(26,780,033)	19,030,468	20,202,114
Total business-type activities net assets	189,142,074	191,984,541	199,559,092	211,946,494	221,840,421	220,770,205	220,164,266	231,909,424	237,311,584	245,285,537
Primary government										
Net investment in capital assets	352,799,530	358,566,948	382,451,262	431,847,893	460,112,320	487,279,048	515,383,886	527,312,118	532,313,621	544,300,372
Restricted	44,580,269	56,252,058	55,716,907	53,749,524	62,505,973	49,355,415	61,306,401	115,732,184	74,055,511	76,770,569
Unrestricted	71,763,853	76,781,943	81,202,394	78,300,094	72,047,465	61,427,616	33,741,396	(22,823,411)	29,713,520	43,767,110
Total primary government net assets	$ 469,143,652	$ 491,600,949	$ 519,370,563	$ 563,897,511	$ 594,665,758	$ 598,062,079	$ 610,431,683	$ 620,220,891	$ 636,082,652	$ 664,838,051

Note: Beginning in year 2007 the Public Facilities District (PFD) is separately reported as a discrete component unit. This accounting reorganization resulted in a change in net assets of $13.6 million between 2006 and 2007.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
General government	$ 10,915,142	$ 11,089,032	$ 13,866,795	$ 14,284,854	$ 15,976,149	$ 15,385,834	$ 15,074,279	$ 14,476,790	$ 15,336,663	$ 12,938,178
Public safety	27,416,212	29,418,316	30,176,940	35,049,105	37,993,287	36,977,859	37,219,216	40,327,955	39,889,144	40,543,763
Physical environment	4,457,323	3,750,150	4,231,976	4,910,829	6,557,780	6,920,500	5,053,666	5,383,923	6,345,653	5,262,932
Transportation	7,841,862	8,643,230	8,895,051	9,335,399	9,853,604	10,571,685	10,669,612	12,136,460	11,838,466	14,739,413
Natural and economic environment	4,053,125	4,015,164	5,358,832	5,645,655	5,495,025	6,015,965	24,403,155	4,340,166	4,207,740	6,935,800
Social Services	52,182	60,093	60,093	45,929	77,346	47,087	77,989	47,024	77,562	238,327
Culture and recreation	12,139,503	12,654,783	13,868,673	13,477,767	15,719,617	15,949,086	24,151,314	15,799,406	14,773,090	13,142,560
Interest and redemption of long term debt	1,268,721	1,454,831	1,302,372	1,192,772	1,146,323	1,076,982	957,318	865,859	619,606	2,277,874
Total governmental activities expenses	68,144,070	71,085,599	77,760,732	83,942,310	92,819,131	92,944,998	117,606,549	93,377,583	93,087,924	96,078,847
Business-type activities										
Water	11,108,784	10,872,803	12,475,713	13,141,474	14,190,176	15,130,789	14,684,026	16,338,457	17,830,958	18,831,300
Wastewater	10,668,320	11,524,801	12,748,773	13,418,966	14,394,572	15,354,650	14,896,450	15,474,647	17,715,664	18,726,642
Surface and stormwater	-	3,740,021	3,964,093	4,121,268	4,565,706	4,769,300	5,109,870	5,192,494	5,550,615	5,887,978
Solid waste	-	5,452,417	1,741,750	1,865,236	985,055	5,439,399	7,697,454	1,251,060	1,070,494	3,820,556
Cemetery	-	492,307	540,511	634,208	612,882	590,617	518,100	526,959	534,234	557,285
Golf course	-	760,381	736,496	741,103	150,966	127,981	110,473	121,507	124,476	265,759
Parking	-	875,404	1,094,941	984,043	1,196,683	1,541,680	1,624,501	1,470,114	1,323,104	1,285,864
Medic one	6,799,473	6,831,349	7,878,728	8,657,338	9,044,577	7,681,681	7,673,790	7,312,579	7,306,912	9,019,331
Development services	-	2,609,138	2,747,268	2,574,241	2,888,843	1,926,678	1,725,177	1,608,250	1,685,449	1,870,090
Other business-type activities	9,543,683	-	-	-	-	-	-	-	-	-
Total business-type activities expenses	38,120,260	43,158,621	43,928,273	46,137,877	48,029,460	52,562,775	54,039,841	49,296,067	53,141,906	60,264,805
Total primary government expenses	$ 106,264,330	$ 114,244,220	$ 121,689,005	$ 130,080,187	$ 140,848,591	$ 145,507,773	$ 171,646,390	$ 142,673,650	$ 146,229,830	$ 156,343,652

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental activities										
Charges for services:										
General government	$ 5,090,982	$ 6,978,664	$ 7,378,154	$ 8,214,128	$ 7,629,530	$ 1,846,028	$ 7,971,785	$ 7,341,172	$ 8,609,125	$ 9,995,525
Public safety	4,137,835	4,832,625	4,716,786	5,536,189	4,652,808	5,031,673	3,649,014	3,919,904	4,847,396	5,021,635
Physical environment	2,609,588	2,797,346	2,908,572	2,865,241	3,332,454	3,456,750	3,306,542	3,059,867	2,986,750	2,851,207
Transportation	455,452	437,267	820,489	982,665	780,990	1,575,309	2,969,540	1,797,675	1,832,860	2,744,691
Natural and economic environment	1,229,828	1,252,248	1,576,664	1,340,234	1,031,818	1,608,883	-	30,159	21,557	13,771
Culture and recreation	2,411,547	4,015,913	1,579,059	1,658,473	2,957,313	3,368,716	3,492,695	3,235,228	3,348,290	4,136,307
Operating grants and contributions	5,870,274	3,902,310	4,365,394	3,493,504	4,654,983	6,194,611	6,835,919	5,458,395	6,169,221	6,118,748
Capital grants and contributions	4,849,861	5,198,298	8,240,714	11,137,427	8,277,317	9,921,191	19,831,012	3,352,046	3,287,138	9,392,828
Total governmental activities program revenues	26,655,367	29,414,671	31,585,832	35,227,861	33,317,213	33,003,161	48,056,507	28,194,446	31,102,337	40,274,712
Business-type activities										
Charges for services:										
Water	11,522,506	12,662,209	13,715,124	14,426,124	14,906,201	15,252,014	16,632,474	17,374,266	20,657,488	22,823,773
Wastewater	14,593,476	14,007,723	14,327,011	15,269,074	17,076,027	15,809,211	16,529,749	17,442,198	18,866,004	19,389,261
Surface and stormwater	-	3,997,067	4,426,473	4,884,658	4,950,172	4,743,490	4,832,097	5,398,976	5,526,016	6,500,655
Solid waste	-	197,220	830,445	308,130	233,471	211,874	196,329	220,301	236,780	209,253
Cemetery	-	286,095	305,660	366,050	346,156	244,710	326,436	301,334	274,244	275,548
Golf course	-	755,881	757,042	729,949	184,297	189,999	189,477	189,450	201,016	224,818
Parking	-	969,013	1,106,119	2,375,143	2,285,357	2,351,599	2,377,394	2,229,067	2,173,587	2,085,321
Medic one	5,559,733	5,859,978	5,944,914	7,291,514	8,024,156	6,574,164	6,397,643	6,106,185	2,301,064	3,781,589
Development services	-	2,622,009	2,644,051	2,866,133	2,360,011	2,208,015	1,815,099	1,912,283	2,123,596	2,607,991
Other business-type activities	7,653,881	-	-	-	-	-	-	-	-	-
Operating grants and contributions	379,224	599,117	49,406	45,593	6,607	3,919	62,035	769,988	3,722,655	1,692,473
Capital grants and contributions	102,041	344,615	3,426,595	1,762,313	2,368,644	1,844,551	1,437,283	1,563,673	1,118,079	1,438,295
Total business-type activities revenues	39,810,861	42,300,927	47,532,840	50,324,681	52,741,099	49,433,546	50,796,016	53,507,721	57,200,529	61,028,977
Total primary government program revenues	$ 66,466,228	$ 71,715,598	$ 79,118,672	$ 85,552,542	$ 86,058,312	$ 82,436,707	$ 98,852,523	$ 81,702,167	$ 88,302,866	$ 101,303,689
Net revenue (expense)										
Governmental activities	$ (41,488,703)	$ (41,670,928)	$ (46,174,900)	$ (48,714,449)	$ (59,501,918)	$ (59,941,837)	$ (69,550,042)	$ (64,893,478)	$ (61,985,587)	$ (55,804,135)
Business-type activities	1,690,601	(857,694)	3,604,567	4,186,804	4,711,639	(3,129,229)	(3,243,825)	365,815	4,058,623	764,172
Total primary government net expense	$ (39,798,102)	$ (42,528,622)	$ (42,570,333)	$ (44,527,645)	$ (54,790,279)	$ (63,071,066)	$ (72,793,867)	$ (64,527,663)	$ (57,926,964)	$ (55,039,963)

