

City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2011



Depot Market Square

City of Bellingham, Washington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2011

Finance Director

John Carter

Accounting Manager

Kipp Drummond

kdummond@cob.org

Accountants

Melanie Aliverti, CPA

Eden Rockenbach

Daniel Heverling

Technicians

Julie Beckman

Terrie Pilkington

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 - Unaudited	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
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual GAAP Basis	
General Fund	4-8
Greenway III	4-9
HUD Grant Fund	4-10
Proprietary Funds	
Statement of Net Position	4-12
Statement of Revenues, Expenses and Changes in Fund Net Position	4-14
Statement of Cash Flows	4-16
Fiduciary Funds	
Statement of Net Position	4-18
Statement of Changes in Net Position	4-19
Notes to the Financial Statements	4-21
Required Supplementary Information	5-1

Combining and Individual Fund Statements

Nonmajor Governmental Funds	
Combining Balance Sheet	6-2
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6-3
Nonmajor Special Revenue Funds	
Descriptions	6-5
Combining Balance Sheet	6-8
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6-10
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis	
Paths and Trails Reserve Fund	6-12
Park Site Acquisition Fund	6-13
Technology Replacement and Reserve Fund	6-14
Federal Building Fund	6-15
Library Gift Fund	6-16
Olympic Pipeline Incident Fund	6-17

Squalicum Park/Olympic Fund _____	6-18
Olympic Restoration Fund _____	6-19
Olympic – Whatcom Falls Park Addition Fund _____	6-20
Little Squalicum Oeser Settlement Fund _____	6-21
Environmental Remediation Fund _____	6-22
First ¼% Real Estate Excise Tax Fund _____	6-23
Second ¼% Real Estate Excise Tax Fund _____	6-24
Police Federal Equitable Fund _____	6-25
Asset Forfeiture/Drug Enforcement Fund _____	6-26
Criminal Justice Fund _____	6-27
Public Safety Dispatch Fund _____	6-28
Transportation Improvement District Fund _____	6-29
Beyond Greenway Levy Fund _____	6-30
Park Impact Fees Fund _____	6-31
Sportsplex Fund _____	6-32
Tourism Fund _____	6-33
Nonmajor Special Revenue Funds _____	6-34
Nonmajor Debt Service Funds	
Descriptions _____	6-35
Combining Balance Sheet _____	6-36
Combining Statement of Revenues, Expenditures and Changes in Fund Balances _____	6-37
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis	
2001 Fire UTGO Bond Fund _____	6-38
1996 Refund LTGO Bond Fund _____	6-39
2004 Sportsplex Acq. LTGO Bond Fund _____	6-40
2004 PFD/Civic FLD LTGO Bond _____	6-41
2011 QECB Bond _____	6-42
Drake Note Fund _____	6-43
PW Trust Fund Loan – Street Overlay Fund _____	6-44
LID Guaranty Fund _____	6-45
LID Assessment Fund _____	6-46
Nonmajor Debt Service Funds _____	6-47
Nonmajor Permanent Funds	
Descriptions _____	6-49
Combining Balance Sheet _____	6-50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances _____	6-51
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual GAAP Basis	
Greenways Maintenance Endowment Fund _____	6-52
Natural Resource Protect and Restore Fund _____	6-53
Nonmajor Permanent Funds _____	6-54
Nonmajor Enterprise Funds	
Descriptions _____	6-55
Combining Statement of Net Position _____	6-56
Combining Statement of Revenues, Expenses and Changes in Net Position _____	6-57
Combining Statement of Cash Flows _____	6-58
Nonmajor Internal Service Funds	
Descriptions _____	6-59
Combining Statement of Net Position _____	6-60
Combining Statement of Revenues, Expenses and Changes in Net Position _____	6-62
Combining Statement of Cash Flows _____	6-64
Nonmajor Fiduciary Funds	
Descriptions _____	6-67
Combining Statement of Net Position – Pension Trust Funds _____	6-68
Combining Statement of Net Position – Agency Funds _____	6-69

Combining Statement of Changes in Plan Net Position – Pension Trust Funds	6-70
Combining Statement of Changes in Assets and Liabilities – Agency Funds	6-71

STATISTICAL SECTION

Table of Contents - Descriptions	7-1
Schedule 1 – Net Assets by Component	7-2
Schedule 2 – Change in Net Assets	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	7-22

SINGLE AUDIT SECTION

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





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

June 29, 2012

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

I am pleased to submit the City of Bellingham's 2011 Comprehensive Annual Financial Report (CAFR).

State law requires that cities with populations of 25,000 or more publish financial statements in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with Generally Accepted Auditing Standards (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, 2011.

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 Bellingham'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 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 81,070. Located in the northwest corner of Washington State in Whatcom County, it is 54 miles south of Vancouver, British Columbia, and 88 miles north of Seattle on the Interstate 5 corridor. The city encompasses approximately 28 square miles and serves as the county seat.

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 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 boards of directors.

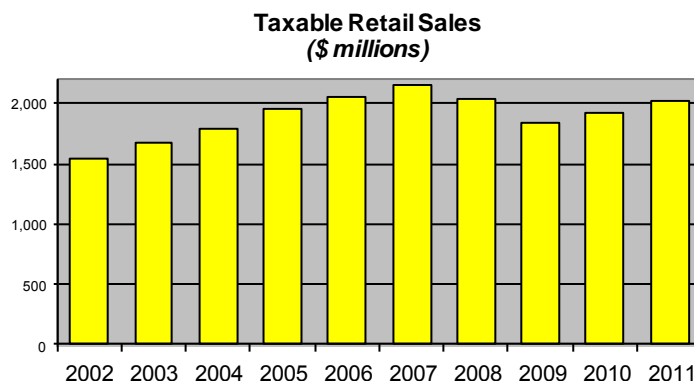
The PFD was established in 2002 with the mission to create a regional center in the city that would enhance economic development in the business core, funded by a state rebate of .033% of locally collected sales tax.

The BPDA 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 will financially support the BPDA in its initial stages, the expectation is that it will eventually become operationally self-supporting.



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. Until recently retail, services, and manufacturing activities have expanded at a steady pace. Beginning in 2008 Bellingham has suffered the same economic downturns in real estate, construction, and financial services experienced both nationally and internationally.



Since the first signs of change in the growth rates, and subsequent real declines in some of the City's key revenue sources, the City has been closely monitoring its revenues and costs. The Mayor, Finance Director, and Department Heads continue to develop short, medium, and long-term responses to this decline in fiscal resources. Despite these efforts, when all costs are included, the City's General Fund has run at deficit since 2008. The current administration expects to achieve a balanced budget in 2014. Despite these deficits, the 2011 General Fund ending reserve exceeded \$12 million.

As reported by the Bureau of Labor Statistics, for the Bellingham Metropolitan Statistical Area, total non-farm employment (not seasonally adjusted) has moved from a November 2007 high of 86.7 thousand to recent low of 77.4 thousand in February 2010. The non-farm employment has subsequently improved to 79.8 thousand in February 2012.

Due to the continuing decline in both commercial and residential building, the value of projects for which the City issued residential and commercial building permits has dropped from \$200.2 million in 2007 to \$104 million in 2010, and \$100.4 million in 2011.

All of the City's primary tax revenue sources were impacted by the down-turn in the economy. The growth in property tax and utility tax collections was moderated. Sales and use tax and B&O tax collections experienced actual declines.

Property tax, which had increased at an annual average of 11.8% from 2005 through 2007 grew 2.8% a year from 2007 through 2011.

Utility tax, which had increased by an annual average of 10.4% from 2005 to 2007, was basically flat from 2008 through 2010. There was a significant increase in 2011, due in part to a rate increase during the year, for an average increase of 3.1% from 2007 through 2011.

Sales and use tax collections, the City's largest single revenue source, increased at an annual average of 6.8% from 2005 through 2007. Collections then declined in 2008 and 2009, reaching a low of \$16.2 million in 2009. Tax collections went up moderately in 2010 and 2011, reaching a high of \$20.3 million in 2011. The Transportation Benefit District, which began in 2010, accounts for \$2.5 million of the increase in 2011.

B & O tax, which had increased at an annual average of 8.3% from 2005 through 2007, reached a high of \$12.2 million in 2007. It then declined to a low of \$10.4 million in 2010 before rebounding moderately to \$11.1 million in 2011.

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 the 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. This same study reported that travel spending across Washington is up 5% from 2010 which was up 6.2% from 2009.

Western Washington University (the city's second largest employer), Whatcom Community College and Bellingham Technical College host more than 28,000 students. St. Joseph Hospital, a 253-bed medical center and Level III Trauma Center serving Northwest Washington, is the city's largest employer.

Bellingham's population has increased 17% since 2002. The city's annual per capita income of \$42,570 (2010 figure) has increased 76% since 2000.

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.

During 2012, the City hopes to substantially complete a master plan and environmental impact statement for the New Whatcom Special Development area. The City will provide infrastructure to the property including utilities, streets, parks, and trails as determined in a development agreement to be negotiated with the Port of Bellingham. Project development goals include rebuilding the tax base, providing commercial development opportunities, accommodating some of the city's expected residential growth, and providing public access to the waterfront. Full development is expected to be completed over the next 20+ years.

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 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

In 2011, the City issued LTGO bonds totaling \$6,480,000 and utility revenue bonds totaling \$42,655,000 for the following:

- 2011 Qualified Energy Conservation LTGO bonds for \$6,480,000 to finance the repair and maintenance of City buildings to improve energy efficiency.
- 2011 Water/Sewer Revenue Bond for \$42,655,000 to finance the maintenance and expansion of water and sewer treatment facilities at the City.

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 general obligation 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 and at the departmental level for the general fund.

Cash Management

The City invests temporarily idle cash in investments authorized by State law including U.S. agency issues and the Washington State Local Government Investment Pool. The average yield on investments during 2011 was 1.27%, for which the City received earnings of \$1.4 million on all of the City's investments for the year. This was a drop of \$957 thousand or 41% from 2010. 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 2011 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

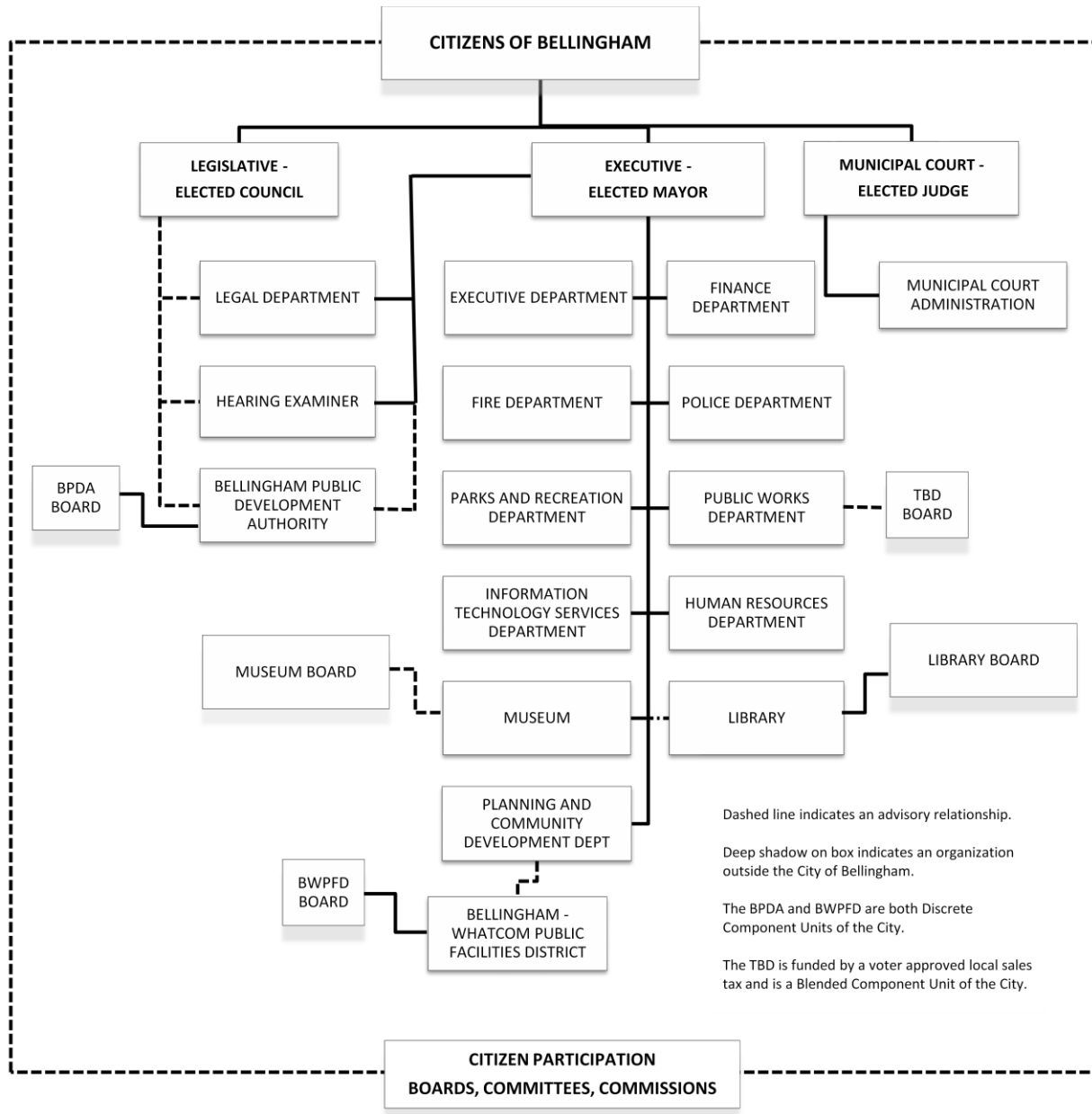
Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of Finance Department staff and other employees throughout the City who assisted in and contributed to its preparation. Further appreciation is extended to the Mayor and City Council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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John R. Carter". The signature is fluid and cursive, with a large initial "J" and "C".

John Carter
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
1 st Ward	Council Member	Jack Weiss	4 years	December 31, 2015
2 nd Ward	Council Member	Gene Knutson	4 years	December 31, 2013
3 rd Ward	Council Member	Cathy Lehman	4 years	December 31, 2015
4 th Ward	Council Member	Stan Snapp	4 years	December 31, 2013
5 th Ward	Council Member	Terry Bornemann	4 years	December 31, 2015
6 th 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	John Carter
City Attorney (through 2/29/12)	Joan Hoisington
Acting City Attorney (after 2/29/12)	Peter Ruffato
Hearing Examiner	Dawn Sturwold
Museum Director	Patricia Leach
Library Director	Pam Kiesner
Director of Human Resources (through 8/12/11)	Michelle Barrett
Director of Human Resources (after 8/12/11)	Lorna Klemanski
Director of Information Systems	Marty Mulholland
Director of Judicial & Support Services	Linda Storck
Director of Parks & Recreation (through 3/1/11)	Paul Leuthold
Acting Dir Parks & Rec (3/2/11 through 10/31/11)	Leslie Bryson
Director of Parks & Recreation (starting 11/1/11)	James King
Director of Planning & Community Dev.	Jeff Thomas
Director of Public Works	Ted Carlson
Fire Chief	Bill Boyd
Police Chief	Todd Ramsay





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

June 29, 2012

Mayor and City Council
City of Bellingham
Bellingham, Washington

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the 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, 2011, and the respective changes in financial position thereof, and the respective budgetary comparison for the General, Greenway III Levy, and HUD Grant funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV-J, during the year ended December 31, 2011, the City has implemented the Governmental Accounting Standards Board Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-1 through 3-11, pension trust fund on page 5-1 and information on postemployment benefits other than pensions on page 5-2 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 the 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.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining financial statements and supplementary information on pages 6-2 through 6-73 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag", is written over a horizontal line.

BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellingham (City) presents this discussion and analysis as part of the financial statements for the fiscal year ending December 31, 2011. The information presented should be read in conjunction with the financial statements and the notes to the financial statements.

Financial highlights

- The City's overall financial position improved in 2011 as compared to 2010. Government-wide net position increased by \$9.3 million. Governmental activities provided \$3.17 million of this increase and business-type \$6.16 million.
- The government-wide assets exceed liabilities at December 31, 2011, by \$620.2 million. Of this amount, there is a unrestricted net position deficit of \$22.8 million due to the City's issuance of \$42.7 million of revenue bonds that is restricted for capital.
- The governmental funds ending balance decreased \$4 million from 2010, ending 2011 at \$70 million. Of this amount, the use of \$4.1 million is unassigned and available for spending at the City's discretion.
- At December 31, 2011 the general fund had \$7.8 million of fund balance committed to reserve goal and \$4.7 million in unassigned fund balance. Combined, \$12.5 million, this fund balance represents 17.2% or 2.1 months of the general fund's 2011 operating expenditures. This is a decrease of \$41 thousand from 2010.
- Total governmental activity revenues decreased by \$14.3 million, or 12.7%. Program revenues decreased by \$19.9 million while tax revenues increased by \$5.8 million.
- The proprietary funds total net position increased \$6.2 million from 2010, ending 2011 at \$231.9 million. Of this amount, there is a unrestricted net position deficit of \$26.8 million due to the wastewater fund issuance of \$42.7 million of revenue bonds that is restricted for capital.
- The total bonded debt at December 31, 2011, is \$91.7 million. This consists of \$29.7 million in general obligation bonds, \$62 million in revenue bonds, and \$84 thousand in special assessment bonds. This is a \$46.3 million increase in government-wide bonded debt from 2010.

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 types.

- The **statement of net position** presents information on assets and liabilities similar to a private sector balance sheet. The difference between assets and liabilities 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 Agency (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, or liabilities of these discrete component units.

Fund financial statements provide detailed information about the City's most significant funds, not the City as a whole, and are used to track specific sources of funding and spending. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds 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. 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 water, solid waste and medic one, as well as four other non-major enterprise funds.

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

Fiduciary funds are used to account for resources where the City acts as trustee or agent and is responsible for ensuring that the assets reported in these funds are used for their intended purpose such as police and firefighters pension funds. The accounting used for these funds is similar in nature to proprietary fund reporting since it includes both short-term and long-term information and employs the full accrual method. Reports include a statement of net 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 \$620.2 million at December 31, 2011, an increase of 2% over December 31, 2010.

	2011	Incr (Decr) from 2010
Net investment in capital assets	\$ 527.3 million	\$ 11.9 million
Restricted	115.7 million	54.4 million
Unrestricted	(22.8) million	(56.6) million
Total net position	<u>\$ 620.2 million</u>	<u>\$ 9.7 million</u>

Net investment in capital assets, consisting of land, buildings, streets, and other significant investments, represent 85% of net position, which is an increase of .6% from 2010. This amount is not considered liquid and not available for future spending.

Restricted resources 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 2011, restricted is 18.7% of net position, which is an increase from the prior year. The remaining balance of unrestricted net position are available to meet ongoing obligations. In 2011, this comprises (3.7)% of net position, a decrease of 9.2% of the total net position from the prior year.

In 2011, pollution remediation expenses related to GASB 49 were removed from the solid waste fund and moved to a governmental liability, which resulted in a prior period adjustment of \$5 million. Caution should be used when making comparisons with similar 2010 numbers where this accounting treatment has not been changed.