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Assets										
Taxes										
Property taxes	$ 12,819,530	$ 12,744,306	$ 13,092,773	$ 15,905,123	$ 16,560,804	$ 16,683,534	$ 16,998,700	$ 17,351,542	$ 17,628,836	$ 20,986,967
Retail sales and use taxes	18,781,686	19,974,866	22,136,372	21,854,574	21,603,021	18,763,691	19,297,747	22,978,303	25,823,907	28,021,708
Interfund taxes	3,066,935	3,355,251	3,563,139	3,763,959	4,022,074	3,894,999	4,136,250	5,272,962	5,854,941	-
Business taxes	16,098,324	17,628,056	19,220,883	20,972,718	21,208,125	20,817,581	19,365,332	20,032,301	20,242,429	27,109,401
Other taxes	4,099,398	4,534,052	4,522,487	4,085,034	3,330,446	2,912,563	2,559,299	2,466,211	3,081,317	3,275,785
Interest and investment earnings	1,022,486	2,160,842	3,878,646	4,776,518	4,274,577	1,436,128	1,551,747	1,366,413	1,134,224	176,643
Miscellaneous sources (uses)	432,842	-	-	7,207,497	1,140,391	119,800	12,010	-	-	-
Contributions	6,724,498	1,489,229	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	-	(278,942)	-	-	-	-	-	338,277	-	-
Transfers	(1,216,211)	(321,902)	(44,337)	(202,204)	(480,030)	(219,922)	(687,592)	(1,455,455)	(1,411,894)	(2,763,834)
Total governmental activities	61,829,488	61,285,758	66,369,963	78,363,219	71,659,408	64,408,374	63,233,493	68,350,554	72,353,760	76,806,670
Business-type activities										
Retail sales and use taxes	-	-	350,465	595,633	-	-	-	-	-	-
Interfund taxes	-	-	-	-	-	-	-	-	-	-
Business taxes	-	883,843	1,163,203	1,256,117	1,271,585	1,186,561	1,352,583	1,252,349	1,244,127	1,274,696
Other taxes	618,431	-	-	-	-	-	-	-	-	2,932,997
Interest and investment earnings	569,838	1,125,536	2,075,081	2,709,735	2,843,893	783,800	597,811	773,678	774,753	(211,280)
Miscellaneous sources (uses)	64,663	-	-	1,000,000	-	-	-	(1,535,605)	-	-
Contributions	2,959,208	1,348,323	-	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	-	20,557	336,898	34,734	586,780	(3,767)	(100)	-	-	54,548
Transfers	1,216,211	321,902	44,337	202,204	480,030	219,922	687,592	1,455,455	1,411,894	2,763,834
Repayment of land contribution	-	-	-	-	-	-	-	-	-	1,176,877
Total business-type activities	5,428,351	3,700,161	3,969,984	5,798,423	5,182,288	2,186,516	2,637,886	1,945,877	3,430,774	7,991,672
Total primary government	$ 67,257,839	$ 64,985,919	$ 70,339,947	$ 84,161,642	$ 76,841,696	66,594,890	65,871,379	70,296,431	75,784,534	84,798,342
Change in net position										
Governmental activities	$ 20,340,785	$ 19,614,830	$ 20,195,063	$ 29,648,770	$ 12,157,490	$ 4,466,537	$ (6,316,549)	$ 3,167,417	$ 10,368,173	$ 21,002,535
Business-type activities	7,118,952	2,842,467	7,574,551	9,985,227	9,893,927	(942,713)	(605,939)	6,157,531	7,489,397	8,755,844
Prior period adjustments	45,774,785	-	-	18,452,702	8,716,830	(127,503)	19,292,092	464,252	(1,995,809)	-
Change in accounting principle - GASB 65	-	-	-	-	-	-	-	-	-	(1,002,979)
Total primary government	$ 73,234,522	$ 22,457,297	$ 27,769,614	$ 58,086,699	$ 30,768,247	$ 3,396,321	$ 12,369,604	$ 9,789,200	$ 15,861,761	$ 28,755,400

In 2007, the Public Facilities District (PFD) changed in nature from a blended component unit to a discrete component unit accounting for a change in net assets of $13,559,751 between 2006 and 2007.

City of Bellingham

Schedule 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	$ 36,100	$ 1,682	$ 1,637,368	$ 1,453,257	$ 1,261,782	$ 1,062,649	$ 855,551	$ -	$ -	$ -
Unreserved	7,460,685	10,438,803	12,573,654	24,242,434	14,489,331	12,787,288	12,549,757	-	-	-
Nonspendable	-	-	-	-	-	-	-	640,985	744,750	185,207
Restricted	-	-	-	-	-	-	-	853,834	13,410,236	17,658,044
Committed	-	-	-	-	-	-	-	9,156,556	11,125,469	10,967,686
Assigned	-	-	-	-	-	-	-	150,409	8,210,509	8,429
Unassigned	-	-	-	-	-	-	-	4,708,440	4,663,166	14,508,164
Total general fund	$ 7,496,785	$ 10,440,485	$ 14,211,022	$ 25,695,691	$ 15,751,113	$ 13,849,937	$ 13,405,308	$ 15,510,224	$ 38,154,130	$ 43,327,530
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	$ 1,100	$ 1,000	$ 1,000	$ 1,000	$ 2,000	$ 2,000	$ 11,447,677	$ -	$ -	$ -
Debt service funds	1,025,176	816,143	758,584	475,591	496,110	587,923	9,360,229	-	-	-
Permanent funds	-	2,450,000	5,982,770	6,372,896	6,673,126	7,076,747	7,458,448	-	-	-
Unreserved, reported in:								-	-	-
Special revenue funds	34,111,990	41,122,938	40,125,731	40,496,481	37,748,500	30,188,799	31,602,827	-	-	-
Capital project funds	6,233,094	7,289,560	1,771,842	828,930	139,972	-	-	-	-	-
Permanent funds	5,802,554	3,641,024	523,616	747,704	757,342	857,725	688,451	-	-	-
Nonspendable	-	-	-	-	-	-	-	7,880,845	20,836,763	8,766,712
Restricted	-	-	-	-	-	-	-	47,246,996	17,844,025	35,051,972
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	1,019,540	-
Unassigned	-	-	-	-	-	-	-	(635,116)	(463)	-
Total all other governmental funds	$ 47,173,914	$ 55,320,665	$ 49,163,543	$ 48,922,602	$ 45,817,050	$ 38,713,194	$ 60,557,632	$ 54,492,725	$ 39,699,865	$ 43,818,684
Total governmental funds	$ 54,670,699	$ 65,761,150	$ 63,374,565	$ 74,618,293	$ 61,568,163	$ 52,563,131	$ 73,962,940	$ 70,002,949	$ 77,853,995	$ 87,146,214