Net position (<i>in thousands</i>)						
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current	\$ 82,890	\$ 85,009	\$ 33,877	\$ 32,483	116,767	\$ 117,492
Noncurrent	26,523	24,304	57,346	12,781	83,869	37,085
Capital assets (net of depr)	<u>334,677</u>	<u>326,246</u>	<u>220,734</u>	<u>218,562</u>	<u>555,411</u>	<u>544,808</u>
Total assets	<u>444,090</u>	<u>435,559</u>	<u>311,957</u>	<u>263,826</u>	<u>756,047</u>	<u>699,385</u>
Liabilities						
Current	7,398	8,459	3,482	2,719	10,880	11,178
Current portion long-term	6,921	8,542	3,559	6,071	10,480	14,613
Long-term noncurrent	<u>41,460</u>	<u>28,290</u>	<u>73,007</u>	<u>34,872</u>	<u>114,467</u>	<u>63,162</u>
Total liabilities	<u>55,779</u>	<u>45,291</u>	<u>80,048</u>	<u>43,662</u>	<u>135,827</u>	<u>88,953</u>
Net position						
Net investment in capital assets	324,665	314,662	202,646	200,722	527,311	515,384
Restricted	59,689	48,969	56,043	12,337	115,732	61,306
Unrestricted	<u>3,957</u>	<u>26,636</u>	<u>(26,780)</u>	<u>7,105</u>	<u>(22,823)</u>	<u>33,741</u>
Total net position	<u>\$ 388,311</u>	<u>\$ 390,267</u>	<u>\$ 231,909</u>	<u>\$ 220,164</u>	<u>\$ 620,220</u>	<u>\$ 610,431</u>

Changes in net position

In 2011, government-wide net position increased by \$9.3 million, of which \$3.17 million is attributable to governmental activities. Governmental activities increased because property tax, retail sale and use tax, interfund tax and business tax all had significant gains from 2010.

Business-type net position increased \$6.16 million. This increase is largely due to expenses dropping significantly between 2011 and 2010 from \$54 million to \$49 million. The increase is also due in part to gains in charges for services and operating grants and contributions.

Change in net position (in thousands)

Net Position (in thousands)	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	\$ 19,384	\$ 21,390	\$ 51,174	\$ 49,297	\$ 70,558	\$ 70,687
Operating grants and contributions	5,458	6,836	770	62	6,228	6,898
Capital grants and contributions	3,352	19,831	1,564	1,437	4,916	21,268
General revenues:						
Property tax	17,352	16,999	-	-	17,352	16,999
Retail sales and use taxes	22,978	19,298	-	-	22,978	19,298
Interfund tax	5,273	4,136	-	-	5,273	4,136
Business tax	20,032	19,365	1,252	1,352	21,284	20,717
Other unrestricted revenues	3,833	4,111	774	598	4,607	4,709
Micellaneous sources/(uses)	-	12	-	-	-	12
Total revenues	97,662	111,978	55,534	52,746	153,196	164,724
Program expenses:						
General government	13,455	14,201	-	-	13,455	14,201
Public safety	40,584	37,348	-	-	40,584	37,348
Physical environment	5,854	5,495	-	-	5,854	5,495
Transportation	12,376	10,973	-	-	12,376	10,973
Economic environment	4,340	24,403	-	-	4,340	24,403
Mental and physical health	47	78	-	-	47	78
Culture and recreation	15,855	24,152	-	-	15,855	24,152
Interest & other debt service costs	867	957	-	-	867	957
Water	-	-	16,338	14,684	16,338	14,684
Wastewater	-	-	15,475	14,896	15,475	14,896
Storm & surface water	-	-	5,192	5,110	5,192	5,110
Solid waste	-	-	1,251	7,697	1,251	7,697
Medic one	-	-	7,313	7,675	7,313	7,675
Other business type activities	-	-	3,727	3,978	3,727	3,978
Total expenses	93,378	117,607	49,296	54,040	142,674	171,647
Excess or deficiency before any transfers						
or gain (loss) on sale of capital assets	4,284	(5,629)	6,238	(1,294)	10,522	(6,923)
Gain (loss) on sale of capital assets	338	-	-	-	338	-
Transfers	(1,455)	(688)	1,455	688	-	-
Extraordinary item - land contribution	-	-	(1,536)	-	(1,536)	-
Change in net position	3,167	(6,317)	6,157	(606)	9,324	(6,923)
Net position - beginning	390,267	377,292	220,164	220,770	610,431	598,062
Prior period adjustments	(5,123)	19,292	5,588	-	465	19,292
Net position - ending	\$ 388,311	\$ 390,267	\$ 231,909	\$ 220,164	\$ 620,220	\$ 610,431

Program revenues and expenses – government-wide

In 2011, overall government-wide revenues decreased 7.8% from 2010, to \$152 million. The majority of the decrease is attributable to capital grants and contributions decreasing from \$21.3 million in 2010 to \$4.9 million in 2011. In 2011, government-wide tax revenues increased by 8.9% from 2010, to \$69.4 million. Property tax revenues increased 2.1% to \$17.4 million, retail sales and use tax increased 19.1% to \$23 million, and business tax increased 2.8% to \$21.3 million.

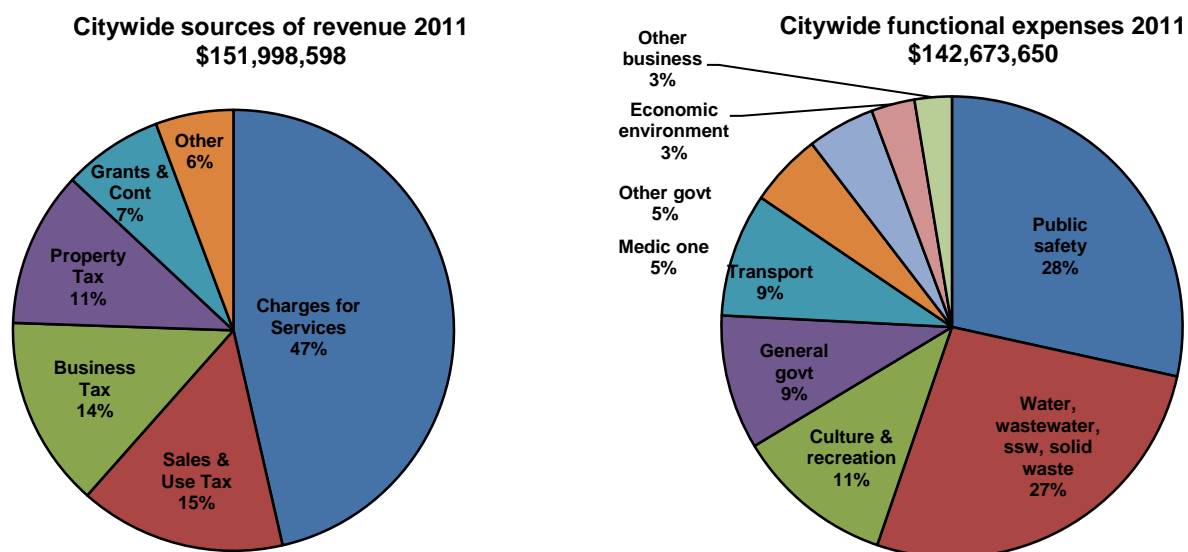
In 2011, overall government-wide expenses decreased 16.9% from 2010, to \$142.7 million. This significant decrease from 2010 is due in part, to GASB 49 remediation expenses that were recorded in 2010. Also in 2010, a change in accounting procedure relating to deferred revenue increased expenses \$19.3 million.

Program revenues and expenses – governmental activities

Charges for services program revenue for governmental funds decreased overall by \$2 million in 2011 from 2010. The largest decrease in charges for services is \$1.2 million in transportation. In 2011, overall expenses for governmental programs decreased by 20.6% or \$24.2 million from 2010. This was due in part, to a change in accounting procedure relating to deferred revenue in economic environment that had increased expenses by \$19.3 million in 2010. Also in 2010, culture and recreation had recorded \$8.2 million in GASB 49 remediation expenses. In 2011, capital grants and contributions decreased 77% from 2010, by \$16.4 million. Transportation had several large grant funded projects in the construction phase, while in 2011 the majority of projects are in design phase.

Program revenues and expenses – business-type activities

Charges for services revenue for the business-type funds increased \$1.9 million in 2011 from 2010. Water revenues increased by \$742 thousand and wastewater increased by \$912 thousand due to an increase in usage rates. Overall expenses for business-type activities decreased by \$4.7 million in 2011 from 2010. This is largely due to GASB 49 remediation expenses being recorded in solid waste in 2010. A few business-type activities that experienced overall expense increases are water at \$1.7 million, surface and stormwater at \$83 thousand, and wastewater at \$578 thousand. Much of these increases are due to contractually required labor and benefit costs. Parking, medic one, and development services experienced a decrease in expenses, \$154 thousand, \$361 thousand, and \$117 thousand respectively. Medic one, which as an enterprise fund is shown separately from the governmental components of public safety, comprises 14.8% of business-type activity expenses and 5.2% of total government-wide expenses.



Fund level financial analysis

Governmental activities

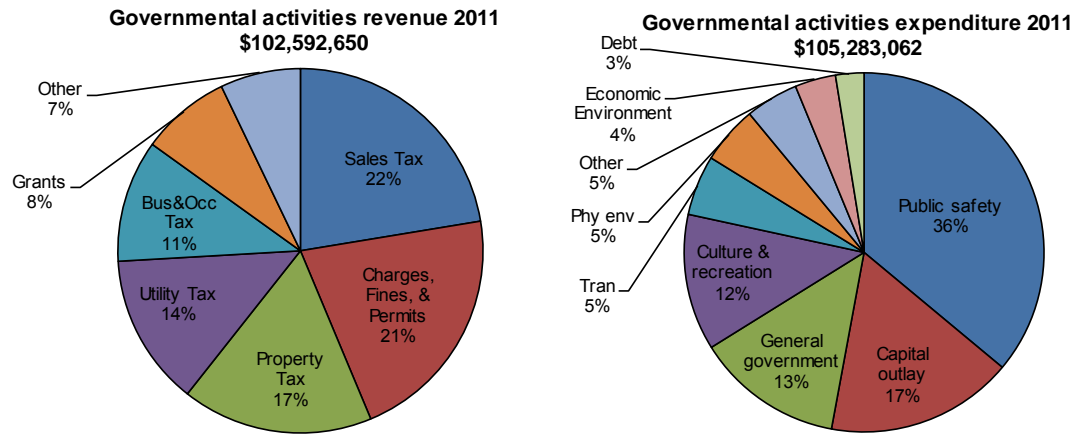
Revenues

In 2011, the street fund has been combined with the general fund. Caution should be used when making comparisons with similar 2010 numbers where this accounting treatment has not been changed.

Fund balance in governmental funds decreased \$2.7 million with transfers, and an additional decrease of \$1.3 million as a result of a prior period adjustment due to closing funds and changes in accounting methods (see note IV-J), to \$70 million in 2011. Overall governmental revenues dropped to \$99 million from \$102 million in 2010. The most notable reason for the drop was a significant decrease of grant revenues or intergovernmental revenues in the general fund. Grant revenues dropped from \$14.9 million to \$8.2 million in 2011.

Tax revenue is the City's most significant source of governmental revenue, representing 66.4% of total governmental revenue and 71.2% 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 9.9% from 2010 to 2011:

- Sales tax revenue increased 2.8% in 2010 and another 19.1% in 2011 totaling \$23 million.
- Business and occupation tax revenue decreased 3.8% in 2010 and increased 7% in 2011 totaling \$11.1 million.
- Property tax revenue increased 1.7% in 2010 and another 2.5% in 2011 totaling \$17.4 million.
- Utility tax revenue collected from both private and City owned utilities decreased 5.9% in 2010 and increased 8.5% in 2011 totaling \$13.8 million.



Expenditures

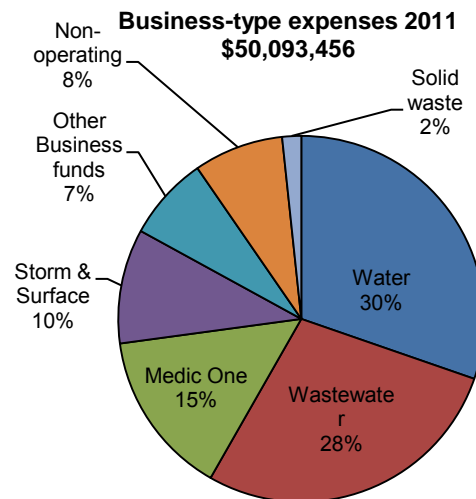
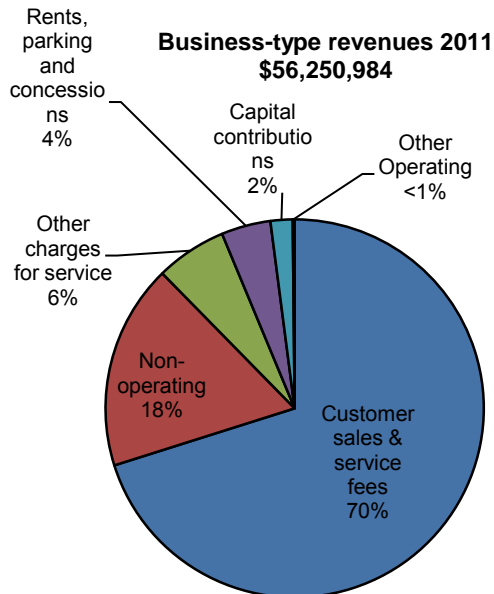
Public safety consisting of fire, police and municipal court accounts for 36% of governmental expenditures. Capital outlay accounts for 17% of governmental expenditures. General government type expenditures are typically overhead in nature, providing management, accounting, legal, personnel and technical services required by operating programs. They comprise 13% of governmental expenditures. Culture and recreation services include most parks and recreation programs, the museum and the library. They represent another 12% of governmental expenditures. Additionally, transportation 5%, physical environment 5%, other miscellaneous 5%, economic environment 4%, and debt service 3%.

Business-type activities

Net position increased by \$6.2 million, for a total of \$231.9 million in business-type funds. Operating revenues increased by 3.3% and operating expenses decreased by 10%.

The financial position of the City's business-type funds is largely influenced by the water and wastewater funds. Together they comprise 73% of operating revenues, 63% of expenses, and 84% of net position.

Medic one and the cemetery are the only business-type activities that require support from the general fund. In 2011, the cemetery received \$221 thousand and medic one received \$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 VI-D).



Financial analysis of City funds

At the end of 2011, the City has 35 governmental funds. The City classifies three of these funds as major funds. The general fund is the primary governmental fund. The greenways III fund accounts for a voter approved property tax levy, and qualifies as a major fund in 2011. The HUD grant fund accounts for major federal grant activity.

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

The general fund ending fund balance increased \$1.5 million due to an increase in tax revenues and a small decrease in expenditures. Another reason for the increase was that the street fund was aggregated into the general fund in 2011. The greenways III fund balance decreased \$5.8 million due to the purchase of a large piece of property known as Chuckanut Ridge for \$8.2 million. The HUD grant fund is relatively flat with minimal change from 2010.

The fund balance for non-major governmental funds increased by \$1.1 million, due in part to the transportation benefit district fund that is funded by a voter approved 0.2% sales tax that began in April 2011.

The City has nine business-type funds. The five major business-type funds are water, wastewater, storm and surface water, solid waste and medic one. The water and wastewater funds performed well in 2011 with strong increases of \$3.1 million in water and \$2.5 million in wastewater due in part to a rate increase. In 2011, storm and surface water net position increased \$966 thousand, slightly less than the increase experienced in 2010. The net position of the solid waste fund increased by \$789 thousand in 2011. The City has four non-major enterprise funds: cemetery, golf, parking services, and development services. The net position of the cemetery had minimal change from 2010. The golf fund experienced a modest increase in net position of \$71 thousand, slightly less than in 2010 due to an increase in expenses for drainage improvements. Parking fund decreased \$1.5 million due to a land contribution made by the fund to the City's discreet component unit, the public development authority. Development services experienced an increase in net position of \$323 thousand due to an increase in

operating revenues of \$101 thousand and a decrease of \$117 thousand in operating expenses from 2010.

The City has eight internal service funds: fleet, purchasing, facilities administration, technology replacement and telecommunications, claims & litigation, unemployment compensation, workers compensation, and health benefits. The fleet fund increased \$219 thousand in 2011, compared to an increase of \$333 thousand in 2010. Beginning in 2011, GASB 54 required that the capital maintenance activity be moved from a special revenue fund to the facilities administration fund. The technology replacement activity was also moved from a special revenue fund and combined with the telecommunications fund. In 2011 the facilities fund had a decrease of \$4 million in net position due to the issuance of \$6.5 million of qualified energy conservation bonds to finance non-capital improvements. In 2011, the technology replacement and telecommunication fund had a modest decrease of \$82 thousand. Claims & litigation fund experienced a decrease in net position of \$229 thousand in 2011, compared to a decrease of \$1.8 million in 2010. Health benefits fund increased \$82 thousand in 2011, compared to a decrease of \$190 thousand in 2010. In 2011, a change was made in the way the estimated future liability is recorded in the unemployment compensation and worker's compensation self-insurance funds. Due to this change, the unemployment compensation fund increased net position by \$238 thousand and worker's compensation decreased by \$76 thousand.

General fund budgetary highlights

For 2011, the adopted general fund budget for expenditures was \$78.9 million, the final budget is \$99.2 million and the actual expenditures are \$77 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, 2011.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Actual revenues are \$9.9 million under budget, or 89%, of the final projected budget. Property, retail sales, interfund and other tax revenues came in over budget, at \$129 thousand, \$1.2 million, \$128 thousand and \$98 thousand respectively. Licenses and permits along with fines and forfeits actual revenues were also above budget, at \$72 thousand and \$88 thousand. The most notable areas where 2011 actual revenues are less than budget include intergovernmental revenue and charges for services. Intergovernmental revenue runs consistently lower than budget as the budget includes estimated revenues for future years in multi-year grant programs and projects. For 2011, the intergovernmental revenue fell short of budget by \$10.8 million. Charges for services are lower than budget by \$824 thousand as funding from federal and state sources for special programs such as police officers in the schools continue to be cut in response to lower federal and state revenues. Investment income is lower than budget by \$38 thousand 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 \$22.2 million below budget, or 77.6% of the final budgeted amounts. This is in part due to ongoing efforts by management and staff to cut and control costs wherever possible.

The general fund actual balance of \$25.7 million is above the projected balance of \$15 million, a \$10.7 million difference.

Capital asset and debt administration

Capital assets

At December 31, 2011, the City has invested \$555.4 million in a wide range of capital assets throughout governmental and business-type activities, an increase of \$10.6 million from the previous year. This increase is due in part, to the City's purchase of a large piece of property known as Chuckanut Ridge for \$8.2 million. More detailed information about capital assets is presented in note III-D.

Capital assets (net of depreciation, in thousands)

	Governmental activities		Business-type activities		Total		Percentage Change
	2011	2010	2011	2010	2011	2010	2011-2010
Land	\$ 130,498	\$ 121,683	\$ 35,866	\$ 35,246	\$ 166,364	\$ 156,929	6.0%
Buildings	31,676	32,553	47,816	49,435	79,492	81,988	-3.0%
Improvements and infrastr	147,536	126,894	122,216	119,126	269,752	246,020	9.6%
Machinery and equipment	12,483	13,174	3,859	3,715	16,342	16,889	-3.2%
Construction in progress	12,484	31,941	10,977	11,039	23,461	42,980	-45.4%
Total	<u>\$ 334,677</u>	<u>\$ 326,245</u>	<u>\$ 220,734</u>	<u>\$ 218,561</u>	<u>\$ 555,411</u>	<u>\$ 544,806</u>	1.9%

Long-term debt

At year end, the City has \$124.7 million in long-term liabilities, an increase of \$47 million from 2010. This increase is due to the City issuing two new bonds in 2011. The wastewater fund issued \$42.7 million of bonds to finance improvements to the sewage collection and disposal system. The facilities fund issued \$6.5 million of bonds to finance improvements to municipal buildings for the purpose of reducing energy consumption. More detailed information about long-term liabilities is presented in note III-H.

The City's most recent revenue bond rating from Moody's is 'Aa2'. The City's most recent general obligation bond rating is 'AA' for non-voted bonds and 'Aa3' for voted bonds.

Outstanding debt (in thousands)

	Governmental activities		Business-type activities		Total		Percentage Change
	2011	2010	2011	2010	2011	2010	2011-2010
General obligation bonds	\$ 22,691	\$ 17,775	\$ 6,981	\$ 7,430	\$ 29,672	\$ 25,205	17.7%
Revenue bonds	-	-	61,990	20,040	61,990	20,040	209.3%
Special assessment bonds	84	213	-	-	84	213	-60.6%
Notes and settlements	138	146	-	-	138	146	-5.5%
Government loans	1,737	1,895	1,662	1,823	3,399	3,718	-8.6%
Claims and litigation	3,153	3,401	-	-	3,153	3,401	-7.3%
Compensated absences	4,694	4,591	605	559	5,299	5,150	2.9%
Net pension obligation	601	415	-	-	601	415	44.8%
Pollution remediation	15,114	14,090	5,230	6,026	20,344	20,116	100.0%
Total	<u>\$ 48,212</u>	<u>\$ 42,526</u>	<u>\$ 76,468</u>	<u>\$ 35,878</u>	<u>\$ 124,680</u>	<u>\$ 78,404</u>	59.0%

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, 2011 *(in thousands)*

Total assessed property value		\$	8,327,291
Allowable general purpose indebtedness (legal limit 2.5%)			208,182
Unvoted indebtedness incurred (less assets available)	29,461		
Voted indebtedness incurred (less assets available)	<u>-</u>		
Total debt incurred			<u>29,461</u>
Legally available debt capacity for general purpose		\$	<u>178,721</u>

Economic factors and the 2012 budget

The unemployment rate on December 31, 2011 in Whatcom County compares favorably with its benchmarks, especially considering the impact of 35,217 resident college students.

- Bellingham, WA Metropolitan Statistical Area 2011 rate is 8.3%, down from the 2010 rate of 9%
- Washington Statewide 2011 rate is 9.2%, down from the 2010 rate of 9.9%
- National rate 2011 is 8.5%, down from the 2010 rate of 9.4%

The Seattle Metropolitan Statistical Area (MSA) is the closest proximity to Bellingham for inflation rate indication. In 2011, the Seattle MSA inflation rate is 2.7%, below the national rate of 3.2%.

Over the last ten years net bonded debt per capita has increased from \$168 to \$362.

The City's assessed value per capita has decreased from \$104 thousand in 2010 to \$103 thousand in 2011. The ratio of the number of City employees is 10 per one thousand of the City's population.

The general fund adopted budget for 2012 has \$80.7 million of resources available for appropriation. General fund adopted budget expenditures for 2012 are \$67.3 million. The City continues to evolve and respond positively to the changing economic, social and environmental requirements impacting the community.

Contacting the City's financial management

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

Pages left blank for
printed version layout.



Pages left blank for
printed version layout.



CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Public Facilities District	Public Development Authority
ASSETS					
Cash and cash equivalents	\$ 10,859,923	\$ 4,491,475	\$ 15,351,398	\$ 91,116	\$ 15,592
Investments	61,122,038	26,364,363	87,486,401	534,844	91,522
Receivables, net	1,989,611	3,021,591	5,011,202	3,070	236
Due from other governments	677,937	708,294	1,386,231	-	-
Due from component units	10,005,000	-	10,005,000	-	-
Inventories	596,358	-	596,358	-	-
Prepaid items	728,775	-	728,775	-	-
Deferred charges	819,227	322,685	1,141,912	198,763	-
Notes and contracts receivable	11,944,751	-	11,944,751	-	-
Net pension asset	7,593,086	-	7,593,086	-	-
Restricted assets:					
Restricted cash and cash equivalents	447,821	8,197,447	8,645,268	111,738	-
Restricted investments	2,628,652	48,117,927	50,746,579	655,886	-
Capital assets, not being depreciated:			-		
Land	130,498,257	35,866,386	166,364,643	1,329,860	1,536,905
Construction in progress	12,484,364	10,977,139	23,461,503	-	-
Capital assets, net of depreciation:					
Buildings	31,675,558	47,815,353	79,490,911	16,113,144	-
Improvements	147,535,700	122,216,329	269,752,029	8,126,227	-
Machinery and equipment	12,483,531	3,858,969	16,342,500	-	-
Total assets	444,090,589	311,957,958	756,048,547	27,164,648	1,644,255
LIABILITIES					
Accounts payable	2,062,298	1,742,455	3,804,753	6,517	2,589
Accrued wages and benefits	2,890,095	433,963	3,324,058	-	2,112
Due to primary government	-	-	-	10,005,000	-
Internal balances	6,834	(6,834)	-	-	-
Due to other governments	169,654	98,691	268,345	-	-
Other current liabilities	2,438,264	1,312,479	3,750,743	65,899	-
Noncurrent liabilities (see note III-H):					
Due within one year	6,751,669	3,460,096	10,211,765	-	5,071
Due in more than one year	41,340,308	73,007,684	114,347,992	9,962,214	-
Special assessment bonds with government commitment, net	120,000	-	120,000	-	-
Total liabilities	55,779,122	80,048,534	135,827,656	20,039,630	9,772
NET POSITION					
Net investment in capital assets	324,665,481	202,646,637	527,312,118	5,602,017	1,536,905
Restricted for:					
Spendable					
Capital projects	4,992,640	49,518,945	54,511,585	-	-
Cemetery preneed and endowment	-	281,854	281,854	-	-
Culture and recreation	4,201,615	-	4,201,615	-	-
Debt service	10,011,839	6,242,021	16,253,860	765,827	-
Economic environment	11,969,751	-	11,969,751	-	-
Energy Conservation Improvements	3,060,478	-	3,060,478	-	-
Permanent funds	645,700	-	645,700	-	-
Physical environment	1,198,093	-	1,198,093	-	-
Public safety	3,325,364	-	3,325,364	-	-
Transportation	11,109,949	-	11,109,949	-	-
Non-spendable					
Inventories	596,358	-	596,358	-	-
Permanent funds	7,848,802	-	7,848,802	-	-
Prepaid items	728,775	-	728,775	-	-
Unrestricted	3,956,622	(26,780,033)	(22,823,411)	757,174	97,578
Total net position	\$ 388,311,467	\$ 231,909,424	\$ 620,220,891	\$ 7,125,018	\$ 1,634,483

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, 2011

Functions/Program	Program Revenues					Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Indirect Expenses Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Units		
						Governmental Activities	Business-type Activities	Total	Public Facilities District	Public Development Authority
Primary Government:										
Governmental activities:										
General government	\$ 14,476,790	\$ (1,021,652)	\$ 7,341,172	\$ 1,228,832	\$ -	\$ (4,885,134)	\$ -	\$ (4,885,134)		
Public safety	40,327,955	255,682	3,919,904	2,470,750	127,080	(34,065,903)	-	(34,065,903)		
Physical environment	5,383,923	469,949	3,059,867	80,084	10,750	(2,703,171)	-	(2,703,171)		
Transportation	12,136,460	239,957	1,797,675	8,498	3,196,208	(7,374,036)	-	(7,374,036)		
Economic environment	4,340,166	-	30,159	1,536,702	-	(2,773,305)	-	(2,773,305)		
Mental and physical health	47,024	-	-	-	-	(47,024)	-	(47,024)		
Culture and recreation	15,799,406	56,064	3,235,228	133,529	18,008	(12,468,705)	-	(12,468,705)		
Interest	865,859	-	-	-	-	(865,859)	-	(865,859)		
Total governmental activities	93,377,583	-	19,384,005	5,458,395	3,352,046	(65,183,137)	-	(65,183,137)		
Business-type activities:										
Water	16,338,457	-	17,374,266	267,324	769,595	-	2,072,728	2,072,728		
Wastewater	15,474,647	-	17,442,198	2,654	86,255	-	2,056,460	2,056,460		
Surface and stormwater	5,192,494	-	5,398,976	4,453	707,823	-	918,758	918,758		
Solid waste	1,251,060	-	220,301	488,720	-	-	(542,039)	(542,039)		
Cemetery	526,959	-	301,334	124	-	-	(225,501)	(225,501)		
Golf course	121,507	-	189,450	-	-	-	67,943	67,943		
Parking	1,470,114	-	2,229,067	-	-	-	758,953	758,953		
Medic one	7,312,579	-	6,106,185	3,713	-	-	(1,202,681)	(1,202,681)		
Development services	1,608,250	-	1,912,283	3,000	-	-	307,033	307,033		
Total business-type activities	49,296,067	-	51,174,060	769,988	1,563,673	-	4,211,654	4,211,654		
Total primary government	\$ 142,673,650	\$ -	\$ 70,558,065	\$ 6,228,383	\$ 4,915,719	(65,183,137)	4,211,654	(60,971,483)		
Component units:										
Public Facilities District	\$ 1,385,752	\$ -	\$ 10,761	\$ -	\$ 70,724			\$ (1,304,267)		
Public Development Agency	342,012	-	-	369,000	-				\$ 26,988	
Total component units	\$ 1,727,764	\$ -	\$ 10,761	\$ 369,000	\$ 70,724					
General revenues:										
Property taxes						17,351,542	-	17,351,542	-	
Retail sales and use taxes						22,978,303	-	22,978,303	1,051,659	
Interfund taxes						5,272,962	-	5,272,962	-	
Business taxes						20,032,301	1,252,349	21,284,650	-	
Other taxes						2,466,211	-	2,466,211	-	
Interest and investment earnings						1,366,413	773,678	2,140,091	17,194	
Gain on sale of capital assets						338,277	-	338,277	-	
Transfers						(1,455,455)	1,455,455	-	-	
Extraordinary item - land contribution						-	(1,535,605)	(1,535,605)	-	
Total general revenues and transfers						68,350,554	1,945,877	70,296,431	1,068,853	
Change in net position						3,167,417	6,157,531	9,324,948	(235,414)	
Net position - beginning						390,267,425	220,164,266	610,431,691	7,360,432	
Prior period adjustments						(5,123,375)	5,587,627	464,252	-	
Net position - ending						\$ 388,311,467	\$ 231,909,424	\$ 620,220,891	\$ 7,125,018	
									\$ 1,634,483	

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

CITY OF BELLINGHAM

Balance Sheet

Governmental Funds

December 31, 2011

	<u>General</u>	<u>Greenway III Levy</u>	<u>HUD Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,734,379	\$ 380,846	\$ -	\$ 2,991,446	\$ 8,106,671
Investments	25,491,273	2,235,513	-	17,234,031	44,960,817
Receivables, net	1,573,806	104,146	-	101,943	1,779,895
Due from other funds	66,832	-	-	7,128	73,960
Due from other governments	482,558	6,134	177,090	12,155	677,937
Due from component units	-	-	-	10,005,000	10,005,000
Interfund loans receivable	-	-	-	3,232,022	3,232,022
Prepaid items	644,042	-	-	28,986	673,028
Special assessments - deferred	-	-	-	701,479	701,479
Notes and contracts receivable	-	-	11,944,751	-	11,944,751
Total assets	<u>32,992,890</u>	<u>2,726,639</u>	<u>12,121,841</u>	<u>34,314,190</u>	<u>82,155,560</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	977,500	19,453	85,258	312,458	1,394,669
Accrued wages and benefits	2,573,521	-	-	159,134	2,732,655
Due to other funds	7,619	6,134	66,832	-	80,585
Interfund loans payable	1,706,658	3,232,022	-	-	4,938,680
Due to other governments	12,365	-	-	-	12,365
Other liabilities	521,038	-	-	125,547	646,585
Deferred revenue	1,531,143	104,146	-	711,783	2,347,072
Total liabilities	<u>7,329,844</u>	<u>3,361,755</u>	<u>152,090</u>	<u>1,308,922</u>	<u>12,152,611</u>
FUND BALANCES					
Nonspendable:					
Permanent funds	-	-	-	7,848,802	7,848,802
Prepaid items	644,042	-	-	28,986	673,028
Restricted:					
Federal projects	853,834	-	11,969,751	-	12,823,585
Special revenue funds	-	-	-	15,136,222	15,136,222
Streets	572,788	-	-	-	572,788
Debt service funds	-	-	-	9,363,457	9,363,457
Permanent funds	-	-	-	627,801	627,801
Committed:					
Legal environmental	1,356,556	-	-	-	1,356,556
Streets - Capital	9,576,977	-	-	-	9,576,977
Assigned:					
12% reserve goal	7,800,000	-	-	-	7,800,000
Public safety donations	10,409	-	-	-	10,409
Turf	140,000	-	-	-	140,000
Unassigned:	4,708,440	(635,116)	-	-	4,073,324
Total fund balances	<u>25,663,046</u>	<u>(635,116)</u>	<u>11,969,751</u>	<u>33,005,268</u>	<u>70,002,949</u>
Total liabilities and fund balances	<u>\$ 32,992,890</u>	<u>\$ 2,726,639</u>	<u>\$ 12,121,841</u>	<u>\$ 34,314,190</u>	<u>\$ 82,155,560</u>

In 2011, \$11.0 million in assets, \$.9 million in liabilities, and \$10.2 million in fund balance, that in prior years were reported in the Street fund, are included in the General fund. Funds restricted or committed for street purposes are labeled as such to distinguish them from funds restricted or committed for various General fund purposes.

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, 2011

Total fund balances of governmental funds		\$ 70,002,949
Amounts reported for governmental activities in the government-wide statement of net position that are not reported in governmental funds:		
Capital assets used in governmental activities are not financial resources		322,562,285
Deferred bond issuance costs and bond amortization		(23,943)
Net pension asset		6,992,010
Accounts receivable income		45,331
Long-term assets not available to pay for current period expenditures		2,347,072
Interest income from investments		115,935
Governmental long-term liabilities:		
GASB 49 pollution remediation costs	(15,113,741)	
Compensated Absences	<u>(4,458,551)</u>	(19,572,292)
Accrued interest payable on governmental activities long-term debt		(64,290)
Long term liabilities including bonds payable		(18,094,813)
Internal service funds that are used by management to charge the cost of certain activities to individual funds		24,001,223
Net position of governmental activities		<u><u>\$ 388,311,467</u></u>

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, 2011

	<u>General</u>	<u>Greenway III Levy</u>	<u>HUD Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 58,361,093	\$ 3,946,782	\$ -	\$ 5,805,410	\$ 68,113,285
Licenses and permits	1,078,032	-	-	-	1,078,032
Intergovernmental revenue	5,172,299	32,396	1,101,713	3,666,324	9,972,732
Charges for services	13,546,891	-	-	2,539,323	16,086,214
Fines and forfeits	1,224,859	-	-	-	1,224,859
Investment income	366,124	46,855	78,694	685,845	1,177,518
Miscellaneous revenues	754,219	106,543	2,795	787,473	1,651,030
Total revenues	<u>80,503,517</u>	<u>4,132,576</u>	<u>1,183,202</u>	<u>13,484,375</u>	<u>99,303,670</u>
EXPENDITURES					
Current:					
General government services	13,901,428	-	-	22,443	13,923,871
Public safety	33,544,537	-	-	4,417,752	37,962,289
Physical environment	4,810,482	-	-	665,797	5,476,279
Transportation	5,698,525	-	-	-	5,698,525
Economic environment	3,204,324	-	659,127	-	3,863,451
Mental and physical health	47,024	-	-	-	47,024
Cultural and recreation	11,541,778	227,564	-	1,152,527	12,921,869
Debt service:					
Redemption of general long-term debt	-	-	-	1,810,964	1,810,964
Interest and other debt service cost	48,356	9,099	-	813,675	871,130
Capital outlay	4,209,998	9,727,706	-	3,802,028	17,739,732
Total expenditures	<u>77,006,452</u>	<u>9,964,369</u>	<u>659,127</u>	<u>12,685,186</u>	<u>100,315,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,497,065</u>	<u>(5,831,793)</u>	<u>524,075</u>	<u>799,189</u>	<u>(1,011,464)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	338,277	-	-	-	338,277
Transfers in	1,094,234	-	-	1,856,475	2,950,709
Transfers out	(3,460,736)	-	-	(1,507,192)	(4,967,928)
Total other financing sources and (uses)	<u>(2,028,225)</u>	<u>-</u>	<u>-</u>	<u>349,283</u>	<u>(1,678,942)</u>
Net change in fund balances	<u>1,468,840</u>	<u>(5,831,793)</u>	<u>524,075</u>	<u>1,148,472</u>	<u>(2,690,406)</u>
Fund balances - beginning	<u>23,602,018</u>	<u>5,196,677</u>	<u>11,445,676</u>	<u>33,718,571</u>	<u>73,962,942</u>
Prior period adjustments	592,188	-	-	(1,861,775)	(1,269,587)
Fund balances - ending	<u>\$ 25,663,046</u>	<u>\$ (635,116)</u>	<u>\$ 11,969,751</u>	<u>\$ 33,005,268</u>	<u>\$ 70,002,949</u>

In 2011, \$17.4 million in revenues, \$17.4 million in expenses, and \$10.2 million in fund balance, that in prior years were reported in the Street fund, are included in the General fund.

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, 2011

Net change in fund balances of total governmental funds **\$ (2,690,406)**

Amounts reported for governmental activities in the government-wide statement of activities that are not reported in governmental funds:

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 expenditures:

Capital outlays	9,980,950	
Donated assets	510,433	
Current year retired and abandoned assets	<u>(965,661)</u>	9,525,722

Pre-paid bond issuance costs and bond amortization		(10,189)
--	--	----------

Revenues in the statement of activities that do not provide current financial resources:

Accounts receivable	(5,408)	
Deferred Assessments/Property Tax	(626,920)	
Accrued interest	<u>(53,714)</u>	(686,042)

Some expenses reported in the statement of activities do not require the use of governmental funds:

Net pension obligation	181,649	
Gasb 49 Remediation obligation	(1,023,520)	
Compensated absences	(79,419)	
Accrued interest on debt	<u>5,271</u>	(916,019)

Long term liabilities, including bonds payable are not due and payable in the current period		1,810,964
--	--	-----------

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

(3,866,613)

Change in net position of governmental activities		<u>\$ 3,167,417</u>
--	--	----------------------------

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

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes:				
Property	\$ 12,630,478	\$ 12,630,478	\$ 12,759,766	\$ 129,288
Retail sales and use	18,360,000	18,360,000	19,550,692	1,190,692
Interfund	5,145,000	5,145,000	5,272,962	127,962
Business	20,047,381	20,047,381	20,032,301	(15,080)
Other	647,000	647,000	745,372	98,372
Licenses and permits	1,005,771	1,005,771	1,078,032	72,261
Intergovernmental revenue	5,455,951	15,971,856	5,172,299	(10,799,557)
Charges for services	14,156,135	14,370,815	13,546,891	(823,924)
Fines and forfeits	1,137,100	1,137,100	1,224,859	87,759
Investment income	404,006	404,006	366,124	(37,882)
Miscellaneous revenue	689,204	689,204	754,219	65,015
Total revenues	79,678,026	90,408,611	80,503,517	(9,905,094)
EXPENDITURES				
Office of the mayor	824,054	1,058,950	842,279	216,671
City council	432,943	432,943	433,315	(372)
Hearing examiner	193,857	193,857	187,068	6,789
Museum	1,525,765	1,539,635	1,378,185	161,450
Library	3,523,628	3,531,180	3,420,881	110,299
Finance	2,201,401	2,201,401	2,083,755	117,646
Human resources	1,205,518	1,233,730	1,003,115	230,615
Information technology services	2,375,636	2,409,694	2,300,102	109,592
Legal	1,470,573	1,555,693	1,368,640	187,053
Judicial and support services	2,578,716	2,578,716	2,331,249	247,467
Parks and recreation	6,898,674	6,939,843	6,742,712	197,131
Planning and community development	2,644,545	3,314,088	3,009,336	304,752
Public works	18,533,582	37,313,177	17,425,901	19,887,276
Fire	13,643,932	13,797,813	13,307,261	490,552
Police	20,206,866	20,457,930	20,522,942	(65,012)
Non departmental	666,000	685,810	649,711	36,099
Total expenditures	78,925,690	99,244,460	77,006,452	22,238,008
Excess of revenues over (under) expenditures	752,336	(8,835,849)	3,497,065	12,332,914
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	338,277	338,277
Transfers in	1,094,234	1,094,234	1,094,234	-
Transfers out	(3,398,421)	(3,461,671)	(3,460,736)	935
Total other financing sources (uses)	(2,304,187)	(2,367,437)	(2,028,225)	339,212
Net change in fund balances	(1,551,851)	(11,203,286)	1,468,840	12,672,126
Fund balance - beginning	14,612,655	26,185,170	23,602,018	(2,583,152)
Prior period adjustments	-	-	592,188	592,188
Fund balance - ending	\$ 13,060,804	\$ 14,981,884	\$ 25,663,046	\$ 10,681,162

In 2011, \$28.1 million in budgeted revenues and \$37.3 million in budgeted expenses, that in prior years were reported in the Street fund budget to actual, are included in the General fund budget to actual.