Note: In 2011, GASB statement no. 54 changed the classification of fund balances and moved the former special revenue fund Streets into the general fund for reporting purposes. In 2012, per GASB statement no. 54 an additional eleven former special revenue funds are being reported in the general fund. In 2007, the Public Facilities District (PFD) began reporting separately as a discrete component unit accounting for a change in fund balance of $4,761,339 between 2006 and 2007. In 2013, it was determined that a rainy day fund previously reported as restricted should be reported as unassigned.

City of Bellingham

Schedule 4

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Revenues	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Taxes *(see schedule 5)*	$ 54,939,484	$ 58,334,861	$ 62,517,853	$ 66,477,096	$ 66,787,714	$ 63,051,228	$ 62,306,696	$ 68,113,285	$ 72,662,684	$ 79,457,191
Licenses and permits	686,053	748,160	839,561	917,718	962,989	966,937	1,070,280	1,078,032	1,232,642	1,300,553
Intergovernmental revenue	10,701,346	9,352,256	10,839,504	11,980,989	12,338,995	17,625,391	17,238,533	9,972,732	10,624,466	11,452,576
Charges for services	12,796,330	13,635,249	15,282,851	18,728,092	15,205,392	15,971,339	16,269,473	16,086,214	18,196,715	21,243,000
Fines and penalties	1,505,718	1,531,297	1,757,922	1,153,695	1,136,335	1,245,620	1,219,571	1,224,859	1,172,060	1,159,922
Investment income	-	-	-	-	-	1,416,710	1,496,734	1,177,518	913,769	238,406
Miscellaneous revenues	3,065,575	5,835,324	5,390,953	13,121,564	6,393,108	1,520,850	2,144,314	1,651,030	1,681,936	1,714,192
Total revenues	83,694,506	89,437,147	96,628,644	112,379,154	102,824,533	101,798,075	101,745,601	99,303,670	106,484,272	116,565,840
Expenditures										
General government services	11,013,084	11,299,397	14,188,145	14,081,146	16,141,149	15,507,332	15,167,326	13,923,871	14,913,851	12,416,812
Public safety	26,995,761	29,226,910	31,616,600	33,044,238	37,662,623	36,575,103	36,378,223	37,962,289	39,354,251	40,200,861
Physical environment	4,119,080	4,013,739	4,374,785	4,938,868	6,752,365	7,391,028	5,390,396	5,476,279	6,638,368	54,331
Transportation	4,297,507	4,963,151	4,975,443	5,234,218	5,904,387	5,767,047	5,541,435	5,698,525	5,992,118	14,472,294
Natural and economic environment	4,140,276	4,066,829	5,494,392	4,976,102	5,398,503	5,939,617	4,715,403	3,863,451	3,831,392	6,798,451
Social services	57,529	60,093	60,093	45,929	77,346	47,087	77,989	47,024	77,562	238,327
Cultural and recreation	11,346,889	11,825,657	12,896,367	12,880,007	14,727,561	15,015,039	13,668,315	12,921,869	13,573,330	13,008,471
Debt service:										
Redemption of general long-term debt	2,816,311	2,611,031	2,633,025	2,519,893	2,664,430	2,219,918	2,180,422	1,810,964	1,721,544	1,375,686
Interest and other debt service cost	1,217,242	1,479,864	1,316,975	1,207,355	1,162,285	1,091,742	972,391	871,130	637,312	553,657
Capital outlay	22,535,717	8,728,506	21,129,218	15,820,342	23,252,908	20,521,065	14,859,164	17,739,732	9,469,488	13,663,061
Total expenditures	88,539,396	78,275,177	98,685,043	94,748,098	113,743,557	110,074,978	98,951,064	100,315,134	96,209,216	102,781,951
Excess (deficiency) of revenues over (under) expenditures	(4,844,890)	11,161,970	(2,056,399)	17,631,056	(10,919,024)	(8,276,903)	2,794,537	(1,011,464)	10,275,056	13,783,889
Other Financing Sources (Uses)										
General long-term debt	148,750	148,750	-	-	-	-	-	-	350,000	-
Advance refunding of long-term debt	(970,000)	-	-	-	-	-	-	-	(15,147,508)	-
Interest and other debt service costs	(6,447)	-	-	-	-	-	-	-	(123,586)	-
Bond issue	20,690,000	-	-	-	-	-	-	-	14,370,000	-
Premium on bonds	425,314	-	-	-	-	-	-	-	1,059,918	-
Gain (loss) on sale of capital assets	1,021,934	-	-	-	-	-	-	338,277	-	-
Insurance recoveries	-	-	-	-	1,008,046	119,800	12,010	-	-	-
Transfers in	4,297,917	5,588,838	9,896,036	4,901,560	3,549,291	3,203,500	3,507,589	2,950,709	3,497,509	2,202,093
Transfers out	(5,934,020)	(5,809,108)	(10,226,222)	(6,527,547)	(6,688,446)	(4,051,436)	(4,206,417)	(4,967,928)	(6,756,819)	(6,693,764)
Total other financing sources and (uses)	19,673,448	(71,520)	(330,186)	(1,625,987)	(2,131,109)	(728,136)	(686,818)	(1,678,942)	(2,750,486)	(4,491,671)
Prior period adjustments	2,432	-	-	-	-	-	19,292,090	(1,269,587)	326,483	-
Net change in fund balances	$ 14,828,558	$ 11,090,450	$ (2,386,585)	$ 16,005,069	$ (13,050,133)	$ (9,005,039)	$ 2,107,719	$ (2,690,406)	$ 7,524,570	$ 9,292,218
Debt service as a % of non-capital expenditures	6.1%	5.9%	5.1%	4.7%	4.2%	3.7%	3.7%	3.2%	2.7%	2.2%

Note: In 2007 the Public Facilities District (PFD) began reporting separately as a discrete component unit accounting for a change in fund balance of $4,761,339 between 2006 and 2007. In 2009 investment Income revenue was moved from miscellaneous revenue and placed into its own category.