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

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 3,977,410	\$ 3,977,410	\$ 3,946,782	\$ (30,628)
Intergovernmental revenue	-	2,075,443	32,396	(2,043,047)
Charges for services	500	500	-	(500)
Investment income	37,753	37,753	46,855	9,102
Miscellaneous revenues	1,700,000	1,700,000	106,543	(1,593,457)
Total revenues	<u>5,715,663</u>	<u>7,791,106</u>	<u>4,132,576</u>	<u>(3,658,530)</u>
EXPENDITURES				
Current:				
Culture and recreation	2,321,076	2,476,089	227,564	2,248,525
Capital outlay	3,523,586	13,116,165	9,727,706	3,388,459
Debt service:				
Redemption of general long-term debt	-	-	-	-
Interest and other debt service cost	-	8,000	9,099	(1,099)
Total expenditures	<u>5,844,662</u>	<u>15,600,254</u>	<u>9,964,369</u>	<u>5,635,885</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(128,999)</u>	<u>(7,809,148)</u>	<u>(5,831,793)</u>	<u>1,977,355</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	500,000	-	(500,000)
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>(500,000)</u>
Net change in fund balances	<u>(128,999)</u>	<u>(7,309,148)</u>	<u>(5,831,793)</u>	<u>1,477,355</u>
Fund balance - beginning	<u>920,026</u>	<u>4,960,324</u>	<u>5,196,677</u>	<u>236,353</u>
Fund balance - ending	<u>\$ 791,027</u>	<u>\$ (2,348,824)</u>	<u>\$ (635,116)</u>	<u>\$ 1,713,708</u>

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

CITY OF BELLINGHAM
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
HUD Grant Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Intergovernmental revenue	\$ 1,595,000	\$ 2,784,198	\$ 1,101,713	\$ (1,682,485)
Charges for services	175,199	175,199	-	(175,199)
Fines and forfeits	-	-	-	-
Investment income	84,767	84,767	78,694	(6,073)
Miscellaneous revenues	2,500	2,500	2,795	295
Total revenues	<u>1,857,466</u>	<u>3,046,664</u>	<u>1,183,202</u>	<u>(1,863,462)</u>
EXPENDITURES				
Current:				
Economic environment	<u>1,857,466</u>	<u>3,046,664</u>	<u>659,127</u>	<u>2,387,537</u>
Total expenditures	<u>1,857,466</u>	<u>3,046,664</u>	<u>659,127</u>	<u>2,387,537</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>-</u>	<u>-</u>	<u>524,075</u>	<u>524,075</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>524,075</u>	<u>524,075</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>11,445,676</u>	<u>11,445,676</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,969,751</u>	<u>\$ 11,969,751</u>

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



CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2011

Page 1 of 2

	Business-type Activities - Enterprise Funds						Governmental	
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities	Totals	Activities - Internal Service Funds
ASSETS								
<i>Current assets:</i>								
Cash and cash equivalents	\$ 859,598	\$ 1,361,761	\$ 666,980	\$ 1,023,308	\$ 88,749	\$ 491,079	\$ 4,491,475	2,753,252
Investments	5,045,723	7,993,352	3,915,086	6,006,683	520,946	2,882,573	26,364,363	16,161,221
Receivables, net	722,069	939,230	332,602	15,617	437,456	574,617	3,021,591	48,450
Due from other funds	-	-	-	-	6,834	-	6,834	-
Due from other governments	267,324	69	120,474	320,427	-	-	708,294	-
Inventories	-	-	-	-	-	-	-	596,358
Prepaid items	-	-	-	-	-	-	-	55,747
Total current assets	6,894,714	10,294,412	5,035,142	7,366,035	1,053,985	3,948,269	34,592,557	19,615,028
<i>Noncurrent assets:</i>								
Restricted cash and cash equivalents	900,428	7,221,926	-	8,510	-	66,583	8,197,447	447,821
Restricted investments	5,285,395	42,391,748	-	49,952	-	390,832	48,117,927	2,628,652
Deferred charges	126,692	139,297	-	56,696	-	-	322,685	19,574
Capital assets, not being depreciated:								
Land	28,706,784	3,925,297	1,712,669	-	52,457	1,469,179	35,866,386	40,102
Construction in progress	4,117,470	6,573,661	270,988	-	-	15,020	10,977,139	-
Capital assets, net of depreciation:								
Buildings	7,870,301	37,052,976	-	7,945	329,789	2,554,342	47,815,353	1,589,010
Improvements	54,907,467	43,237,860	22,931,860	391,841	26,305	720,996	122,216,329	57,469
Machinery and equipment	816,441	2,040,822	279,172	100,538	538,418	83,578	3,858,969	10,428,544
Total noncurrent assets	102,730,978	142,583,587	25,194,689	615,482	946,969	5,300,530	277,372,235	15,211,172
Total assets	109,625,692	152,877,999	30,229,831	7,981,517	2,000,954	9,248,799	311,964,792	34,826,200

* The notes to the financial statements are an integral part of this statement. See note V-C for details on the pollution remediation obligation.

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2011

Page 2 of 2

	Business-type Activities - Enterprise Funds						Governmental
							Activities -
							Internal
							Service Funds
LIABILITIES	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities	Totals
<i>Current liabilities:</i>							
Accounts payable	488,305	923,067	27,589	26,770	155,804	120,920	1,742,455
Accrued wages and benefits	129,331	154,612	58,005	5,415	2,089	84,511	433,963
Due to other funds	-	-	-	-	-	-	210
Due to other governments	61,668	27,790	7,624	-	-	1,609	98,691
Other current liabilities	512,666	589,798	-	29,158	179	180,678	1,312,479
<i>Current portion:</i>							
Bonds payable, net	1,530,000	610,000	-	350,000	-	130,000	2,620,000
Compensated absences	168,158	204,155	55,719	3,141	-	95,850	527,023
Due to other governments	138,073	-	-	-	-	-	138,073
Claims and judgements payable	-	-	-	-	-	-	685,000
Pollution remediation obligation	-	-	-	175,000	-	-	175,000
Other liabilities	-	-	-	-	-	-	-
Total current liabilities	3,028,201	2,509,422	148,937	589,484	158,072	613,568	7,047,684
<i>Noncurrent liabilities:</i>							
Bonds payable, net	14,774,461	45,075,055	-	6,500,607	-	-	66,350,123
Compensated absences	40,606	16,704	12,079	-	-	8,943	78,332
Due to other governments	1,523,886	-	-	-	-	-	1,523,886
Claims and judgements payable	-	-	-	-	-	-	2,468,000
Pollution remediation obligation *	-	-	-	5,055,343	-	-	5,055,343
Other liabilities	-	-	-	-	-	-	-
Total noncurrent liabilities	16,338,953	45,091,759	12,079	11,555,950	-	8,943	73,007,684
Total liabilities	19,367,154	47,601,181	161,016	12,145,434	158,072	622,511	80,055,368
NET POSITION							
Net investment in capital assets	81,533,585	90,258,281	25,194,689	-	946,969	4,713,113	202,646,637
Restricted for debt service	1,791,283	4,358,697	-	58,325	-	33,716	6,242,021
Restricted for cemetery endowment	-	-	-	-	-	281,854	281,854
Restricted for capital	4,380,065	45,138,880	-	-	-	-	49,518,945
Unrestricted	2,553,605	(34,479,040)	4,874,126	(4,222,242)	895,913	3,597,605	(26,780,033)
Total net position	\$ 90,258,538	\$ 105,276,818	\$ 30,068,815	\$ (4,163,917)	\$ 1,842,882	\$ 8,626,288	\$ 231,909,424

* The notes to the financial statements are an integral part of this statement. See note V-C for details on the pollution remediation obligation.

CITY OF BELLINGHAM
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business- type Activities	Totals	
Operating revenues:								
Sales of merchandise	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,811,386
Less: cost of goods sold	-	-	-	-	-	-	-	(804,753)
Customer sales and service fees	15,301,665	14,147,979	4,883,797	106,143	2,807,025	2,200,050	39,446,659	-
Other charges for service	1,260,112	2,145,985	10,356	-	-	-	3,416,453	2,265,119
Rents, parking and concessions	-	-	-	-	-	2,373,382	2,373,382	-
Insurance premium contribution	-	-	-	-	-	-	-	13,525,669
Other operating revenues	-	-	91,053	-	-	-	91,053	1,414,177
Total operating revenues	16,561,777	16,293,964	4,985,206	106,143	2,807,025	4,573,432	45,327,547	20,211,598
Operating expenses:								
General operations	6,706,040	6,749,684	3,682,732	687,628	6,483,737	2,285,356	26,595,177	9,769,697
General administration	2,627,024	2,332,192	-	129,934	645,578	1,272,588	7,007,316	1,461,781
Depreciation	2,175,932	2,711,232	780,696	21,374	170,059	155,140	6,014,433	1,574,714
Taxes	3,673,200	2,207,114	606,279	1,896	13,205	5,378	6,507,072	700
Risk transfer payment	-	-	-	-	-	-	-	11,569,536
Payments to claimants and beneficiaries	-	-	-	-	-	-	-	553,637
Total operating expenses	15,182,196	14,000,222	5,069,707	840,832	7,312,579	3,718,462	46,123,998	24,930,065
Operating income (loss)	1,379,581	2,293,742	(84,501)	(734,689)	(4,505,554)	854,970	(796,451)	(4,718,467)
Nonoperating revenues (expenses):								
External operating subsidies	267,324	2,654	505,644	551,011	3,271,288	23,000	4,620,921	146,415
Operating assessments and tax levies	-	-	-	1,252,349	-	-	1,252,349	-
Investment interest	111,498	342,120	38,986	68,014	9,919	33,497	604,034	205,398
Net incr (decr) in fair value of investments	18,007	126,257	7,791	10,437	761	6,392	169,645	37,260
Interest expense and related charges	(739,498)	(536,511)	-	(375,022)	-	(8,368)	(1,659,399)	(223,604)
Gain (loss) on sale of capital assets	-	(53,168)	-	-	-	-	(53,168)	(50,817)
Other nonoperating revenues (expenses)	395,550	263,489	290,984	16,663	31,585	38,993	1,037,264	175,445
Total nonoperating revenues (expenses)	52,881	144,841	843,405	1,523,452	3,313,553	93,514	5,971,646	290,097
Income (loss) before contributions and transfers	1,432,462	2,438,583	758,904	788,763	(1,192,001)	948,484	5,175,195	(4,428,370)
Capital contributions	769,595	86,255	206,632	-	-	-	1,062,482	-
Transfers in	908,527	-	-	-	1,046,735	221,480	2,176,742	761,440
Transfers out	-	-	-	-	-	(721,286)	(721,286)	(199,678)
Extraordinary item - land contribution	-	-	-	-	-	(1,535,605)	(1,535,605)	-
Change in net position	3,110,584	2,524,838	965,536	788,763	(145,266)	(1,086,927)	6,157,528	(3,866,608)
Total net position - beginning	87,147,954	102,751,980	29,103,279	(9,968,244)	1,988,148	9,141,152	220,164,269	26,706,055
Prior period adjustments	-	-	-	5,015,564	-	572,063	5,587,627	1,161,776
Total net position - ending	\$ 90,258,538	\$ 105,276,818	\$ 30,068,815	\$ (4,163,917)	\$ 1,842,882	\$ 8,626,288	\$ 231,909,424	\$ 24,001,223

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, 2011

Page 1 of 2

	Business-type Activities - Enterprise Funds							Governmental
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities	Total	Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	\$ 16,463,317	\$ 16,124,317	\$ 4,941,413	\$ 106,143	\$ 2,743,092	\$ 4,661,569	\$ 45,039,851	\$ 26,494
Receipts from interfund services provided	599,957	948,389	353,420	39,954	-	8,645	1,950,365	21,110,128
Payments for merchandise	-	-	-	-	-	-	-	(796,826)
Payments for wages and benefits	(2,393,355)	(2,411,929)	(1,174,162)	(115,418)	(4,158,710)	(1,977,945)	(12,231,519)	(3,025,563)
Payments for operating expenses	(10,441,798)	(8,682,316)	(3,147,579)	(1,498,895)	(2,953,525)	(1,515,595)	(28,239,708)	(20,134,717)
Other receipts (payments)	(271,846)	(672,498)	(105,627)	(23,292)	24,750	29,772	(1,018,741)	173,539
Net cash provided (used) by operating activities	<u>3,956,275</u>	<u>5,305,963</u>	<u>867,465</u>	<u>(1,491,508)</u>	<u>(4,344,393)</u>	<u>1,206,446</u>	<u>5,500,248</u>	<u>(2,646,945)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers in	908,527	-	-	-	1,046,735	221,480	2,176,742	752,440
Transfers out	-	-	-	-	-	(721,286)	(721,286)	(199,678)
Payments for interest	-	-	-	(367,037)	-	-	(367,037)	(209,726)
Principal payment on bonds	-	-	-	(330,000)	-	-	(330,000)	-
Receipts from other governmental units	67,439	3,374	487,532	269,430	3,222,990	23,000	4,073,765	146,415
General obligation bond revenue	-	-	-	-	-	-	-	6,480,000
Bond issue costs	-	-	-	-	-	-	-	(71,171)
Receipts for taxes	-	-	-	1,252,349	-	-	1,252,349	-
Net cash provided (used) by noncapital financing activities	<u>975,966</u>	<u>3,374</u>	<u>487,532</u>	<u>824,742</u>	<u>4,269,725</u>	<u>(476,806)</u>	<u>6,084,533</u>	<u>6,898,280</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Principal payment on bonds	(1,610,000)	(2,145,000)	-	-	-	(125,000)	(3,880,000)	-
Revenue bond issue revenue	-	46,218,677	-	-	-	-	46,218,677	-
Bond issue costs	-	(549,488)	-	-	-	-	(549,488)	-
Payments for interest	(752,631)	(99,139)	-	-	-	(9,537)	(861,307)	-
Purchases of capital assets	(3,309,672)	(5,151,785)	(475,514)	-	(158,222)	(15,020)	(9,110,213)	(603,395)
Proceeds from the sale of capital assets	-	397,332	-	-	-	-	397,332	80,853
Principal paid on loans	(138,073)	(23,447)	-	-	-	-	(161,520)	-
Net cash provided (used) by capital financing activities	<u>(5,810,376)</u>	<u>38,647,150</u>	<u>(475,514)</u>	<u>-</u>	<u>(158,222)</u>	<u>(149,557)</u>	<u>32,053,481</u>	<u>(522,542)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Proceeds from sales and maturity of investments	10,219,319	12,865,040	2,942,147	6,106,017	657,176	2,578,739	35,368,438	13,187,659
Purchase of investments	(10,626,692)	(51,826,618)	(4,027,097)	(6,229,916)	(535,850)	(3,367,058)	(76,613,231)	(19,327,451)
Interest and dividends received	123,556	256,329	39,916	75,533	11,082	34,735	541,151	206,215
Net cash provided (used) in investment activities	<u>(283,817)</u>	<u>(38,705,249)</u>	<u>(1,045,034)</u>	<u>(48,366)</u>	<u>132,408</u>	<u>(753,584)</u>	<u>(40,703,642)</u>	<u>(5,933,577)</u>
Net increase (decrease) in cash and equivalents	<u>(1,161,952)</u>	<u>5,251,238</u>	<u>(165,551)</u>	<u>(715,132)</u>	<u>(100,482)</u>	<u>(173,501)</u>	<u>2,934,620</u>	<u>(2,204,784)</u>
Cash and cash equivalents - beginning of year	<u>2,921,978</u>	<u>3,332,449</u>	<u>832,531</u>	<u>1,746,950</u>	<u>189,231</u>	<u>731,163</u>	<u>9,754,302</u>	<u>5,405,857</u>
Cash and cash equivalents - end of year	<u>1,760,026</u>	<u>8,583,687</u>	<u>666,980</u>	<u>1,031,818</u>	<u>88,749</u>	<u>557,662</u>	<u>12,688,922</u>	<u>3,201,073</u>
Cash at end of year consists of								
Cash and cash equivalents	859,598	1,361,761	666,980	1,023,308	88,749	491,079	4,491,475	2,753,252
Restricted cash	900,428	7,221,926	-	8,510	-	66,583	8,197,447	447,821
Total cash at end of year	<u>\$ 1,760,026</u>	<u>\$ 8,583,687</u>	<u>\$ 666,980</u>	<u>\$ 1,031,818</u>	<u>\$ 88,749</u>	<u>\$ 557,662</u>	<u>\$ 12,688,922</u>	<u>\$ 3,201,073</u>

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

CITY OF BELLINGHAM
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

Page 2 of 2

	Business-type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Water	Wastewater	Storm and Surface Water	Solid Waste	Medic One	Other Business-type Activities	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 1,379,581	\$ 2,293,742	\$ (84,501)	\$ (734,689)	\$ (4,505,554)	\$ 854,970	\$ (796,451)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>							
Depreciation	2,175,932	2,711,232	780,695	21,374	170,059	155,141	6,014,433
Other non-operating receipts (expenses)	328,111	262,583	225,620	16,662	31,585	38,994	903,555
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(78,832)	(169,685)	(43,792)	-	(39,967)	96,138	(236,138)
(Increase) decrease in due from other funds	-	-	22,173	-	(6,834)	-	15,339
(Increase) decrease in inventory of supplies	-	-	-	-	-	-	-
Increase (decrease) in accounts payable	141,941	141,669	(35,441)	(3,417)	28,195	72,224	345,171
Increase (decrease) in wages and benefits payable	22,158	48,194	1,524	4,405	2,089	(2,702)	75,668
Increase (decrease) in revenues collected in advance	(21,677)	38	-	-	179	(8,001)	(29,461)
Increase (decrease) in due to other funds	-	-	-	-	-	-	-
Increase (decrease) in due to other governmental units	-	-	-	-	-	-	-
Increase (decrease) in other current liabilities	2,050	-	-	-	(24,145)	717	(21,378)
Increase (decrease) in other fees and taxes	7,011	3,456	1,187	-	-	(1,035)	10,619
Increase (decrease) in other long-term liabilities	-	14,734	-	(795,843)	-	-	(781,109)
Net cash provided (used) by operating activities	\$ 3,956,275	\$ 5,305,963	\$ 867,465	\$ (1,491,508)	\$ (4,344,393)	\$ 1,206,446	\$ 5,500,248
Non-cash investing, capital, and financing activities:							
Net change in fair value of investments	18,007	126,257	7,791	10,437	761	6,392	169,645
Contributions from developers	769,595	86,255	206,632	-	-	-	1,062,482
Fleet donations	-	-	-	-	-	-	-
Contributions to component units	-	-	-	-	-	(1,535,605)	(1,535,605)