City of Bellingham

Schedule 5

Tax Revenues by Source, Governmental Funds

Last Ten Fiscal Years

Fiscal year	Property	Sales & use	Interfund Utility	External Utility	Business & occupation	Real estate excise	Other	Total
2004	12,892,161	18,781,687	9,648,372	-	9,567,347	3,471,146	578,771	54,939,484
2005	12,841,875	19,974,866	10,187,887	-	10,878,402	3,828,078	623,753	58,334,861
2006	13,074,970	22,136,373	11,139,916	-	11,701,244	3,858,362	606,988	62,517,853
2007	15,800,811	21,854,573	12,122,000	-	12,666,213	3,419,608	613,891	66,477,096
2008	16,620,768	21,603,021	12,795,235	-	12,586,101	2,540,771	641,818	66,787,714
2009	16,417,702	18,763,691	13,517,785	-	11,563,715	1,878,291	910,044	63,051,228
2010	16,943,851	19,297,746	12,724,828	-	10,828,748	1,707,980	803,543	62,306,696
2011	17,355,250	22,978,302	13,804,184	-	11,560,923	1,729,100	685,526	68,113,285
2012	17,660,090	25,823,907	5,854,941	8,289,964	11,952,466	2,296,408	784,908	72,662,684
2013	$ 21,050,298	$ 28,021,705	$ 6,438,150	$ 8,269,242	$ 12,607,076	$ 2,337,770	$ 732,950	$ 79,457,191
Change 2004-2013	63.28%	49.20%	-33.27%	-0.25%	31.77%	-32.65%	26.64%	44.63%

Beginning in 2012, the tax from City owned utilities has been broken out of total utility tax.

City of Bellingham

Schedule 6

Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal year	Real property	Personal property	Total all property	Total direct tax rate
2004	-	-	4,683,841,660	2.96765
2005	-	-	5,348,485,164	2.62756
2006	6,229,382,888	405,622,601	6,635,005,489	2.20442
2007	6,443,574,163	425,074,376	6,868,648,539	2.53663
2008	6,615,264,144	455,422,134	7,070,686,278	2.56107
2009	7,619,785,052	459,771,470	8,079,556,522	2.28112
2010	8,059,113,899	537,883,799	8,596,997,698	2.22117
2011	8,011,858,018	404,941,014	8,416,799,032	2.30346
2012	7,926,656,654	400,634,706	8,327,291,360	2.34812
2013	$ 7,948,478,438	$ 400,149,623	$ 8,348,628,061	2.49580

Source: Whatcom County Assessor's Office, annual tax book 2013.

Note: The breakdown of real and personal property values are not available prior to 2006. The estimated actual value of taxable property, otherwise known as the fair market value, is the same as the property values listed above. According to the Whatcom County Assessor's website, "State law requires the Assessor's Office to value property at 100% of it's true and fair market value, according to the highest and best use of the property. The Assessor must take into consideration any situation or circumstance that would affect the negotiations between a willing buyer and a willing seller. Market value is the amount of money that a willing and unobligated buyer is willing to pay a willing and unobligated seller. The Assessor values real property using one or more of the professionally recognized appraisal methodologies. These are the market or sales comparison approach, the cost approach, the income capitalization approach, or any combination of the three approaches."

City of Bellingham

Schedule 7

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(per $1,000 of assessed value)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
City of Bellingham										
General fund	2.12921	2.04020	1.68297	1.68677	1.70899	1.49912	1.45770	1.52788	1.58776	1.60885
What RDA LIFT	-	-	-	-	0.00018	0.00021	0.00018	0.00226	0.00302	0.00293
Fire pension	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500	0.22500
Sub-total nonvoted levy	2.35421	2.26520	1.90797	1.91177	1.93417	1.72433	1.68288	1.75514	1.81578	1.83678
Greenways	0.57000	0.29748	0.24761	0.57000	0.57493	0.51163	0.49651	0.51645	0.53235	0.53942
Affordable housing	-	-	-	-	-	-	-	-	-	0.11978
Voted excess levies	0.04344	0.06488	0.04884	0.05486	0.05197	0.04516	0.04178	0.03187	-	-
Sub-total voted levy	0.61344	0.36236	0.29645	0.62486	0.62690	0.55679	0.53829	0.54832	0.53235	0.65920
Total City of Bellingham levy	2.96765	2.62756	2.20442	2.53663	2.56107	2.28112	2.22117	2.30346	2.34813	2.49598
Overlapping districts										
State schools	3.15695	3.21948	2.97937	2.69846	2.42701	2.21902	2.19787	2.45657	2.50814	2.67073
County levy	1.55023	1.46589	1.32537	1.14785	1.08884	1.01676	1.02054	1.11230	1.13438	1.15453
Conservation futures	0.06022	0.05694	0.05148	0.04453	0.04229	0.03949	0.01714	0.04125	0.04205	0.04279
Flood control	0.19370	0.18345	0.16582	0.14354	0.13625	0.16598	0.16299	0.13243	0.13512	0.13755
Port of Bellingham	0.38320	0.38258	0.38320	0.34220	0.32465	0.30593	0.29601	0.29719	0.28899	0.28610
Bellingham School District	3.79208	3.45964	2.97790	3.27693	3.26299	2.98677	3.02022	3.41363	3.60646	3.87995
Total City & overlapping levy	12.10403	11.39554	10.08756	10.19014	9.84310	9.01507	8.93594	9.75683	10.06327	10.66763

Source: Whatcom County Assessor's Office, annual tax book 2013.

Note: A portion of the City of Bellingham lies within the Meridian School District. The 2012 levy rate for Meridian is 4.92471.

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

	2013			2004		
Taxpayer	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	110,763,489	1	1.33%	-	-	0.00%
Bellis Fair Partners	41,568,969	2	0.50%	35,165,035	2	0.75%
PKII Sunset Square LLC	34,260,531	3	0.41%	-	-	0.00%
Bellwether Gate LLC	18,702,761	4	0.22%	-	-	0.00%
Sisters of St Joseph of PeaceHealth	18,559,912	5	0.22%	-	-	0.00%
Cascade Natural Gas	17,646,943	6	0.21%	-	-	0.00%
PAX Medical Holdings	17,573,030	7	0.21%	-	-	0.00%
Talbot Real Estate	16,451,303	8	0.20%	42,402,090	1	0.91%
Fred Meyer	16,321,043	9	0.20%	22,777,250	4	0.49%
Metropolitan Life Insurance	16,315,532	10	0.20%	-	-	0.00%
Georgia-Pacific West, Inc.			0.00%	23,045,920	3	0.49%
Pan Pacific Development Corporation			0.00%	20,631,995	5	0.44%
Meridian Village - RVIP CA/WA/OR Portfolio LC			0.00%	14,461,405	6	0.31%
KIR Bellingham LP			0.00%	13,823,585	7	0.30%
Trillium Corporation			0.00%	13,092,990	8	0.28%
Britax Cabin Interiors, Inc. (Heath Techna)			0.00%	12,947,100	9	0.28%
Haggen			0.00%	12,037,485	10	0.26%
Total top ten principal taxpayers	$ 308,163,513		3.69%	$ 210,384,855		4.49%
Total all taxpayers	$ 8,348,628,061		100.00%	$ 4,683,841,660		100.00%

Source: Whatcom County Assessor's Office.