CITY OF BELLINGHAM
Statement of Net Position
Fiduciary Funds
December 31, 2011

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,588,469	\$ 206,982
Investments:		
Government securities	9,324,101	-
Receivables, net	74,446	-
Interfund receivables	<u>1,706,658</u>	<u>-</u>
Total assets	<u>12,693,674</u>	<u>206,982</u>
LIABILITIES		
Accounts payable	351	87,961
Accrued wages and benefits	59,213	-
Other liabilities	<u>50,403</u>	<u>119,021</u>
Total liabilities	<u>109,967</u>	<u>206,982</u>
NET POSITION		
Held in trust for pension and other post employment long-term care benefits	<u>\$ 12,583,707</u>	<u>\$ -</u>

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

CITY OF BELLINGHAM
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2011

	Pension Trust Funds
ADDITIONS	
<i>Contributions:</i>	
Taxes	\$ 2,016,767
Unclaimed property - auction	16,709
Employer	<u>1,100,000</u>
Total contributions	<u>3,133,476</u>
<i>Investment income:</i>	
Interest	141,896
Net appreciation (depreciation) in fair value	<u>17,131</u>
Total investment income	<u>159,027</u>
Total additions	<u>3,292,503</u>
 DEDUCTIONS	
Benefits	2,938,989
Administration expense	<u>101,729</u>
Total deductions	<u>3,040,718</u>
 CHANGE IN NET POSITION	
Pension benefits	(39,124)
Long-term care benefits	290,909
Net position pension benefits - beginning	8,575,175
Net position long-term care benefits - beginning	<u>3,756,747</u>
Net position pension benefits - ending	<u>\$ 8,536,051</u>
Net position long-term care benefits - ending	<u>\$ 4,047,656</u>

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



Notes to the Basic Financial Statements**December 31, 2011****Index to the Notes**

NOTE I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	4-22
I-A	Reporting entity	4-22
I-B	Government-wide and fund financial statements	4-23
I-C	Measurement focus, basis of accounting and financial statement presentation	4-25
I-D	Assets, liabilities and net assets or equity	4-26
NOTE II.	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	4-31
II-A	Budgetary information	4-31
II-B	Deficit fund equity	4-32
II-C	Excess of expenditures over appropriations	4-32
NOTE III.	DETAILED NOTES ON ALL FUNDS	4-33
III-A	Deposits and investments	4-33
III-B	Receivables	4-35
III-C	Property taxes	4-37
III-D	Capital assets	4-38
III-E	Interfund receivables, payables and transfers	4-41
III-F	Operating leases	4-42
III-G	Capital construction commitments	4-42
III-H	Long-term debt	4-42
III-I	Segment information	4-52
NOTE V.	OTHER INFORMATION	4-53
IV-A	Risk management	4-53
IV-B	Contingencies	4-55
IV-C	GASB 49 pollution remediation obligations	4-56
IV-D	Interlocal agreements	4-57
IV-E	Employee retirement systems and pension plans	4-58
IV-F	Other post employment benefits (OPEB)	4-69
IV-G	Endowments	4-73
IV-H	Restricted net assets	4-74
IV-I	Closed funds	4-74
IV-J	Prior period adjustments and change in accounting methods	4-74
IV-K	Extraordinary items	4-76
IV-L	Subsequent events	4-76

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, police and fire dispatch centers that are jointly funded by local entities. The City's financial statements include all of these operations that are controlled by or are dependent on the City.

For financial reporting purposes, in conformance with GASB 14, the City of Bellingham considered for inclusion all governmental activities, organizations and functions for which the City is financially accountable. Relevant criteria for including an organization as a component unit within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether or not:

- The City appoints a voting majority of the organization's governing body and is able to impose its will on that organization
- There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City
- The organization is fiscally dependent on the City

The accompanying financial statements present the City and its component 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.

Blended component unit

The Bellingham Transportation Benefit District (TBD), established in 2010, is included in the accompanying financial statements. The TBD, is a separate Washington quasi-municipal corporation created under RCW 35.21.225 and Bellingham Municipal Ordinance No. 2010-07-040. 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. The TBD is reported as a nonmajor special revenue fund. Financial statements are blended in the City's annual financial report. Separately issued financial statements can be obtained from the City of Bellingham at 210 Lottie, Bellingham, WA 98225.

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 City, through an interlocal agreement with the PFD, provides administrative services and financial management. Separately issued financial statements can be obtained from the City of Bellingham at 210 Lottie, Bellingham, WA 98225.

The 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 City, through an interlocal agreement with the BPDA, provides administrative services and financial management. Separately issued financial statements can be obtained from the City of Bellingham at 210 Lottie, Bellingham, WA 98225.

I-B Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of 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 fund financial statements.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Beginning in 2011, maintenance of all City streets is being reported in the general fund. In prior years these activities were reported in the street fund.

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

The *greenways III levy fund* accounts for a voter approved property tax levy of \$.57 per thousand of assessed valuation, to be collected over ten years. The levy continues the acquisition, improvement and maintenance of greenways areas begun by the original greenway levy. The fund was established by ordinance 2007-01-004.

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

The *solid waste fund* accounts for litter compliance expenses and the operations of the Clean Green site where City and County residents bring grass, shrub and tree trimmings. This fund also accounts for 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.

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

Additionally, the government reports the following fund types:

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

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

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.

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

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

reported for the various functions concerned. These charges are included in direct program expenses. Internal service fund activity is also eliminated to avoid duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 non-operating 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 assets or equity

Deposits and investments

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

Investments for the City as well as for its component 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 deferred revenue. During the year, property tax revenues are recognized when received. There is no allowance for uncollectible taxes. The City considers delinquent taxes fully collectible.

Accounts receivable consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared. Receivables have been recorded net of an allowance for uncollectible amounts. Allowances for uncollectible amounts are calculated as either a write-off 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. Deferred assessments consist of unbilled special assessments that are liens against the property benefited.

Inventories and prepaid items

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

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

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

Capital assets

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

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

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

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

Asset category	Useful life (years)
Buildings	50
Improvements other than buildings	
Infrastructure	20-40
Leasehold improvements	10
Other improvements	5-50
Software	7
Machinery and equipment	
Information technology equipment	4
Equipment	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. Effective January 1, 1997, an optional sick leave cash out program was established for employees with accumulated banks of at least 50% of the maximum. These employees have the option of cashing out 24 to 48 hours of sick leave accumulated and not used in the twelve months prior to December 15 of each year. Employee banks will be reduced by the

number of hours cashed out. If an employee's bank is at 960 hours or more, no reduction to their bank balance is made for cashed out hours.

Long-term obligations

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

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

Restricted assets

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

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

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 two permanent funds, three 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. 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 City has assigned fund balance for outside public safety donations and an amount set assigned for new turf for parks and recreation. The general fund has a sum assigned to a 12% general fund reserve goal.

Unassigned – includes a positive fund balance of \$4.7 million within the general fund which has not been classified within the above mentioned categories and a special revenue fund greenways III levy negative fund balance in the amount of \$635 thousand.

Fund Reserve Goals

The City has Financial Management Guidelines that were originally written by the Finance Director and subsequently endorsed by the City Council. In this document the City sets reserve targets and reserve minimums for a selected City funds including the General fund; the Water, Wastewater, and Storm water funds; and the Parking, Medic One, Fleet, and Health Benefits funds. This document is available on the city's website:

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

When a fund reserve falls below its minimum standard the Mayor is required to present to Council within 60 days, a Financial Plan that will restore the fund reserve balance to the minimum standard within the shortest period feasible or in no case longer than three Budget years. As of the date of this document of the Mayor has never been required to present a restoration plan.

Meeting the minimum reserve goal is integral to the budget process and is reported in the Adopted Budget document. Budget 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 lower 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. 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. 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 no later than December 31. Within 30 days of adoption, the final budget is available to the public.

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

Encumbrances are committed amounts for goods and services ordered or contracted. Encumbrances do not constitute expenditures or liabilities. The City reappropriates current year encumbrances into the following year as an amendment to the budget. Encumbrances outstanding as of December 31, 2011 were reappropriated by Ordinance 2012-04-019.

Encumbrances outstanding as of December 31, 2011	
Fund	Amount
General	\$ 3,864,243
HUD grant	536,961
Greenways III	163,755
Water	1,360,024
Wastewater	3,246,466
Storm & surface water	348,671
Solid waste	172,820
Non-major	4,750,182
Total encumbrances	\$ 14,443,122

Fund	Amount
General	\$ 3,864,243
HUD grant	536,961
Greenways III	163,755
Water	1,360,024
Wastewater	3,246,466
Storm & surface water	348,671
Solid waste	172,820
Non-major	4,750,182
Total encumbrances	<u>\$ 14,443,122</u>

II-B Deficit fund equity

As of December 31, 2011, the following funds reported deficits in fund balance or fund equity:

Fund 173 – The greenway III fund has a deficit net fund balance of \$635,116. This deficit is due in part to acquiring an interfund loan of \$3.2 million from the greenways maintenance endowment fund for land acquisition. Fund 173 used this loan towards the purchase of a large piece of property known as Chuckanut Ridge for \$8.2 million. Governmental funds do not record capital assets, therefore there is no offsetting asset for these capital expenditures. The deficit will be reduced each year as the loan liability is reduced.

Fund 440 – The solid waste fund has deficit net assets of \$4,163,917. 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 pollution remediation liability in the solid waste fund of \$5.2 million at December 31, 2011 (see note IV-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 deficit net assets of \$1,186,132. This deficit is due to issuing qualified energy conservation bonds in 2011 to finance non-capital 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, 2011.

II-C Excess of expenditures over appropriations

As of December 31, 2011, there has been no material violation of finance related legal or contractual provisions in any City governmental fund.

The following internal service fund reported an excess of expenses over council approved budget authority:

Fund 540 – The telecommunications and technology fund has an expense to budget ratio of 153.7%, showing excess expense in the amount of \$207,095. This excess is due to closing out special revenue fund 124, the technology replacement and reserve fund, and transferring all actual fund 124 expenses for the year into fund 540. The spending authority for the transferred expenses resides in fund 124 with a budgeted amount of \$445,442 for computer software, computer hardware, professional services and indirect overhead costs. Spending between funds 124 and 540 did not exceed combined budgetary spending authority.

NOTE III. DETAILED NOTES ON ALL FUNDS**III-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 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 III-A are obtained from the year-end GASB 31 report provided by the City's securities custodian and primary banker, U.S. Bank.

Total deposits and investments at December 31, 2011				
---	--	--	--	--

Classification	City	Component units		Total
		Public Facilities District	Public	
			Development Authority	
Investments at fair value	\$ 147,557,081	\$ 1,190,730	\$ 91,522	\$ 148,839,333
Petty cash	36,250	-	-	36,250
Washington State Investment Pool	22,652,073	178,408	13,713	22,844,194
Cash in bank	3,103,794	24,446	1,879	3,130,119
Total deposits and Investments	<u>\$ 173,349,198</u>	<u>\$ 1,393,584</u>	<u>\$ 107,114</u>	<u>\$ 174,849,896</u>

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.

- State Investment Pool.
- Other investments authorized by law.

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

The State Treasurer's Office administers the Washington State Local Government Investment Pool (LGIP) authorized under Chapter 43.250 RCW. The LGIP operates in a manner consistent with the SEC Rule 2a-7. It is a \$5-8 billion pooled fund investment portfolio that invests money on behalf of over 450 cities, counties, colleges and special taxing districts. In its management of LGIP the State Treasurer adheres, at all times, to the principles appropriate for the prudent investment of public funds. In priority order, they are the safety of principal, the assurance of sufficient liquidity to meet cash flow demands and attainment of the highest possible yield within the constraints of the first two goals.

All investments are valued at fair value as of December 31, 2011. 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 at December 31, 2011

Investment Type	City	Component Units		Total	Moody's
		Public Facilities District	Public Development Authority		
Federal Farm Credit Bank	\$ 14,898,812	\$ 120,228	\$ 9,240	\$ 15,028,280	Aaa
Federal Home Loan Bank	35,261,393	284,546	21,871	35,567,810	Aaa
Federal Home Loan Mtg Corp.	24,895,739	200,899	15,442	25,112,080	Aaa
Federal National Mortgage Assn	49,667,347	400,797	30,806	50,098,950	Aaa
Municipal Bonds	22,833,790	184,260	14,163	23,032,213	A1 - Aa3
Total Investments	147,557,081	1,190,730	91,522	148,839,333	
Rule 2a-7 like pools per GASB 31					
Washington State Investment Pool	22,652,073	178,408	13,713	22,844,194	Unrated
Total Investments and 2a-7 like pools	\$ 170,209,154	\$ 1,369,138	\$ 105,235	\$ 171,683,527	

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, 2011 the overall average maturity for all of the City's investments was 1.92 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	2.19596
Municipal Bonds	2.29203
Rule 2a-7 like pools per GASB 31	0.00274
Weighted average maturity of all investments	1.91702

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 is in compliance with this policy.

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

III-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, 2011

Governmental activities	General	Greenway III Levy	HUD grant	Nonmajor gov't	Internal service	Total
Interest	\$ -	\$ -	\$ -	\$ -	\$ 48,450	\$ 48,450
Taxes	345,982	104,146	-	10,305	-	460,433
Accounts	13,525,733	-	-	23,660	-	13,549,393
Special assessments	-	-	-	67,978	-	67,978
Loan receivable	-	-	11,944,751	-	-	11,944,751
Due from other government	482,558	6,134	177,090	12,155	-	677,937
Due from component unit	-	-	-	10,005,000	-	10,005,000
Gross receivables	14,354,273	110,280	12,121,841	10,119,098	48,450	36,753,942
Less: allow. for uncollect.	(12,297,909)	-	-	-	-	(12,297,909)
Total governmental	\$ 2,056,364	\$ 110,280	\$ 12,121,841	\$ 10,119,098	\$ 48,450	\$ 24,456,033

As of December 31, 2011, \$19,728 of the special assessment receivable is delinquent.

Business -type activities	Water	Waste water	Storm & surface water	Solid waste	Medic one	Nonmajor enterprise	Total
Interest	\$ 26,640	\$ 129,922	\$ 10,095	\$ 15,617	\$ 1,343	\$ 8,441	\$ 192,058
Accounts	695,429	809,308	322,507	-	764,685	1,855,780	4,447,709
Due from other government	267,324	69	120,474	320,427	-	-	708,294
Gross receivables	989,393	939,299	453,076	336,044	766,028	1,864,221	5,348,061
Less: allow. for uncollect.	-	-	-	-	(328,572)	(1,289,604)	(1,618,176)
Total business-type	\$ 989,393	\$ 939,299	\$ 453,076	\$ 336,044	\$ 437,456	\$ 574,617	\$ 3,729,885

Fiduciary funds	Fire Pension	Police Pension	Total
Interest	\$ 12,891	\$ 11,153	\$ 24,044
Taxes	50,402	-	50,402
Total fiduciary	\$ 63,293	\$ 11,153	\$ 74,446

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

Deferred revenue reported in the governmental funds as of December 31, 2011

Deferred revenue	General	Special revenue	Debt service	Permanent	Total
Delinquent property taxes receivable	\$ 345,982	\$ 104,150	\$ -	\$ 10,301	\$ 460,433
Fines/forfeitures receivable	1,185,161	-	-	-	1,185,161
Special assessments not yet due	-	-	701,478	-	701,478
Total deferred revenue for governmental funds	\$ 1,531,143	\$ 104,150	\$ 701,478	\$ 10,301	\$ 2,347,072

III-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 2011 tax levy, the City’s bank is \$240,311.

In November 2001, the state voters approved Initiative 747, again modifying the RCW, reducing the maximum levy increase from 6% to 1%, or the Implicit Price Deflator (IPD), whichever is less. The IPD for 2011 was 1.539%. Council authorized a 1% increase for 2011.

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

- Increases in non-voted property taxes are limited to the lesser of 1% per year, or the IPD. Adjustments for new construction are excluded from this calculation. The 1% limitation may be exceeded by a “lid lift” if the levy is below the \$3.60 limit and is approved by a simple majority of the voters.
- The Washington State Constitution limits total regular property taxes to 1% of assessed valuation or \$10 per \$1,000 of value. If the taxes of all districts exceed this amount, each is proportionately reduced until the total is at or below the 1% limit.
- Special levies approved by the voters are not subject to the above limitations.

Property tax levies 2011

Assessment	Type	Valuation	Rate/\$1,000	Tax
General fund	councilmatic	\$ 8,416,799,032	\$ 1.5279	\$ 12,859,887
Fire pension	councilmatic	8,416,799,032	0.2250	1,893,780
New What RDA LIFT	councilmatic	8,416,799,032	0.0023	18,997
Total councilmatic			1.7552	14,772,664
Greenways III - parks	voter approved	8,416,799,032	0.5165	4,346,882
2001 Fire Bond	voter approved	8,314,246,361	0.0319	264,999
Total voter approved			0.5484	4,611,881
Total assessments			\$ 2.3036	\$ 19,384,545

The 2001 fire bonds matured in 2011.

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

III-D Capital assets

Capital asset activity for the year ended December 31, 2011 is summarized as follows:

Primary government				
Governmental activities	Beginning balance 1/1/2011	Additions	Reductions	Ending balance 12/31/2011
Capital assets not being depreciated:				
Land	\$ 121,683,333	\$ 9,748,077	\$ 933,153	\$ 130,498,257
Construction in progress	31,940,960	2,803,718	22,260,314	12,484,364
Total capital assets, not being depreciated	153,624,293	12,551,795	23,193,467	142,982,621
Capital assets being depreciated:				
Buildings	46,748,913	-	-	46,748,913
Improvements other than buildings	206,222,928	27,282,998	-	233,505,926
Machinery and equipment	22,658,650	1,255,573	665,889	23,248,334
Total capital assets being depreciated	275,630,491	28,538,571	665,889	303,503,173
Less accumulated depreciation for:				
Buildings	14,195,894	877,461	-	15,073,355
Improvements other than buildings	79,328,821	6,641,405	-	85,970,226
Machinery and equipment	9,484,395	1,814,628	534,220	10,764,803
Total accumulated depreciation	103,009,110	9,333,494	534,220	111,808,384
Total capital assets, being depreciated, net	172,621,381	19,205,077	131,669	191,694,789
Governmental activities capital assets, net	<u>\$ 326,245,674</u>	<u>\$ 31,756,872</u>	<u>\$ 23,325,136</u>	<u>\$ 334,677,410</u>

Business-type activities	Beginning balance 1/1/2011	Additions	Reductions	Ending balance 12/31/2011
Capital assets not depreciated:				
Land	\$ 35,246,220	\$2,155,771	\$ 1,535,605	\$ 35,866,386
Construction in progress	11,038,991	5,723,420	5,785,272	10,977,139
Total capital assets, not being depreciated	46,285,211	7,879,191	7,320,877	46,843,525
Capital assets depreciated:				
Buildings	94,486,566	-	-	94,486,566
Improvements other than buildings	196,433,455	7,048,362	163,072	203,318,745
Machinery and equipment	6,924,146	579,913	71,330	7,432,729
Total capital assets, being depreciated	297,844,167	7,628,275	234,402	305,238,040
Less accumulated depreciation for:				
Buildings	45,051,076	1,620,137	-	46,671,213
Improvements other than buildings	77,307,526	3,957,962	163,072	81,102,416
Machinery and equipment	3,208,756	436,334	71,330	3,573,760
Total accumulated depreciation	125,567,358	6,014,433	234,402	131,347,389
Total capital assets, being depreciated, net	172,276,809	1,613,842	-	173,890,651
Business-type activities capital assets, net	<u>\$ 218,562,020</u>	<u>\$9,493,033</u>	<u>\$ 7,320,877</u>	<u>\$ 220,734,176</u>

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

Governmental activities

General governmental	\$ 460,896
Public safety	526,313
Public works	5,382,424
Economic environment	1,144,004
Cultural and recreational	245,143
Internal service fund capital assets are charged to various functions based on the usage of the assets	1,574,714
Total depreciation expense - governmental activities	<u>\$ 9,333,494</u>

Business-type activities

Cemetery	\$ 6,565
Water	2,175,932
Wastewater	2,711,232
Storm and surface water	780,696
Solid waste	21,374
Golf	31,684
Parking	99,808
Medic one	170,059
Development services	17,083
Total depreciation expense - business-type activities	<u>\$ 6,014,433</u>

Discretely presented components

Capital asset activity for the year ended December 31, 2011 is summarized as follows:

Bellingham-Whatcom Public Facility District	Beginning balance 1/1/2011	Additions	Reductions	Ending balance 12/31/2011
Capital assets not depreciated:				
Land	\$ 1,329,860	\$ -	\$ -	\$ 1,329,860
Construction in progress	15,014,716	9,738	15,024,454	-
Total capital assets, not being depreciated	16,344,576	9,738	15,024,454	1,329,860
Capital assets being depreciated:				
Buildings	4,069,247	15,025,363	-	19,094,610
Improvements other than buildings	9,070,078	-	-	9,070,078
Total capital assets, being depreciated	13,139,325	15,025,363	-	28,164,688
Less accumulated depreciation for:				
Buildings	2,793,853	187,613	-	2,981,466
Improvements other than buildings	666,997	276,854	-	943,851
Total accumulated depreciation	3,460,850	464,467	-	3,925,317
Total capital assets being depreciated, net	9,678,475	14,560,896	-	24,239,371
Public Facilities District capital assets, net	<u>\$ 26,023,051</u>	<u>\$ 14,570,634</u>	<u>\$ 15,024,454</u>	<u>\$ 25,569,231</u>

Public Development Authority	Beginning balance 1/1/2011	Additions	Reductions	Ending balance 12/31/2011
Capital assets not depreciated:				
Land	\$ 1,300	\$ 1,535,605	\$ -	\$ 1,536,905
Total assets not depreciated	1,300	1,535,605	-	1,536,905
Public Development Authority capital assets, net	<u>\$ 1,300</u>	<u>\$ 1,535,605</u>	<u>\$ -</u>	<u>\$ 1,536,905</u>

III-E Interfund receivables, payables and transfers

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

Due to other funds and due from other funds result from goods issued, work performed, or services rendered to or for the benefit of another fund of the same government when cash is not immediately moved between the funds.

Interfund balances at December 31, 2011

	Interfund loans receivable	Interfund loans payable	Due from other funds	Due to other funds
General	\$ -	\$ 1,706,658	\$ 66,832	\$ 7,619
Greenways III	-	3,232,022	-	6,134
Medic one	-	-	6,834	-
HUD grant fund	-	-	-	66,832
Nonmajor governmental	-	-	7,129	-
Internal service	-	-	-	210
Fiduciary	1,706,658	-	-	-
Permanent	3,232,022	-	-	-
Total government-wide	<u>\$ 4,938,680</u>	<u>\$ 4,938,680</u>	<u>\$ 80,795</u>	<u>\$ 80,795</u>
Less eliminations to government-wide statements				<u>(73,961)</u>
				<u>\$ 6,834</u>

Firefighter's pension fund made a \$2,250,000 loan to the general fund in 2008 for the purpose of buying new fire trucks. There is \$1,706,658 remaining on this loan at year-end, \$1,511,642 will not be repaid in 2012.

Greenways endowment fund made a \$3,232,022 loan to the greenways III fund in 2011 for a land purchase. There is \$3,232,022 remaining on this loan at year-end, \$3,232,022 will not be repaid in 2012.

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, 2011

Transfers In	Transfers Out				Total
	General	Nonmajor governmental	Nonmajor enterprise	Internal service	
General	\$ -	\$ 372,948	\$ 721,286	\$ -	\$ 1,094,234
Water	908,527	-	-	-	908,527
Nonmajor governmental	531,554	1,134,244	-	190,678	1,856,476
Medic one	1,046,735	-	-	-	1,046,735
Nonmajor enterprise	221,480	-	-	-	221,480
Internal service	752,440	-	-	9,000	761,440
Total	<u>\$ 3,460,736</u>	<u>\$ 1,507,192</u>	<u>\$ 721,286</u>	<u>\$ 199,678</u>	<u>\$ 5,888,892</u>

III-F Operating leases

The City leases one office space facility, two storage areas, three radio towers, one off-site data servicing facility, three fiber optic agreements for bandwidth connectivity and 21 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 assets. Total operating lease expenditures for 2011 were \$291,968.

Future minimum lease payments year ending December 31		
2012	\$	232,188
2013		64,796
2014		30,106
2015		18,007
2016		5,854
Total	\$	<u>350,951</u>

2012	\$	232,188
2013		64,796
2014		30,106
2015		18,007
2016		5,854
Total	\$	<u>350,951</u>

III-G Capital construction commitments

As of December 31, 2011, 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		
	Spent to date	Remaining commitment
Parks projects	\$ 5,636,484	\$ 180,541
Street projects	6,507,367	4,053,182
Water projects	4,117,166	925,540
Sewer projects	6,448,894	2,654,130
Storm projects	270,988	49,999
	<u>\$ 22,980,899</u>	<u>\$ 7,863,392</u>

	Spent to date	Remaining commitment
Parks projects	\$ 5,636,484	\$ 180,541
Street projects	6,507,367	4,053,182
Water projects	4,117,166	925,540
Sewer projects	6,448,894	2,654,130
Storm projects	270,988	49,999
	<u>\$ 22,980,899</u>	<u>\$ 7,863,392</u>

III-H Long-term debt***General obligation bonds***

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

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

The City currently has seven outstanding general obligation bond issues and the original amount issued was \$41,105,000. The City issued one new general obligation bond in 2011.

1996 LTGO Roeder refunding bonds were issued May 1, 1996 in the amount of \$4,195,000. These bonds are tax exempt and the proceeds of this issue refunded the 1988 Roeder Avenue and 1992 Police bond issues. The 1988 Roeder Avenue bonds financed a portion of the construction of a connector on Roeder Avenue south to Chestnut Street. The 1992 Police bonds financed part of the cost of constructing new

facilities and renovating existing facilities for the City's police department. The Roeder Avenue portion of this issue was financed from street fund revenues and matured in 2008. The Police portion of the issue is financed from general fund revenues and will mature in 2012.

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

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

2004 LTGO PFD/Civic/Aquatic refunding bonds were issued November 1, 2004 in the amount of \$16,375,000. These bonds are tax-exempt and the proceeds of this bond issue funded three purposes. \$9,370,000 was for the development of a regional center and is financed by the Bellingham-Whatcom Public Facilities District (PFD) with a state sales tax rebate. These issue proceeds were deposited in accordance with the bond ordinance into the public facilities fund. \$6,015,000 was used for improvements to the City-owned civic field complex and is financed with REET funds. These issue proceeds were deposited in accordance with the bond ordinance into the civic field construction fund. \$990,000 was used to refund outstanding callable bonds of the 1994 aquatic facility bond issue that financed the construction of the Arne Hanna Aquatic Center and is also financed with REET funds. These issue proceeds were deposited in accordance with the bond ordinance into the 1994 aquatic facility debt service fund. These bonds are financed by governmental activities and will mature in 2026.

2005 LTGO Solid Waste Series A bonds were issued December 8, 2005 in the amount of \$1,545,000. These bonds are tax-exempt and the proceeds were used for the purpose of providing a portion of the funds for financing the environmental 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 bonds were issued April 27, 2011 in the amount of \$6,480,000. These are term bonds, principal is 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 in such buildings 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.

General obligation bonds currently outstanding					
Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
1996 LTGO Roeder refunding	\$ 4,195,000	05/01/96	12/01/12	4.20 - 5.65%	\$ 325,000
2004 LTGO Sportsplex acquisition	4,315,000	02/05/04	12/01/28	2.00 - 4.625%	3,465,000
2004 LTGO PFD/Civic/Aquatic ref	16,375,000	11/01/04	12/01/26	3.00 - 5.00%	12,310,000
2011 LTGO Qual energy conserv	6,480,000	04/27/11	12/01/25	2.00%	6,480,000
Total governmental activities					22,580,000
Business-type activities					
2002 LTGO Parking refunding	1,045,000	08/08/02	10/01/12	3.74%	130,000
2005 LTGO Solid Waste Series A	1,545,000	12/08/05	12/01/25	4.15 - 5.40%	1,545,000
2005 LTGO Solid Waste Series B	7,150,000	12/08/05	12/01/23	4.15 - 5.40%	5,380,000
Total business-type activities					7,055,000
Total general obligation bonds outstanding					<u>\$ 29,635,000</u>

General obligation bond annual debt service requirements to maturity						
Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
2012	\$ 1,245,000	\$ 1,071,219	\$ 2,316,219	\$ 480,000	\$ 354,762	\$ 834,762
2013	990,000	1,023,950	2,013,950	365,000	331,980	696,980
2014	1,070,000	987,163	2,057,163	385,000	313,073	698,073
2015	1,035,000	948,783	1,983,783	405,000	292,860	697,860
2016	1,130,000	899,095	2,029,095	425,000	271,517	696,517
2017-2021	4,840,000	3,733,201	8,573,201	2,490,000	993,848	3,483,848
2022-2026	11,675,000	2,342,969	14,017,969	2,505,000	284,195	2,789,195
2027-2028	595,000	41,625	636,625	-	-	-
Total	<u>\$ 22,580,000</u>	<u>\$ 11,048,005</u>	<u>\$ 33,628,005</u>	<u>\$ 7,055,000</u>	<u>\$ 2,842,235</u>	<u>\$ 9,897,235</u>

Notes payable

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

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%	\$ 137,529
Total notes payable outstanding					<u>\$ 137,529</u>

Notes payable annual debt service requirements to maturity

Year ending December 31	Governmental activities		
	Principal	Interest	Total requirements
2012	\$ 8,609	\$ 9,354	\$ 17,963
2013	9,231	8,732	17,963
2014	9,899	8,065	17,964
2015	10,614	7,349	17,963
2016	11,382	6,582	17,964
2017-2021	70,505	19,311	89,816
2022	17,289	662	17,951
Total	<u>\$ 137,529</u>	<u>\$ 60,055</u>	<u>\$ 197,584</u>

Government loans

The City has Public Work Trust Fund construction loan agreements with the State Department of Community Development. There are currently three Public Work Trust Fund loans and the original amount of loans entered into in prior years was \$5,593,000. Loans for governmental activity purposes are financed through the street fund and loans for business-type activity purposes are financed through the water and wastewater funds. There were no new loan agreements entered into during 2011.

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

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

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

Government loan debt currently outstanding

Name of issuance	Original loan amount	Issue date	Maturity date	Interest rate	Debt outstanding
Governmental activities					
Street Resurfacing PWTF loan	\$ 2,975,000	07/25/02	07/01/22	0.50%	\$ 1,737,284
Total governmental activities					1,737,284
Business-type activities					
Water Main Repl PWTF loan	1,938,000	07/25/02	07/01/22	0.50%	1,125,117
Middle Fork Div. PWTF loan	680,000	11/30/06	07/01/26	0.50%	536,842
Total business-type activities					1,661,959
Total governmental loans outstanding					<u>\$ 3,399,243</u>

Government loan annual debt service requirements to maturity

Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total requirements	Principal	Interest	Total requirements
2012	157,935	8,686	166,621	138,073	8,310	146,383
2013	157,935	7,897	165,832	138,073	7,619	145,692
2014	157,935	7,107	165,042	138,073	6,929	145,002
2015	157,935	6,317	164,252	138,073	6,239	144,312
2016	157,935	5,528	163,463	138,073	5,548	143,621
2017-2021	789,675	15,794	805,469	690,364	17,386	707,750
2022-2026	157,934	790	158,724	281,230	3,196	284,426
Total	<u>\$ 1,737,284</u>	<u>\$ 52,119</u>	<u>\$ 1,789,403</u>	<u>\$ 1,661,959</u>	<u>\$ 55,227</u>	<u>\$ 1,717,186</u>

Special assessment bonds

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

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

Special assessment bonds currently outstanding

Name of issuance	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
LID 1106 Bakerview Road	\$ 4,357,957	12/30/96	12/30/18	4.10%-6.00%	\$ 120,000
Total special assessment outstanding					<u>\$ 120,000</u>

Special assessment bonds are serial bonds, but are called “yearly based on assessments received.” As of December 31, 2011, the City has called bonds ahead of the estimated schedule of redemption.

Special assessment bond estimated annual debt service requirements to maturity

Year ending December 31	Governmental activities		
	Principal	Interest	Total requirements
2012	\$ -	\$ 7,200	\$ 7,200
2013	-	7,200	7,200
2014	-	7,200	7,200
2015	-	7,200	7,200
2016	120,000	7,200	127,200
Total	<u>\$ 120,000</u>	<u>\$ 36,000</u>	<u>\$ 156,000</u>

Revenue bonds

The City also issued bonds where the government pledged income derived from the acquired or constructed assets to pay debt service. Revenue bonds are created by ordinance, adopted by the City Council and financed from enterprise fund revenues. The City currently has four revenue bonds and the original amount issued was \$70,715,000. The water/sewer revenue bonds are issued to finance capital projects and watershed property acquisitions. There was one new revenue bonds issued in 2011.

2004 Water and Sewer Revenue Improvement and Refunding bonds were issued May 1, 2004 in the amount of \$10,690,000. These bonds are tax exempt and the proceeds of this issue had two purposes. \$4,545,000 was used to pay a portion of projects including the construction of a 2.5 million gallon reservoir with offsite piping, on the lower portion of King Mountain that will serve the south Cordata area, and preliminary engineering for five other transmission mains which include Yew Street, Meridian Street, Academy Road, June Road and 21st Street. \$6,145,000 was used to refund the remaining callable portion of the 1994 Water and Sewer Refunding bonds. The 1994 bonds were used for three purposes, to finance the water chlorination facility; refund outstanding bonds issued in 1979 for the Georgia-Pacific transmission line; refund the outstanding callable bonds for the 1990 bonds issued for the secondary treatment plant. The bonds are financed by business-type activities and will mature in 2024.

2006 Water and Sewer 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.

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 & ref	\$ 10,690,000	05/01/04	08/01/24	2.25%-5.00%	\$ 3,700,000
2006 Water/sewer revenue	11,330,000	06/15/06	08/01/26	2.25%-5.00%	7,970,000
2008 Water/sewer revenue	6,040,000	08/21/08	08/01/18	3.00%-4.25%	4,630,000
2011 Water/sewer revenue	42,655,000	09/27/11	08/01/41	3.00%-4.25%	42,655,000
Total revenue bonds outstanding					<u>\$ 58,955,000</u>

Revenue bond annual debt service requirements to maturity				
Year ending December 31	Business-type activities			Total requirements
	Principal	Interest		
2012	\$ 2,140,000	\$ 2,354,963	\$	4,494,963
2013	1,905,000	2,593,525		4,498,525
2014	1,970,000	2,526,675		4,496,675
2015	2,040,000	2,455,306		4,495,306
2016	2,120,000	2,379,156		4,499,156
2017-2021	7,985,000	10,692,594		18,677,594
2022-2026	6,925,000	9,218,133		16,143,133
2027-2031	8,730,000	7,405,375		16,135,375
2032-2037	11,050,000	5,098,125		16,148,125
2038-2041	14,090,000	2,046,375		16,136,375
Total	<u>\$ 58,955,000</u>	<u>\$ 46,770,227</u>	<u>\$</u>	<u>105,725,227</u>

To service revenue debt, \$4,405,218 is available in the reserve accounts of the water and wastewater enterprise funds as of December 31, 2011 in compliance with applicable bond covenants.

Water and sewer revenue bond covenants require that revenue available for debt service (defined as operating and non-operating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 times the maximum annual debt service (see statistical section). The City complies with bond covenants, maintaining a current ratio coverage of 2.94. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

In propriety funds, unamortized debt issue costs are recorded as deferred charges 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.

Summary of changes in long-term liabilities for the year ending December 31, 2011

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities					
<i>Bonds payable:</i>					
General obligation bonds	\$17,610,000	\$ -	\$ 1,510,000	\$16,100,000	\$ 1,245,000
Less deferred amounts:					
for issuance premiums	297,085	-	19,706	277,379	-
for issuance discounts	(131,885)	-	(12,262)	(119,623)	-
Taxable energy conservation bonds	-	6,480,000	-	6,480,000	-
Less deferred amounts:					
for issuance discounts	-	(50,090)	(3,578)	(46,512)	-
Total general obligation bonds	17,775,200	6,429,910	1,513,866	22,691,244	1,245,000
Special assessment bonds	255,000	-	135,000	120,000	-
with government commitment					
Less deferred amounts:					
for issuance discounts	(42,264)	-	(6,625)	(35,639)	-
Total special assessment bonds	212,736	-	128,375	84,361	-
Total bonds payable	17,987,936	6,429,910	1,642,241	22,775,605	1,245,000
Notes payable	145,558	-	8,029	137,529	8,609
Government loans	1,895,219	-	157,935	1,737,284	157,935
Claims and litigation	3,400,789	383,490	631,279	3,153,000	685,000
Pollution remediation obligation	14,090,221	1,177,336	153,816	15,113,741	912,300
Net pension obligation	414,864	2,749,666	2,563,454	601,076	-
Compensated absences	4,590,688	140,453	37,398	4,693,743	3,742,825
Governmental activities long-term liabilities	\$42,525,275	\$10,880,855	\$ 5,194,152	\$48,211,978	\$ 6,751,669
Business-type activities					
<i>Bonds payable:</i>					
Revenue bonds	\$20,055,000	\$42,655,000	\$ 3,755,000	\$58,955,000	\$ 2,140,000
General obligation bonds	7,510,000	-	455,000	7,055,000	480,000
Less deferred amounts:					
for issuance premiums	134,350	3,563,677	131,808	3,566,219	-
for issuance discounts	(228,662)	(414,589)	(37,155)	(606,096)	-
Total bonds payable	27,470,688	45,804,088	4,304,653	68,970,123	2,620,000
Government loans	1,823,478	-	161,519	1,661,959	138,073
Pollution remediation obligation	6,026,186	175,000	970,843	5,230,343	175,000
Compensated absences	558,503	77,754	30,902	605,355	527,023
Total business-type activities long-term liabilities	\$35,878,855	\$46,056,842	\$ 5,467,917	\$76,467,780	\$ 3,460,096

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 \$29,644 and short-term liabilities of \$205,548 for internal service fund compensated absences are included in the above amounts. Also for the governmental activities, compensated absences are generally liquidated by the general fund.

The government-wide statement of net assets includes \$2,620,000 of long-term liabilities due within one year for business-type activities in bonds payable, net of unamortized premium/discount. The remaining amount of \$138,073 is displayed as other long-term liabilities in that section.

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

Discretely presented component 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 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	Issue date	Maturity date	Interest rates	Debt outstanding
2007 Limited sales tax obligation	12/20/07	12/01/27	4.00%-4.20%	\$ 9,995,000
Total bonds outstanding				<u>\$ 9,995,000</u>

Limited sales tax annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2012	\$ -	\$ 409,173	\$ 409,173
2013	-	409,173	409,173
2014	-	409,173	409,173
2015	-	409,173	409,173
2016	-	409,173	409,173
2017-2021	2,400,000	1,939,662	4,339,662
2022-2026	5,535,000	1,159,360	6,694,360
2027	2,060,000	86,520	2,146,520
Total	<u>\$ 9,995,000</u>	<u>\$ 5,231,407</u>	<u>\$ 15,226,407</u>

The PFD entered into an agreement with the City of Bellingham to borrow funds from the City's 2004 LTGO PFD/Civic Field/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 has a term of 10 years and payments are interest only for the first five years. In 2010 the PFD made an unscheduled \$1,000,000 principal payment. The loan matures in 2018.