City of Bellingham

Schedule 9

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Total tax collected net of levy changes	Tax balance due	Percentage of levy collected
		Amount	Percentage of levy			
2004	$ 13,910,630	$ 13,656,680	98.1744%	$ 13,910,630	$ -	100.0000%
2005	14,050,825	13,767,756	97.9854%	14,050,825	-	100.0000%
2006	14,623,252	14,371,570	98.2789%	14,623,252	-	100.0000%
2007	17,419,207	17,161,069	98.5181%	17,419,207	-	100.0000%
2008	18,104,429	17,976,878	99.2955%	18,104,185	244	99.9987%
2009	18,426,728	18,187,142	98.6998%	18,424,323	2,405	99.9869%
2010	19,091,521	18,682,177	97.8559%	19,086,324	5,197	99.9728%
2011	19,384,545	19,048,860	98.2683%	19,343,056	41,489	99.7860%
2012	19,553,465	19,253,132	98.4640%	19,472,754	80,711	98.6155%
2013	$ 22,838,010	$ 22,549,616	98.7372%	$ 22,567,386	$ 270,624	98.8150%

Source: Whatcom County Treasurer's Office.

Note: Whatcom County writes-off outstanding property tax balances older than 5 years.

City of Bellingham
Schedule 10
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental activities				Business-type activities						
Fiscal year	General obligation bonds	Special assessment bonds	Notes payable	Government loans payable	Revenue bonds (net)*	General obligation bonds (net)	Notes payable	Government loans payable	Total primary government	Percentage of personal income**	Per capita
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	2.83%	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	2.84%	858
2006	25,045,000	1,295,000	172,612	2,977,826	25,512,805	9,024,038	2,000,000	2,527,532	68,554,813	2.86%	933
2007	23,255,000	925,000	166,539	2,624,007	23,006,084	8,654,352	1,500,000	2,370,545	62,501,527	2.34%	831
2008	21,542,912	514,485	160,027	2,211,089	26,435,000	8,245,098	1,000,000	2,177,772	62,286,383	2.17%	822
2009	19,716,556	286,110	153,045	2,053,154	23,660,000	7,850,585	-	1,985,000	55,704,450	2.04%	732
2010	17,775,200	212,735	145,558	1,895,219	20,055,000	7,415,688	-	1,823,479	49,322,879	1.67%	610
2011	22,691,244	84,361	137,529	1,737,284	61,989,516	6,980,607	-	1,661,959	95,282,500	3.09%	1,175
2012	22,478,634	45,986	128,920	1,929,349	60,091,269	6,505,921	2,700,000	1,022,833	94,902,912	2.98%	1,153
2013	$ 21,424,160	$ -	$ 119,689	$ 1,722,894	$ 74,537,514	$ 6,181,280	$ 2,700,000	$ 959,904	$ 107,645,441	**	$ 1,308

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

** *See Schedule 15 for per capita personal income and population data. Current year information is not available at the time of this report.*

City of Bellingham

Schedule 11

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal year	General obligation bonds	Debt service funds available	Net general obligation bonds	Percentage of actual taxable value of property	Per capita
2004	$ 29,380,000	$ 231,072	$ 29,148,928	0.54%	410
2005	36,245,000	184,183	36,060,817	0.54%	499
2006	34,170,000	172,173	33,997,827	0.49%	463
2007	32,005,000	163,426	31,841,574	0.45%	423
2008	29,720,000	191,001	29,528,999	0.37%	390
2009	27,490,000	207,564	27,282,436	0.32%	358
2010	25,120,000	214,706	24,905,294	0.30%	308
2011	29,635,000	311,540	29,323,460	0.35%	362
2012	28,150,000	902,492	27,247,508	0.32%	331
2013	$ 26,700,000	$ 1,328,937	$ 25,371,063	0.30%	308

City of Bellingham

Schedule 12

Direct and Overlapping Governmental Activities Debt

As of December 31, 2013

Governmental unit	Debt outstanding	Estimated percentage applicable	Estimated share of direct and overlapping debt
Overlapping debt:			
Bellingham School District #501	$ 135,225,000	76.63%	$ 103,616,489
Port of Bellingham	10,880,000	36.12%	3,930,328
Meridian School Dist #505	16,220,000	22.67%	3,677,261
Whatcom County	3,660,000	36.12%	1,322,151
Whatcom County Fire District #4	1,380,000	11.28%	155,700
Ferndale School District #502	$ 27,730,000	0.05%	14,614
Subtotal, overlapping debt			112,716,543
Direct debt:			
City of Bellingham		100.00%	22,332,584
Total direct and overlapping debt			$ 135,049,127

Sources: Assessed value data used to estimate applicable percentages is obtained from the Whatcom County Assessor. Outstanding debt data is obtained from the Whatcom County Treasurer and the Port of Bellingham Finance Director.

Estimates: The estimated percentage is calculated by dividing the assesed value of the portion of the overlapping unit that falls within the City of Bellingham by the total assessed valuation of the overlapping unit.

Schedule 13
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2013

Total assessed value	$8,554,046,711
Debt limit:	
Non-voted debt limit (1.5% of assessed value)	128,310,701
Voted debt limit (1.0% of assessed value)	85,540,467
Total debt limit	213,851,168
Debt applicable to limit:	
General obligation bonds	26,700,000
Other debt	421,169
Less: assets available for repayment of debt	(1,328,937)
Total debt applicable to limit	25,792,232
Legal debt margin	$ 188,058,936

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total assessed valuation	$ 5,348,485,164	$ 6,635,005,489	$ 6,868,648,539	$ 7,070,686,278	$ 8,079,556,522	$ 8,596,997,698	$ 8,416,799,032	$ 8,327,291,360	$8,348,628,061	$8,554,046,711
Debt limit (2.5%)	133,712,129	165,875,137	171,716,213	176,767,157	201,988,913	214,924,942	210,419,975	208,182,284	208,715,702	213,851,168
Total net debt applicable to limit	29,262,019	36,239,090	34,170,337	32,008,113	29,689,026	27,435,481	25,050,852	29,460,989	27,726,428	25,792,232
Legal debt margin	$ 104,450,110	$ 129,636,047	$ 137,545,876	$ 144,759,044	$ 172,299,887	$ 187,489,461	$ 185,369,123	$ 178,721,295	$ 180,989,274	$ 188,058,936
Total net debt applicable to limit as a percentage of debt limit	21.9%	21.8%	19.9%	18.1%	14.7%	12.8%	11.9%	14.2%	13.3%	12.1%

Source: Assessed valuation data is obtained from the Whatcom County Assessor's Office.
Note: The legal general purposes debt limit of 2.5% is authorized by RCW 39.36.020.

City of Bellingham
Schedule 14
Pledged-Revenue Coverage
Last Ten Fiscal Years

	Water-Sewer revenue bonds						Special assessment (LID) bonds		
Fiscal year	Operating revenue	Operating expense	Nonoperating income(expense)	Net available revenue	Debt service principal and interest	Debt service coverage ratio	Special assessment collections	Debt service principal and interest	Debt service coverage ratio
2004	$ 25,024,670	$ 13,334,995	$ (536,828)	$ 11,152,847	$ 2,715,726	4.11	$ 973,069	$ 967,048	1.01
2005	27,017,598	13,705,025	(726,474)	12,586,099	2,555,794	4.92	695,305	684,818	1.02
2006	28,229,737	15,834,064	(784,787)	11,610,886	2,529,589	4.59	702,709	690,993	1.02
2007	29,424,882	16,815,998	1,129,949	13,738,833	3,383,748	4.06	453,028	453,213	1.00
2008	31,747,477	18,378,832	841,369	14,210,014	3,682,566	3.86	410,967	413,925	0.99
2009	30,779,714	20,147,012	(82,392)	10,550,310	3,815,881	2.76	355,519	270,223	1.32
2010	31,367,418	19,012,485	1,157,920	13,512,853	4,526,558	2.99	130,023	100,100	1.30
2011	32,855,741	19,535,924	2,291,162	15,610,979	4,596,396	3.40	135,889	150,300	0.90
2012	36,658,554	21,256,791	3,258,296	18,660,059	4,596,396	4.06	135,889	150,300	0.90
2013	$ 40,295,129	$ 21,952,315	$ 1,233,129	$ 19,575,943	$ 4,473,226	4.38	$ 113,012	$ 79,500	1.42

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses are exclusive of depreciation.