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	11/01/04	12/01/26	3.00%-5.00%	\$ 8,205,000
2008 City of Bellingham loan	2,800,000	12/31/08	12/31/18	4.23%	1,800,000
Total bonds outstanding					<u>\$ 10,005,000</u>

Intergovernmental loan annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2012	\$ 265,000	\$ 407,025	\$ 672,025
2013	290,000	398,744	688,744
2014	669,643	387,869	1,057,512
2015	709,746	371,246	1,080,992
2016	754,924	348,317	1,103,241
2017-2021	3,350,687	1,364,147	4,714,834
2022-2026	3,965,000	623,400	4,588,400
Total	<u>\$ 10,005,000</u>	<u>\$ 3,900,748</u>	<u>\$ 13,905,748</u>

Summary of long-term debt changes for the year ending December 31, 2011

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	(34,835)	-	(2,049)	(32,786)	-
Total bonds payable	9,960,165	-	(2,049)	9,962,214	-
Notes payable	10,245,000	-	240,000	10,005,000	265,000
Total long-term liabilities	<u>\$ 20,205,165</u>	<u>\$ -</u>	<u>\$ 237,951</u>	<u>\$ 19,967,214</u>	<u>\$ 265,000</u>

Bellingham Public Development Authority

Summary of long-term debt changes for the year ending December 31, 2011

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Compensated absences	5,555	-	484	5,071	5,071
Total long-term liabilities	<u>\$ 5,555</u>	<u>\$ -</u>	<u>\$ 484</u>	<u>\$ 5,071</u>	<u>\$ 5,071</u>

III-I Segment information

The City's one non-major enterprise fund that meets the criteria established for segment information is the parking fund. The parking system operates parking facilities throughout the City. The covenants of the 2002 LTGO parking system refunding bond pledge the revenues of the parking system to pay the principal and interest on the bond.

Condensed statement of net assets

Assets:

Current assets	\$ 2,085,332
Restricted assets	33,794
Capital assets	<u>3,642,748</u>

Total assets	<u><u>5,761,874</u></u>
--------------	-------------------------

Liabilities:

Current	299,968
Noncurrent	<u>4,800</u>

Total liabilities	<u><u>304,768</u></u>
-------------------	-----------------------

Net assets:

Net investments in capital assets	3,512,747
Restricted	33,716
Unrestricted	<u>1,910,643</u>

Total net assets	<u><u>\$ 5,457,106</u></u>
------------------	----------------------------

Condensed statement of revenues, expenses and changes in net assets

Operating revenues (pledged against bond)	\$ 2,178,221
Depreciation expense	(99,808)
Other operating expenses	<u>(1,361,938)</u>
Operating income	716,475

Nonoperating revenues (expenses):

Investment earnings	16,407
Interest expense	(8,368)
Other nonoperating revenues (expenses)	50,466
Transfers out	(721,286)
Extraordinary item - land contribution	<u>(1,535,605)</u>

Change in net assets	(1,481,911)
----------------------	-------------

Beginning net assets	<u>6,366,954</u>
----------------------	------------------

Prior period adjustments	<u>572,063</u>
--------------------------	----------------

Ending net assets	<u><u>\$ 5,457,106</u></u>
-------------------	----------------------------

Condensed statement of cash flows

Net cash provided (used) by:

Operating activities	\$ 1,019,007
Noncapital financing activities	(698,286)
Capital and related financing activities	(134,537)
Investing activities	<u>(267,466)</u>
Net increase (decrease)	(81,282)

Beginning cash and cash equivalents	<u>307,137</u>
-------------------------------------	----------------

Ending cash and cash equivalents	<u><u>\$ 225,855</u></u>
----------------------------------	--------------------------

NOTE IV. OTHER INFORMATION**IV-A Risk management**

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

The claims, litigation and property loss fund is the source for payment of third party claims and judgments, excess liability insurance premiums and property insurance premiums. Currently the City maintains commercial property insurance for fire and other hazards including limited earthquake and flood coverage on City properties having an estimated total replacement value of \$182 million in 2011 and \$189 million in 2012. The current policy includes a \$50 thousand deductible with a loss limit per occurrence of \$200 million (except for earthquake and flood). The City carries a \$0 deductible liability policy to cover emergency medical services, with a limit of \$1 million. During the current and preceding two years, no City property losses exceeded the City's insurance coverage. In 2008, a City fire station experienced a fire, resulting in a loss which was adjusted under the property policy. During the current and preceding two years, no other property losses exceeded the deductible.

Departments of the City contribute premiums based on claims history, department size and other factors. The level of contributions is established to pay prior and current year claims and to provide a reserve for future losses, including catastrophic losses. For 2011, department contributions, judgments and settlements flowing into the fund totaled \$1,099,785. For this same year, the City purchased excess liability insurance with a retained self-insurance limit of \$1 million and \$10 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. There is a sub-limit for earthquake and flood of \$15 million.

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

The City has recorded in its financial statements all other material liabilities, including an estimate for all known claims liabilities. 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, probable and possible losses for the past two years				
Claims and litigation	Current year claims			Ending liability
	Beginning liability	and changes in estimates	Actual claims payments	
2009-2010	\$ 1,109,803	\$ 1,639,679	\$ 48,693	\$ 2,700,789
2010-2011	\$ 2,700,789	\$ 66,854	\$ 139,643	\$ 2,628,000

Claims and litigation	Current year claims			Ending liability
	Beginning liability	and changes in estimates	Actual claims payments	
2009-2010	\$ 1,109,803	\$ 1,639,679	\$ 48,693	\$ 2,700,789
2010-2011	\$ 2,700,789	\$ 66,854	\$ 139,643	\$ 2,628,000

The City complies with GASB Statement 10, Accounting and Reporting for Risk Financing and Related Insurance Issues.

The unemployment compensation fund was established to reimburse the State of Washington Employment Security Department on a quarterly basis, for claims paid by them to former employees. State statutes mandate that most employers pay a tax or contribution to support the unemployment insurance system. City department contributions for 2011 totaled \$151,185. In 2011, the City paid \$167,300 in unemployment claims and \$26,174 in administrative costs. At December 31, 2011, the total estimated liability is \$350,000 and \$514,486 is available. All discrete component unit employees are covered under this self insurance and 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. Currently, the City uses Eberle Vivian, Inc. for these services. Claims are administered within the guidelines established by the State of Washington. The workers' compensation program has reinsurance with a \$500,000 per occurrence deductible.

Premiums are assessed to City departments based upon the number of hours worked by covered employees. Rates are revised annually to generate revenues sufficient to cover anticipated expenditures and provide a reserve for incurred but unreported future expenses. City department contributions for 2011 totaled \$547,194. The department contribution rates are based on an internal formula derived from Washington State standard rates. In 2011, the City paid \$324,336 in worker's compensation claims and \$208,740 in administrative and reinsurance costs. At December 31, 2011, the total estimated liability is \$175,000 and \$976,499 is available. All discrete component unit employees are covered under this self insurance and 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 for the past two years

Fund	Beginning liability	2011 claims and changes in estimates	Actual claims payments	Ending liability
Unemployment compensation				
2009-2010	\$450,000	\$239,665	\$239,665	\$450,000
2010-2011	450,000	(107,700)	167,300	175,000
Workers' compensation				
2009-2010	437,198	30,948	218,146	250,000
2010-2011	\$250,000	\$424,336	\$324,336	\$350,000

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. Dental insurance benefits for non-uniformed employees are provided through the Association of Washington City's Employee Benefits Trust. The self-insured vision plan for non-uniformed employees is administered through an independent Third Party Administrator. For

uniformed employees dental and vision insurance, the City provides funding to the employees' unions who purchase this insurance on behalf of the employees.

City departments pay monthly premiums to the health benefits fund to cover premiums paid to third parties, administrative overhead and other obligations. City department contributions for 2011 totaled \$9,714,790 for the medical program, \$1,205,023 for the dental program, and \$79,147 for the vision program. Employee contributions for 2011 totaled \$711,923 for medical, \$159 for dental, and \$729 for vision. The City and employees paid a total of \$11,711,771 to the fund and spent \$11,234,297 on insurance and health care and \$428,677 on administrative costs. At December 31, 2011, \$1,820,979 is available for all purposes. All discrete component unit employees are covered under the City's health plan with the exception of the PDA director who is covered by a separate, non-city, contract with the Association of Washington Cities.

IV-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 garbage contractor. The solid waste fund's projected cash flow indicates sufficient net revenue to repay the estimated principal and interest costs over a twenty-year period.

New Whatcom Waterfront Development project - In 2004, the City entered into an Interlocal Agreement with the Port of Bellingham to redevelop 137 acres of heavy industrial property located in the center of the City's downtown waterfront. The 20-year vision is to create a new city neighborhood with homes, shops, offices and light industry, as well as parks and promenades, a healthy shoreline habitat along Bellingham Bay, and a new marina. The City has agreed to provide 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 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 – The Campaign for the Arts (CFA) has committed to raising \$4,000,000 for PFD projects. 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.

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

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, 2011, the outstanding balance of these loans are \$24,598, and the resultant contingent liability is \$22,138.

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.

IV-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 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.

Pollution remediation obligations

Site	Governmental activities	Business-type activities
S. State St Man. Gas Plant (FKA Boulevard Park)	\$ 8,920,841	\$ -
Cornwall Ave Landfill Site	-	3,574,869
RG Haley Site	6,192,900	-
Eldridge Municipal Landfill	-	175,000
Central Waterfront	-	1,480,474
Total	\$ 15,113,741	\$ 5,230,343

South State Street Manufactured Gas Plant site (FKA 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 \$8,920,841.

Cornwall Ave Landfill site - Remediation is required to cleanup contamination from the use of this site as a landfill for garbage. In 2005, the City and the Port of Bellingham entered into an agreement to cleanup this site with an original cost estimate of \$3 million plus Ecology oversight costs. The City has funded its share of that original estimate. These original estimates have been subsequently updated and cleanup costs are now expected to double to a total of around \$6 million. The City's portion, including the updated additional costs, is expected to be \$3,574,869.

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. Studies done in the course of the sale of this property to the City estimate cleanup costs at \$5 million. It is estimated that an additional \$500,000 will be required to complete a remedial investigation/feasibility study. The City's current estimated share of the total remediation is \$6,192,900.

Eldridge Avenue Municipal Landfill – Remediation is required to cleanup contamination from the use of this site as a landfill for garbage. An interim action was performed in 2011. This action resulted in a cleanup of most of the contamination. The current cost estimate for completion of the remaining remediation is \$175,000.

Central Waterfront – Remediation is required to cleanup contamination from the use of this area as a landfill for garbage. In 2005, the City and the Port of Bellingham entered into an agreement to cleanup this site for an estimated \$6,926,804. The City's current estimated remediation liability is \$1,480,474.

IV-D Interlocal agreements

Whatcom Medic One

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

In November 2005, Whatcom County voters approved a ballot proposition authorizing the County to collect 1/10th of one percent sales tax for the purposes of supporting countywide emergency medical and law enforcement services. 1/3rd of this new tax remains with the 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 2011, Whatcom County contributed \$1,404,360 to Whatcom Medic One operations and the City contributed \$1,046,735. Beginning in 2007, the EMS sales tax is being used to fund the unfunded portion of Whatcom Medic One's budget. In 2011, the EMS sales tax funded \$1,865,190 of Whatcom Medic One's operations.

Consistent with interlocal agreement language related to terminating the City/County contract for ambulance services, in 2010 Whatcom County advised the City of its intent to opt out of contract renewal. Without a new agreement, on January 1, 2014 Whatcom Medic One will no longer be contracted to provide countywide ambulance service. The co-owned Whatcom Medic One inventory and assets will be equally divided between Whatcom County and the City though a process yet to be identified.

What-Comm/Prospect Communications Center

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

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

The City operates and manages the communications centers under advisement of an administrative board composed of eight voting members and one nonvoting member. The voting members consist of three members from the County, three from the City, one representing County fire districts and one elected official to be selected by the other members. The City of Bellingham Fire Chief serves as the nonvoting member. The Administrative board has the authority to establish broad policy guidelines and for establishing the annual financial contributions to be made by the member jurisdictions. In 2011, the City contributed \$1,793,614 to the public safety dispatch fund as its share of operations, approximately 39% of total revenues.

IV-E Employee retirement systems and pension plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution 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 GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 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:

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.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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 exercise 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 PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest –paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also 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 payable to the age of 60. The allowance 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. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance 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 the survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the

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 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

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. (AFC is the monthly average of the 60 consecutive highest paid service months.)

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.

- With a benefit that is reduced by 3 percent for each year before age 65.

- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on Consumer Price Index) capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf*, *Operation Iraqi Freedom*.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest paid service months.)

Effective June 7, 2006, 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 prior to 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 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, 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.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

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 benefits are actuarially reduced for each year that a 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 Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

A one-time-duty-related benefit is provided to the estate (or duly designated nominee) of a PERS member who dies in the line of service 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 said member's covered employment, if found eligible by the Department of Labor and Industries.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to participate in the Judicial Benefit Multiplier Program (JBM) enacted in 2006. Justices and judges in PERS Plan 1 and 2 were able to make a one-time 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 average compensation.

Members who chose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75 percent of AFC, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA); and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in the JRA, if

applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had previously opted into PERS membership, were required to participate in the JBM Program. Members required to be in the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and beneficiaries receiving benefits	76,899
Terminated plan members entitled to but not yet receiving benefits	28,860
Active plan members vested	105,521
Active plan members non-vested	51,005
Total	<u>262,285</u>

Funding policy:

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and 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. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Director of the Department of Retirement Systems sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. 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, 2011, are as follows:

Members not participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	7.25%**	7.25%**	7.25%***
Employee	6.00%****	4.64%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 10.80% for Plan 1 and 7.25% for Plan 2 and Plan 3.

***Plan 3 defined benefit portion only.

****The employee rate for state elected officials is 7.5% for Plan 1 and 4.64% 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:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer-State Agency*	9.75%	9.75%	9.75%**
Employer-Local Government*	7.25%	7.25%	7.25%**
Employee-State Agency	9.76%	9.10%	7.5%***
Employee-Local Government	12.26%	11.60%	7.5%***

* The employer rates include the employer administrative expense fee currently set at 0.16%.

**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:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2011	\$ 97,037	\$ 1,169,344	\$ 468,314
2010	98,917	1,049,439	373,597
2009	\$ 169,547	\$ 1,360,454	\$ 469,801

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

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. Membership in the system includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. 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.

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 for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit 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. LEOFF retirement benefit provisions are established in Chapter 41.26 RCW and may be amended only by the State Legislature.

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:

<u>Term of service</u>	<u>Percent of final average salary</u>
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 ten 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 allowances 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 estate (or duly designated nominee) of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability allowance 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 allowance or service retirement allowance.

LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's allowance.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of 2 percent of the FAS per year of service. (FAS is based on the highest consecutive 60 months.) Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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 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 required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year the member's age is less than 53, unless the disability is duty-related, and to reflect the choice of a survivor option. 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 catastrophic 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 severely disabled in the line of duty and incapable of future substantial gainful employment in any capacity.

Effective June 2011, 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 allowance 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.

LEOFF Plan 2 members who apply for retirement may purchase up to five years of additional service credit. The cost of this credit is the actuarial equivalent of the resulting increase in the member's benefit.

LEOFF Plan 2 members can purchase credit for military service that interrupts employment. Additionally, LEOFF Plan 2 members who become totally incapacitated for continued employment while serving in the uniformed services may apply for interruptive military service credit. Should any such member die during this active duty, the member's surviving spouse or eligible child(ren) may purchase service credit on behalf of the deceased member.

LEOFF Plan 2 members may also purchase up to 24 consecutive months of service credit for each period of temporary duty disability.

Beneficiaries of a LEOFF Plan 2 member who is killed in the course of employment receive retirement benefits without actuarial reduction, if found eligible by the Director of 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 on-going health care insurance premiums paid to the Washington State Health Care Authority.

A one-time duty-related death benefit is provided to the estate (or duly designated nominee) of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, if found eligible by the Department of Labor and Industries.

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, 2010:

Retirees and Beneficiaries Receiving Benefits	9,647
Terminated Plan Members Entitled to but not yet Receiving Benefits	782
Active Plan Members Vested	13,420
Active Plan Members Non-vested	<u>3,656</u>
Total	<u><u>27,505</u></u>

Funding policy:

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the state General Fund to supplement the current service liability and fund the prior service costs of LEOFF Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2011, are as follows:

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
Employer*	0.16%	5.24%**
Employee	0.00%	8.46%
State	N/A	3.38%

*The employer rates include the employer administrative expense fee currently set at 0.16%.

**The employer rate for ports and universities is 8.62%.

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

	<u>LEOFF Plan 1</u>	<u>LEOFF Plan 2</u>
2011	\$ 1,029	\$ 1,148,899
2010	1,332	1,140,020
2009	\$ 1,694	\$ 1,131,723

Firefighters' and Police Officers' Pension Funds

Plan description:

The City is also 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 retirement system was established.

Firefighter plan membership as of December 31, 2011, consisted of 54 retirees and beneficiaries of which 47 were receiving benefits.

Police officer plan membership as of December 31, 2011, consisted of 31 retirees and beneficiaries of which 22 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 members 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 members 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 excess benefits over LEOFF for covered 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 system and the benefits available under the old law. Where benefits under the old law exceed those under LEOFF, the excess benefits are paid by the pension fund of the City employing them on March 1, 1970.

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 III-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 have 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 2011 consist of \$270,038 of City levied property tax, \$86,133 investment earnings, \$100,00 from general fund, and \$126,552 of state fire insurance premium tax.

The police officers' pension plan employer contributions for 2011 consist of \$32,242 investment earnings, \$56,723 from General Fund, and \$16,708 of unclaimed property auction proceeds.

Funding status and progress:

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, 2010. 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, the benefit is adjusted after retirement in proportion to the change in the Consumer Price Index (CPI). Most adjustments are based on the change in salary for the rank the members held at retirement. The salaries are based on salary and benefits surveys collected by the Association of Washington Cities (AWC) for an upper-level police officer and firefighter. The CPI figures are for Urban Wage Earners and Clerical Workers, Seattle-Everett, Washington, which is the basis of LEOFF increases. The amortization period is "30 year closed" beginning January 1, 1997. As of December 31, 2011 there are 15 years remaining.

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. The amortization period used for unfunded obligations is 18 years.

The following assumptions are used in the most current study:

- 5.5% investment return on present and future assets
- 5.0% per year salary inflation compounded annually
- CPI increase of 3.0% per year for LEOFF benefits and 4.0% for City benefits

As of the last valuation date, December 31, 2010, the firefighters' pension plan is 82.8% funded and the police officers' pension plan is 165.0% funded.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)		
	Firefighters' 12/21/11	Police Officers' 12/31/11
Annual required contribution (ARC)	\$ 100,391	\$ (109,816)
Interest on net pension obligation (NPO)	(244,941)	(152,446)
Actuarial adjustment to ARC	<u>375,358</u>	<u>233,615</u>
Annual pension cost (APC)	230,808	(28,647)
Employer contributions	<u>(496,590)</u>	<u>(73,432)</u>
Increase / (decrease) in net pension obligation	(265,782)	(102,079)
Net pension obligation (asset) at beginning of year	<u>(4,453,471)</u>	<u>(2,771,754)</u>
Net pension obligation (asset) at end of year	<u>\$ (4,719,253)</u>	<u>\$ (2,873,833)</u>

Three-year pension trend information					
	Year ending	Annual pension cost (APC)	Employer contributions	Contribution as a % of APC	Net pension obligation (NPO)
Firefighters'	12/31/09	\$ 302,884	\$ 1,028,402	339.5%	\$ (4,155,056)
	12/31/10	330,258	628,673	190.4%	(4,453,471)
	12/31/11	230,808	496,590	215.2%	(4,719,253)
Police Officers'	12/31/09	(22,200)	17,559	**	(2,605,880)
	12/31/10	(15,129)	150,745	**	(2,771,754)
	12/31/11	\$ (28,647)	\$ 73,432	**	\$ (2,873,833)

** Annual pension cost is less than zero.

The 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.