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

Calendar year	Population	Personal income (thousands of dollars)	Per capita personal income	Median age	School enrollment	Unemployment rate
2004	71,080	$ 2,059,117	$ 28,969	-	-	5.8%
2005	72,320	2,187,535	30,248	30.10	22,726	5.0%
2006	73,460	2,396,486	32,623	30.70	25,667	4.5%
2007	75,220	2,666,850	35,454	29.70	29,343	4.1%
2008	75,750	2,876,379	37,972	30.30	26,276	5.0%
2009	76,130	2,724,236	35,784	30.70	27,496	8.5%
2010	80,885	2,953,192	36,511	36.52	27,594	7.9%
2011	81,067	3,088,491	38,098	36.75	27,276	8.1%
2012	81,360	3,182,559	$ 39,117	36.97	25,211	6.9%
2013	82,310	***	***	37.22	***	6.2%

**** Information was not available at the time this schedule was prepared.*

Population and median age source: State of Washington, Office of Financial Management, Forecasting Division

Per capita personal income source: FRED Economic Data

School enrollment source: U.S. Census Bureau, American FactFinder

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

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

	2013			2004		
Employer	Employees	Rank	Percentage of total city employment	Employees	Rank	Percentage of total city employment
St. Joseph Hospital / Madrona Medical Group	2,753	1	2.84%	1,757	2	1.81%
Western Washington University	1,575	2	1.62%	2,235	1	2.30%
Bellingham School District	1,200	3	1.24%	1,651	3	1.70%
BP Cherry Point Refinery	1,100	4	1.13%	-	-	0.00%
Heath Techna, Inc.	850	5	0.88%	-	-	0.00%
City of Bellingham	846	6	0.87%	858	6	0.88%
Whatcom County	805	7	0.83%	930	4	0.96%
Haggen Inc.	787	8	0.81%	843	7	0.87%
Lummi Tribal Office	700	9	0.72%	-	-	0.00%
Fred Meyer	660	10	0.68%	-	-	0.00%
Aramark Food Services (formerly Sodexho)	-	-	0.00%	648	9	0.67%
The Market's LLC (formerly Brown & Cole)	-	-	0.00%	634	10	0.65%
Ferndale School District	-	-	0.00%	910	5	0.94%
Alcoa Intalco	-	-	0.00%	800	8	0.83%
Total employed by the top 10 employers	11,276		11.63%	11,266		11.62%
Total city employment	96,968			96,965		

Sources: Western Washington University College of Business and Economics, Economics and Business Research for 2012 employer data.
City of Bellingham 2004 CAFR for 2004 employer data.
Beginning in 2009, the total city employment figure reported for both years is derived from the Bellingham, WA Metropolitan Statistical Area (MSA).

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

Employee groups	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Elected Mayor	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Elected City Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Elected Municipal Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Non-Represented Employee Group	77.4	77.1	79.9	83.9	90.8	87.0	80.1	77.0	78.6	81.1
Supervisors & Professionals	101.7	104.9	103.4	108.6	107.8	106.0	100.0	97.5	98.0	97.0
Professional Librarians	8.0	8.0	8.0	8.0	8.0	8.0	6.3	7.0	6.7	7.0
Emergency Med Svcs Dispatch	11.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0
Fire Supervisors	7.3	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Firefighters	129.3	122.5	126.0	132.0	135.0	133.0	129.0	133.0	133.0	127.5
Police	95.4	95.1	100.0	102.0	102.0	106.0	99.7	101.0	102.0	101.0
WHAT COMM Dispatch	23.0	23.0	23.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Non-Uniformed	334.4	323.5	327.3	336.5	352.1	351.6	319.8	310.1	314.9	313.7
Total regular workforce	797.5	783.1	797.6	827.0	851.7	847.6	790.9	781.6	789.2	783.3
Temporary labor	60.9	59.2	62.2	66.6	64.6	62.6	62.0	60.6	60.2	62.5
Total paid workforce	858.4	842.3	859.8	893.6	916.3	910.2	852.9	842.2	849.4	845.8

Sources: City of Bellingham 2004-2013 adopted budget reports.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Governmental Services										
Judicial										
Caseload per Public Defender	-	-	-	-	486	392	436	399	378	403
% of criminal cases completed in 90 days	-	-	-	80%	82%	86%	83%	85%	82%	83%
Clearance rates - all infractions	106%	110%	107%	108%	110%	109%	115%	102%	106%	104%
Clearance rates - criminal misdemeanors	118%	137%	117%	112%	109%	102%	104%	113%	108%	110%
Finance										
GO bonded debt issued (millions)	$ 20.7	$ 8.7	$ -	$ -	$ -	$ -	$ -	$ 6.5	$ 14.4	$ -
GO bonded debt redeemed (millions)	$ 2.3	$ 1.8	$ 2.1	$ 2.2	$ 2.3	$ 2.2	$ 2.4	$ 2.0	$ 15.9	$ 1.5
GO bonded debt (millions)	$ 29.4	$ 36.2	$ 34.2	$ 32.0	$ 29.7	$ 27.5	$ 25.1	$ 29.6	$ 28.2	$ 26.7
GO bonded debt per capita	$ 410	$ 499	$ 463	$ 423	$ 390	$ 358	$ 308	$ 362	$ 308	$ 308
Human Resources and Payroll										
Benefit costs as a % of wages	30.18%	31.90%	33.79%	36.17%	37.73%	40.20%	34.16%	36.29%	38.22%	38.15%
Turnover rate	-	7.10%	6.25%	7.25%	5.92%	8.61%	7.30%	5.55%	4.44%	6.39%
Citywide overtime as a % of base wage	3.76%	5.04%	5.57%	5.23%	4.38%	4.13%	3.35%	2.82%	2.43%	3.02%
Legal										
Criminal filings	4,015	3,552	3,809	4,138	3,860	4,138	3,844	3,576	3,442	3,631
Claims filed	70	54	46	62	60	79	48	58	48	35
Amount paid for claims	506,400	132,100	523,700	105,800	352,600	622,300	48,700	139,600	463,700	113,000
Public Safety										
Police										
Violent crime incidents	182	174	196	187	181	171	282	199	220	***
Property crime incidents	5,878	5,573	5,334	5,022	4,358	4,341	3,653	3,738	3,975	***
Total dispatch incidents/CAD	128,089	126,709	128,089	128,665	129,048	128,416	128,734	127,248	124,480	134,300
Incidents per dispatcher	5,569	5,509	5,569	5,594	5,611	5,583	4,951	5,533	5,081	5,839
Fire										
Fire unit responses	9,802	8,277	8,211	7,735	7,592	7,412	7,227	6,916	5,988	6,493
Aid unit responses	-	1,044	1,804	2,501	3,848	3,939	4,478	4,077	4,117	4,537
False fire alarms	735	627	729	656	639	580	605	532	504	640
EMS incidents in City	-		4,819	6,754	6,764	7,399	6,600	6,790	7,233	8,144
EMS incidents in total	11,375	11,815	11,085	10,221	10,063	9,100	9,045	11,213	8,024	9,443
Physical Environment										
Water										
Million of gallons water treated/day	10.39	9.79	10.47	10.78	9.70	9.37	8.92	8.82	8.54	8.18
Feet of water main replaced	21,089	3,679	-	740	1,024	4,628	1,685	18,188	6,264	4,148
Wastewater										
Million of gallons wastewater/day	12.53	11.80	12.48	12.00	11.64	12.80	12.17	12.17	12.70	11.72
Feet of wastewater main replaced	12,351	8,181	39	12,148	1,373	22,787	23,598	27,964	5,586	27,192
Transportation										
Miles of streets resurfaced	6.60	4.90	0.53	6.74	1.77	2.44	5.91	5.05	4.65	5.73
Economic Environment										
Hearing Examiner										
Cases heard	84	76	55	54	33	32	24	34	26	37
Planning										
Subdivision/short plats	47	99	61	40	31	37	25	36	32	33
New lots created	123	130	284	231	81	72	72	26	79	22

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Development Services (Building Services)										
Plans reviewed	1,145	2,146	2,123	1,738	1,553	2,070	1,393	1,506	1,792	1,966
Total permits issued	4,770	4,846	4,198	4,372	3,681	3,111	3,472	3,615	3,602	4,112
Culture and Recreation										
Library										
Circulation per capita	16.6	16.5	16.4	17.0	18.7	20.9	20.9	20.3	20.1	20.1
Persons visiting (in thousands)	698.0	702.2	744.9	744.3	894.0	924.3	836.7	862.3	842.2	825.8
Museum										
Total attendance	104,565	111,705	106,001	103,656	90,700	50,445	70,879	64,977	72,400	73,800
Parks										
Park acreage	-	-	3,218	3,272	3,334	3,440	3,446	3,561	3,574	3,580
Trail miles	-	-	64.1	64.6	65.8	67.2	67.9	68.0	68.2	68.6
Cum. acres of parks acq-greenway levy	499	510	511	525	598	696	697	812	824	830

Source: City of Bellingham 2014 adopted budget book

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

City of Bellingham

Schedule 19

Capital Asset Statistics by Function

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Governmental Services										
City Hall	1	1	1	1	1	1	1	1	1	1
Municipal Courts building	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police										
Patrol cars	48	45	40	36	39	34	39	44	46	49
Police motorcycles	***	***	***	***	***	***	***	***	7	9
Armored vehicle	-	-	-	-	1	1	1	1	1	1
Mobile precinct	1	1	1	1	1	1	1	1	1	1
Fire										
Fire stations	6	6	6	6	6	6	6	6	6	6
Fire trucks	13	13	13	13	13	12	10	10	10	10
Command vehicle	-	-	-	-	1	1	1	1	1	1
Ambulances	10	10	11	13	13	13	13	13	13	13
Physical Environment										
Cemetery	1	1	1	1	1	1	1	1	1	1
Public Works										
Operations facility complex (Pacific St.)	1	1	1	1	1	1	1	1	1	1
Water mains (miles)	383	386	387	392	395	390	393	396	413	414
Sewer mains (miles)	316	319	316	316	316	316	316	314	315	314
Storm mains (miles)	210	212	297	322	328	311	311	311	311	263
Fire hydrants (total)	***	3,050	3,099	3,119	3,149	3,154	3,199	3,245	3,286	3,286
Water storage capacity (millions of gallons)	***	24	24	24	24	24	24	24	24	24
Wastewater treatment capacity (millions of gallons)	***	20	20	20	20	20	20	20	20	28
Transportation										
Parking										
Parking garage	2	2	2	2	2	2	2	2	2	2
Surface parking lots	3	3	3	3	3	3	3	3	3	3
Public Works										
Streets (miles)	280	286	289	280	297	297	297	297	297	301
Sidewalks (miles)	***	110	110	143	143	149	199	291	291	291
Traffic signals maintained	***	***	***	***	***	***	***	199	203	205
Culture and Recreation										
Library										
Libraries (buildings)	2	2	2	2	2	2	2	2	2	2
Museum										
Museums (buildings)	2	2	2	2	2	2	2	2	2	2
Parks Department										

City of Bellingham

Schedule 19

Capital Asset Statistics by Function

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Parks	40	40	40	40	40	40	48	48	55	55
Trail Corridors	***	***	***	***	***	***	***	***	***	13
Football stadium	1	1	1	1	1	1	1	1	1	1
Ice arena	1	1	1	1	1	1	1	1	1	1
Skateboard park	1	1	1	1	1	1	1	1	1	1
Baseball stadium	1	1	1	1	1	1	1	1	1	1
Softball fields	4	4	4	4	4	4	4	4	4	4
Swimming pool	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Public Facilities District (PFD)										
Theater	1	1	1	1	1	1	1	1	1	1
Museum	-	-	-	-	-	1	1	1	1	1

**** Added to statistical information after 2003 with prior year information unavailable.*

CITY OF BELLINGHAM
WASHINGTON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2013

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Expenditures			Footnote Ref
				From Pass-Through Awards	From Direct Awards	Total Amount	
Office Of Community Planning And Development, Department Of Housing And Urban Development	Community Development Block Grants/Entitlement Grants	14.218	B-13-MC-53-0010		919,527	919,527	1, 3, 6
Office Of Community Planning And Development, Department Of Housing And Urban Development/ WA State Dept. of Commerce	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	08-F6401-030	1,796		1,796	1
Office Of Community Planning And Development, Department Of Housing And Urban Development	Home Investment Partnerships Program	14.239	M-13-MC-53-0204		754,501	754,501	1, 2, 3, 6
National Park Service, Department Of The Interior/WA State Dept. of Archaeology	Historic Preservation Fund Grants-In-Aid	15.904		15,000		15,000	1
National Park Service, Department of the Interior	Federal Building Restoration	15.999	Consolidated Appropr Act, 2004 (H.R.2673)		51,909	51,909	1, 5
Violence Against Women Office, Department Of Justice/DVSAS of Whatcom County	Violence Against Women Formula Grants	16.588	2012-WF-AX-0047 2013-0117	28,618		28,618	1
Violence Against Women Office, Department Of Justice	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2011-WE-AX-0025		159,286	159,286	1, 6
Bureau Of Justice Assistance, Department Of Justice	Bulletproof Vest Partnership Program	16.607	2012-BU-BX-12062984		10,284	10,284	1
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	BHM-9937(004)/LA8216	15,726		15,726	1
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	BRM-5511(001)/LA7052	4,433		4,433	1, 2
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	HPP-5552(001)/LA7505	13,599		13,599	1, 2
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	HSIP-5510(006)/LA7797	14,184		14,184	1, 2
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	SRTS-0080(015)/LA6661	761,222		761,222	1, 2
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	STPD-5508(003)/LA7831	1,655,828		1,655,828	1
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	STPUS-5511(002)/LA7476	5,878		5,878	1, 2
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	STPUS-5550(002)/LA7953	74,939		74,939	1
Federal Highway Administration (FHWA), Department Of Transportation/ WA State Dept. of Transportation	Highway Planning and Construction	20.205	STPUS-5559(001)/LA8229	8,432		8,432	1
			Total CFDA 20.205	**2,554,241**	**-**	**2,554,241**	1

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

National Highway Traffic Safety Administration (NHTSA), Department Of Transportation/WA Traffic Safety Commission	State and Community Highway Safety	20.600	Law Enforcement Liaison	4,609		4,609	1
National Highway Traffic Safety Administration (NHTSA), Department Of Transportation/WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Impaired Driving/DUI	7,232		7,232	1
National Highway Traffic Safety Administration (NHTSA), Department Of Transportation/WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	Seat Belt Emphasis	1,470		1,470	1
Region 10, Environmental Protection Agency/Puget Sound Partnership	Puget Sound Action Agenda Outreach, Education and Stewardship Support Program	66.122	PT-00J17601	3,718		3,718	1
Region 10, Environmental Protection Agency/WA State Dept. of Ecology	Puget Sound Action Agenda: Technical Investigations and Implementation Assistance Program	66.123	G1300088	21,126		21,126	1
Office Of Water, Environmental Protection Agency/WA State Dept. of Ecology	Capitalization Grants for Clean Water State Revolving Funds	66.458	L1200033	39,354		39,354	1
Office Of Water, Environmental Protection Agency/WA State Dept. of Ecology	Nonpoint Source Implementation Grants	66.460	G1400398	5,353		5,353	1
Office Of Solid Waste And Emergency Response, Environmental Protection Agency	Solid Waste Management Assistance Grants	66.808	X1-00J05201-0		3,104	3,104	1
Department Of Energy	**ARRA -** Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-SC0002224		2,829	2,829	1, 4
Office Of Student Financial Assistance Programs, Department Of Education/Western Washington University & Whatcom CC	Federal Work-Study Program	84.033		5,401		5,401	1
Department Of Education/WA State Library	Race to the Top – Early Learning Challenge	84.412	IG-4540	999		999	1
Department Of Homeland Security/WA State Military Dept., Emergency Management Division	Emergency Management Performance Grants	97.042	EMW-2012-App-00071	47,505		47,505	1
Department Of Homeland Security	Assistance to Firefighters Grant	97.044	EMW-2008-FO-10704		21,853	21,853	1
Department Of Homeland Security/ Seattle Fire Dept.	Port Security Grant Program	97.056	EMW-2013-PU-00165-S01	11,616		11,616	1
Department Of Homeland Security/Whatcom County Sheriff's Office, Division of Emergency Management	Homeland Security Grant Program	97.067	2010-SS-T0-0084	54,439		54,439	1
			Total Federal Awards Expended:	**2,802,477**	**1,923,293**	**4,725,770**	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule. *Page 2 of 2*

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For the Year Ended December 31, 2013

Grantor	Program Title	Identificaton Number	Amount
3340010 - Legislature & Its Committees			
	Administrative Office of the Courts: Information Technology Purchase Reimbursement Agreement	PRA140001	9,900
		Sub-total:	**9,900**
3340420 - Commerce			
	Whatcom Waterway Park	S-12-96700-001	11,542
		Sub-total:	**11,542**
3340110 - Criminal Just Train Commission			
	WSAMA Conference Reimbursement	N/A	150
		Sub-total:	**150**
3340310 - Ecology			
	Centennial Clean Water - Padden Creek Daylighting Project	G1200476	25,583
	Centennial Clean Water - Marine Nearshore Water Quality & Habitat Improvement	G0900085	100,948
	Centennial Clean Water - Squalicum Creek Water Quality & Biotic Integrity Improvements	G1300080	13,603
	Centennial Clean Water - Stormwater University	G1100171	32,836
	Local Source Control Partnership	C1200068	48,487
	Remedial Action - Eldridge Municipal Landfill	G1100200	6,034
	Remedial Action - R.G. Haley	G1100188	502,307
	Remedial Action - South State Street Manufactured Gas Plant	G0900207	21,474
	Stormwater - Central Business District Rain-garden Retrofits	G1200584	50,660
	Stormwater - Lake Whatcom Right-of-Way Retrofits	G1200581	3,551
	Stormwater - Municipal Stormwater Capacity Grant Program	G1100018	28,918
	Stormwater - Retrofit of Bloedel Donovan Park	G1200583	56,848
	Stormwater - Towards Net Zero Water	G1200580	5,705
	Stormwater - Vactor Transfer Facility Expansion	G1200582	5,483
	Stormwater - Water Quality for Padden Estuary	G1200579	1,343
	Stormwater Retrofit - Stormwater Homeowner Incentive Program	G1100173	117,193
		Sub-total:	**1,020,973**

3340490 - Health			
	EMS Pre-hospital Participation Grant	37M01	1,208
		Sub-total:	**1,208**
3340120 - Other Judicial Agencies			
	Office of Public Defense (OPD): Public Defense Improvement Project	GRT13191	90,250
		Sub-total:	**90,250**
3340270 - Recreation & Conservation			
	Bloedel Donovan Park Shoreline Restoration	12-1172C	269
	Joe Martin Field Synthetic Turf	13-1492D	765
		Sub-total:	**1,034**
3340380 - Trans Improvement Board (TIB)			
	Urban Programs - Bakerview Rd. Safety Overpass Improvements	9-W-156(004)-1	1,134,258
	Urban Programs - James Street	8-2-156(039)-1	27,394
	Urban Programs - Northwest Avenue Roundabout / McLeod Rd.	8-2-156(038)-1	281,240
		Sub-total:	**1,442,892**
3340350 - Traffic Safety Commission			
	School Zone Funds	(3) RP-1	7,247
		Sub-total:	**7,247**
		Grand total:	**2,585,196**

CITY OF BELLINGHAM, WASHINGTON

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

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 INCOME / COSTS

The amounts shown as current year expenditures represent the federal grant, and program income funded portions of the program costs.

NOTE 3 - REVOLVING LOAN PROGRAM

The City administers 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 income and loans of such funds are considered expenditures. The amount of loan funds disbursed to program participants for the year from the CDBG Grant was $254,536 and the HOME Grant was $606,294 and are included in this schedule. The amounts of principal and interest received in loan payments for the year for CDBG loans was $502,834 and for HOME loans was $233,889.

NOTE 4 - ARRA

The City has expended funds under one American Recovery and Reinvestment Act (ARRA) grant award during fiscal year 2013.

NOTE 5 - FEDERAL BUILDING

In 2004, the city received a Federal building donation along with a $2.6 million cash award to be used for repair and restoration of the building. The expenditures funded by the original $2.6 million and the interest earnings on these funds will continue to be reported until the cash award has been fully expended. The amount expended this year on Federal building repair and restoration was $51,909, of this amount $3,973 came from interest earnings. The amount of original award remaining is $432,531.

NOTE 6 - AMOUNTS AWARDED TO SUBRECIPIENTS

The City passes some Federal grant award monies through to sub-recipient agencies who deliver grant eligible services such as low income assistance and assistance to victims of domestic violence.

CITY OF BELLINGHAM
WASHINGTON