IV-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 IV-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, 2011, there are 130 LEOFF I employees and former employees of the City who have established membership after June 8, 1961 and before October 1, 1977. Of these 130 employees, 75 firefighters' and 49 police officers' currently meet the retirement eligibility requirements.

Benefit obligations:

The City's obligation under the plans consists of paying retired LEOFF 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 III-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 the health 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 2011 consisted of \$1,620,177 of City levied property tax, \$120,772 of employer general fund contribution, and \$19,833 of investment earnings.

The police officers' medical and long-term care health plans' contributions for 2011 consisted of \$822,505 of employer general fund contribution and \$20,820 of investment earnings.

Member benefits and expenses:

In 2011, the City purchased group insurance from Association of Washington Cities (AWC) to provide comprehensive medical coverage for LEOFF I retirees under the age of 65 and supplemental medical

coverage for LEOFF I retirees over the age of 65. The City reimburses Medicare Part B premiums for eligible LEOFF I retirees over the age of 65.

The fixed AWC insurance premiums paid in 2011 were \$1,417 per month for retirees not enrolled in Medicare and \$903 per month for retirees enrolled in Medicare. The Medicare Part B insurance premiums paid in 2011 were \$111 per month.

OPEB medical and long-term care benefit and expenses paid in 2011

	Firefighters'	Police Officers'
Medical	\$ 1,079,717	\$ 775,476
Long-term care	270,090	91,881
Administrative expenses	49,005	47,029
Total	<u>\$ 1,398,812</u>	<u>\$ 914,386</u>

Funding status and progress:

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, 2010. 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 26 years.

The following assumptions are used in the most current study:

- 5.5% investment return on present and future assets
- 5.0% long-term care expense inflation

As of the last valuation date, December 31, 2010 the firefighters' OPEB long-term care plan is 7.2% funded and the police officers' OPEB long-term care plan is 12.2% funded.

Annual OPEB cost (AOC) and net OPEB obligation

	Firefighters' 12/31/11	Police Officers' 12/31/11
Annual required contribution (ARC)	\$ 1,656,188	\$ 1,099,976
Interest on net OPEB obligation	23,689	(871)
Actuarial adjustment to ARC	<u>(30,435)</u>	<u>1,119</u>
Annual OPEB cost (AOC)	1,649,442	1,100,224
Employer contributions	<u>(1,740,949)</u>	<u>(822,505)</u>
Increase / (decrease) in net OPEB obligation	(91,507)	277,719
Net OPEB obligation (asset) at beginning of year	<u>430,700</u>	<u>(15,836)</u>
Net OPEB obligation (asset) at end of year	<u>\$ 339,193</u>	<u>\$ 261,883</u>

Three-year OPEB trend information

	<u>Year ending</u>	<u>Annual OPEB (AOC)</u>	<u>Employer contributions</u>	<u>Contribution as a % of AOC</u>	<u>Net OPEB obligation</u>
Firefighters'	12/31/09	\$ 1,396,421	\$ 1,059,211	75.9%	\$ 617,333
	12/31/10	1,391,243	1,577,876	113.4%	430,700
	12/31/11	1,649,442	1,740,949	105.5%	339,193
Police Officers'	12/31/09	920,043	852,957	92.7%	(242,770)
	12/31/10	919,443	692,509	75.3%	(15,836)
	12/31/11	\$ 1,100,224	\$ 822,505	74.8%	\$ 261,883

The 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.

The statement of net assets and the statement of changes in plan net assets 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, 2011

	<u>Pension</u>	<u>Medical Care</u>	<u>LT Care</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 573,584	\$ -	\$ 278,052	\$ 851,636
Investments:				
Governments securities	3,320,107	-	1,678,886	4,998,993
Employer receivable	58,964	-	4,329	63,293
Interfund loans receivable	1,706,658	-	-	1,706,658
Total assets	<u>5,659,313</u>	<u>-</u>	<u>1,961,267</u>	<u>7,620,580</u>
LIABILITIES				
Accounts payable	277	-	-	277
Accrued pension benefits	47,103	-	-	47,103
Other liabilities	50,403	-	-	50,403
Total liabilities	<u>97,783</u>	<u>-</u>	<u>-</u>	<u>97,783</u>
NET POSITION				
Held in trust for employees' pension & OPEB benefits	<u>5,561,530</u>	<u>-</u>	<u>1,961,267</u>	<u>\$7,522,797</u>

Statement of Changes in Plan Net Position
Firefighters' Pension & OPEB
December 31, 2011

ADDITIONS	<u>Pension</u>	<u>Medical Care</u>	<u>LT Care</u>	<u>Total</u>
Contributions:				
Taxes	\$ 396,590	\$ 1,128,721	\$ 491,456	\$ 2,016,767
Auction proceeds	-	-	-	-
Employer contributions	<u>100,000</u>	<u>-</u>	<u>120,772</u>	<u>220,772</u>
Total trust contributions	<u>496,590</u>	<u>1,128,721</u>	<u>612,228</u>	<u>2,237,539</u>
Investment income:				
Interest	79,916	-	16,611	96,527
Net incr (decr) in fair value of investments	<u>6,217</u>	<u>-</u>	<u>3,222</u>	<u>9,439</u>
Net investment income	<u>86,133</u>	<u>-</u>	<u>19,833</u>	<u>105,966</u>
Total additions	<u>582,723</u>	<u>1,128,721</u>	<u>632,061</u>	<u>2,343,505</u>
DEDUCTIONS				
Benefits	574,735	1,079,717	270,090	1,924,542
Administration expense	<u>1,553</u>	<u>49,004</u>	<u>-</u>	<u>50,557</u>
Total deductions	<u>576,288</u>	<u>1,128,721</u>	<u>270,090</u>	<u>1,975,099</u>
CHANGE IN NET ASSETS				
Pension benefits	6,435	-	-	6,435
Long-term care benefits	<u>-</u>	<u>-</u>	<u>361,971</u>	<u>361,971</u>
Net position pension & OPEB benefits, Jan. 1, 2011	<u>5,440,953</u>	<u>-</u>	<u>1,713,438</u>	<u>7,154,391</u>
Net position pension & OPEB benefits, Dec. 31, 2011	<u><u>\$ 5,447,388</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,075,409</u></u>	<u><u>\$ 7,522,797</u></u>

Statement of Net Position
Police Officer's Pension & OPEB
December 31, 2011

	<u>Pension</u>	<u>Medical Care</u>	<u>LT Care</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 450,698	\$ -	\$ 286,135	\$ 736,833
Investments:				
Governments securities	2,643,333	-	1,681,775	4,325,108
Receivables, net	<u>6,816</u>	<u>-</u>	<u>4,337</u>	<u>11,153</u>
Total assets	<u>3,100,847</u>	<u>-</u>	<u>1,972,247</u>	<u>5,073,094</u>
LIABILITIES				
Accounts payable	74	-	-	74
Accrued pension benefits	<u>12,110</u>	<u>-</u>	<u>-</u>	<u>12,110</u>
Total liabilities	<u>12,184</u>	<u>-</u>	<u>-</u>	<u>12,184</u>
NET POSITION				
Held in trust for employees' pension & OPEB benefits	<u><u>3,088,663</u></u>	<u><u>-</u></u>	<u><u>1,972,247</u></u>	<u><u>5,060,910</u></u>

Statement of Changes in Plan Net Assets
Police Officers' Pension & OPEB
December 31, 2011

	<u>Pension</u>	<u>Medical Care</u>	<u>LT Care</u>	<u>Totals</u>
ADDITIONS				
Contributions:				
Auction proceeds	\$ 16,709	\$ -	\$ -	\$ 16,709
Employer contributions	<u>56,723</u>	<u>822,505</u>	<u>-</u>	<u>879,228</u>
Total trust contributions	<u>73,432</u>	<u>822,505</u>	<u>-</u>	<u>895,937</u>
Investment income:				
Interest	27,522	-	17,847	45,369
Net increase in fair value of investments	<u>4,720</u>	<u>-</u>	<u>2,972</u>	<u>7,692</u>
Net investment income	<u>32,242</u>	<u>-</u>	<u>20,819</u>	<u>53,061</u>
Total additions	<u>105,674</u>	<u>822,505</u>	<u>20,819</u>	<u>948,998</u>
DEDUCTIONS				
Benefits	147,089	775,477	91,881	1,014,447
Administration expense	<u>4,144</u>	<u>47,028</u>	<u>-</u>	<u>51,172</u>
Total deductions	<u>151,233</u>	<u>822,505</u>	<u>91,881</u>	<u>1,065,619</u>
NET INCREASE				
Pension benefits	(45,559)	-	-	(45,559)
Long-term care benefits	<u>-</u>	<u>-</u>	<u>(71,062)</u>	<u>(71,062)</u>
Net assets pension & OPEB benefits, Jan. 1, 2011	<u>3,134,222</u>	<u>-</u>	<u>2,043,309</u>	<u>5,177,531</u>
Net assets pension & OPEB benefits, Dec. 31, 2011	<u>\$ 3,088,663</u>	<u>\$ -</u>	<u>\$ 1,972,247</u>	<u>\$ 5,060,910</u>

IV-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 \$20,000,000 over nine years to provide funds for continuing acquisition, improvement and maintenance of current and future open space, greenways, parks, athletic fields, recreation facilities, trails and wetlands. The City created two funds to account for this levy. The first was the beyond greenways fund with 90% of the levy property tax receipts to be used for acquisition and development/improvement of property. The second was the beyond greenways endowment fund with 10% of the levy property tax receipts 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 directly credited to the general fund or transferred when needed. It helps pay for parks and recreations department maintenance of properties acquired and developed with beyond greenways funds.

As of December 31, 2011, a total of \$3,848,802 in property taxes and donations has been receipted into the endowment fund. Interest in the amount of \$91,091 remains unspent.

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

According to the terms of the agreement, the corpus (or original lump revenue) cannot be expended for fifty (50) years. Only the interest earned by that corpus or any other outside revenues received (such as donations) may be expended for (a) or (b) as defined above. As of December 31, 2011, interest in the amount of \$532,585 remains unspent.

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

IV-H Restricted net assets

The government-wide statement of net assets reports \$115,732,184 of restricted net assets, of which \$18,965,845 is restricted by enabling legislation.

IV-I Closed funds

Fund 124, the technology replacement and reserve fund was closed (because it did not meet the revised GASB 54 Special Revenue fund definition) out to fund 530, the technology and telecommunications fund.

Fund 133, the olympic restoration fund was closed out to fund 702, the natural resource protection and restoration fund.

Fund 214, the 2001 UTGO fire bonds matured on December 1, 2011 and were paid off in full on that date. The fund was subsequently closed.

IV-J Prior period adjustments and change in accounting methods

The City has implemented GASB 54 in the current year. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. In addition, GASB 54 more clearly defines the requirements necessary for creating special revenue funds.

The City has early implemented the portion of GASB 63 that changes the term “Net Assets” to “Net Position”, following GASB Concepts Statement No. 4 net position should be displayed in three components that are similar to the current requirements for net assets:

- *Net Investment in Capital Assets.* Capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings and deferred inflows of resources attributable to the acquisition, construction, or improvement of the capital assets.
- *Restricted.* Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- *Unrestricted.* The net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the determination of net investment in capital assets or the restricted portion of net position.

Beginning in 2011 the City is reporting in the general fund, activities that in prior years were reported in the street fund. These activities, previously reported in the street fund, include traffic control, street construction, and street maintenance as well as engineering, IT, and GIS support activities that were supplied (and billed out to) to non-street activities like water, sewer, storm water, and parks.

Both funds 561 unemployment compensation and 562 worker’s compensation self insurance reported prior period adjustments of \$450,000 and \$250,000 respectively to account for estimated claims liabilities that previously had been accounted for as a reserve in fund balance. With the implementation of GASB 54 and GASB 63 it became apparent that reporting a liability was a more proper way of accounting for estimated claims.

Fund 465 parking services reported a \$572,063 prior period adjustment to account for outstanding parking tickets that had previously not been tracked in the accounting system.

Fund 124 technology replacement reported a prior period adjustment in the amount of \$1.3 million to close the special revenue fund out to fund 540 Telecommunications and Technology as it became apparent via GASB 54 that these funds did not qualify as special revenue.

Fund 125 federal building reported a prior period adjustment in the amount of \$578,790 to close a portion out to fund 530 Facilities administration as it became apparent that there were activities in this fund that did not qualify for special revenue according to GASB 54.

Fund 440 solid waste reported a prior period adjustment in the amount of \$5 million to remove the portion of the GASB 45 remediation costs that were more appropriately a governmental fund liability. These prior period adjustments show in the government-wide statements.

Fund 001 general fund reported a total prior period adjustment in the amount of \$592,188. \$724,070 to remove a liability that had been booked in previous years relating to US DOE loan default funds that should have been booked as an expense. (\$131,882) to reverse a street activity over-booked grant accrual from previous years.

IV-K Extraordinary items

In 2011 the Parking fund made a contribution of land valued at \$1,535,605 to the City of Bellingham Public Development Authority to facilitate development on and around that property.

IV-L Subsequent events

On March 29, 2012, the City closed bond two bond refinancings. Exceptionally low interest rates created the opportunity for the City to realize significant savings on future interest expenses.

The City issued \$3,275,000 of water and sewer revenue refunding bonds to refund the non-refunding portion of the City's 2004 water and sewer revenue improvement and refunding bonds. The 2004 bonds would have matured in 2024. The 2012 bonds will mature in 2024.

The City also issued \$14,370,000 of limited tax general obligation refunding bonds to refund portions of the City's 2004 LTGO sportsplex, civic field, and PFD bonds. The 2004 bonds would have matured in 2026 and 2028. The 2012 bonds will mature in 2028.

REQUIRED SUPPLEMENTARY INFORMATION

Actuarial valuations for the following pension and 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, 2010 and the next scheduled valuation date is December 31, 2012.

Schedule of funding progress for pension funds

	Valuation date	Actuarial value of assets	Actuarial liabilities entry age	Unfunded actuarial liabilities (UAL)	Funded ratio
Firefighters'	12/31/2006	\$ 3,512,000	\$ 8,204,000	\$ 4,692,000	42.8%
	12/31/2008	4,762,000	7,385,000	2,623,000	64.5%
	12/31/2010	5,441,000	6,570,000	1,129,000	82.8%
Police Officers'	12/31/2006	2,684,000	2,142,000	(542,000)	125.3%
	12/31/2008	3,216,000	2,205,000	(1,011,000)	145.9%
	12/31/2010	\$ 3,134,000	\$ 1,899,000	\$ (1,235,000)	165.0%

The schedule of funding progress is updated every two years. The next scheduled update is in 2012.

Schedule of employer contributions for pension funds

	Year ending	Annual required contribution	Employer contributions	Percentage contributed
Firefighters'	12/31/2006	\$ 395,775	\$ 744,634	188.1%
	12/31/2007	372,881	891,820	239.2%
	12/31/2008	372,881	1,158,121	310.6%
	12/31/2009	219,490	1,028,401	468.5%
	12/31/2010	219,490	628,673	286.4%
	12/31/2011	100,391	496,590	494.7%
Police Officers'	12/31/2006	100,937	1,416,813	1403.7%
	12/31/2007	(43,044)	447,709	**
	12/31/2008	(43,044)	64,815	**
	12/31/2009	(84,599)	17,559	**
	12/31/2010	(84,599)	150,745	**
	12/31/2011	\$ (109,816)	\$ 73,432	**

** The annual required contribution is less than zero.

Schedule of funding progress for OPEB long-term care

	Valuation date	Actuarial value of assets	Actuarial liabilities entry age	Unfunded actuarial liabilities (UAL)	Funded ratio
Firefighters'	12/31/2006	\$ 1,228,000	\$ 21,255,000	\$ 20,027,000	5.8%
	12/31/2008	1,480,000	20,939,000	19,459,000	7.1%
	12/31/2010	1,713,000	23,929,000	22,216,000	7.2%
Police Officers'	12/31/2006	1,298,000	15,500,000	14,202,000	8.4%
	12/31/2008	2,008,000	14,738,000	12,730,000	13.6%
	12/31/2010	\$ 2,043,000	\$ 16,798,000	\$ 14,755,000	12.2%

The schedule of funding progress is updated every two years. The next scheduled update is in 2012.

Schedule of employer contributions for OPEB long-term care

	Year ending	Annual required contribution	Employer contributions	Percentage contributed
Firefighters'	12/31/2007	\$ 1,306,122	\$ 1,025,822	78.5%
	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%
Police Officers'	12/31/2007	926,221	760,982	82.2%
	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%



CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2011

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,328,400	\$ 161,067	\$ 501,979	\$ 2,991,446
Investments	13,357,769	929,713	2,946,549	17,234,031
Receivables, net	23,664	67,978	10,301	101,943
Due from other funds	7,128	-	-	7,128
Due from other governments	12,155	-	-	12,155
Due from component units	-	8,205,000	1,800,000	10,005,000
Interfund loans receivable	-	-	3,232,022	3,232,022
Prepaid items	28,986	-	-	28,986
Special assessments - deferred	-	701,479	-	701,479
Total assets	<u>15,758,102</u>	<u>10,065,237</u>	<u>8,490,851</u>	<u>34,314,190</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	312,156	302	-	312,458
Accrued wages and benefits	159,134	-	-	159,134
Other liabilities	121,600	-	3,947	125,547
Deferred revenue	4	701,478	10,301	711,783
Total liabilities	<u>592,894</u>	<u>701,780</u>	<u>14,248</u>	<u>1,308,922</u>
FUND BALANCES				
Nonspendable	28,986	-	7,848,802	7,877,788
Restricted	15,136,222	9,363,457	627,801	25,127,480
Total fund balances	<u>15,165,208</u>	<u>9,363,457</u>	<u>8,476,603</u>	<u>33,005,268</u>
Total liabilities and fund balances	<u>\$ 15,758,102</u>	<u>\$ 10,065,237</u>	<u>\$ 8,490,851</u>	<u>\$ 34,314,190</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2011

	Special Revenue Funds	Debt Service Funds	Permanent Funds	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 5,156,829	\$ 258,226	\$ 390,355	\$ 5,805,410
Intergovernmental revenue	3,666,140	184	-	3,666,324
Charges for services	2,503,995	35,328	-	2,539,323
Investment income	173,060	399,254	113,531	685,845
Miscellaneous revenues	268,332	519,141	-	787,473
Total revenues	<u>11,768,356</u>	<u>1,212,133</u>	<u>503,886</u>	<u>13,484,375</u>
EXPENDITURES				
Current:				
General government services	22,443	-	-	22,443
Public safety	4,417,752	-	-	4,417,752
Physical environment	638,313	-	27,484	665,797
Cultural and recreation	1,147,560	-	4,967	1,152,527
Debt service:				
Redemption of general long-term debt	-	1,810,964	-	1,810,964
Interest and other debt service cost	-	813,675	-	813,675
Capital outlay	3,802,028	-	-	3,802,028
Total expenditures	<u>10,028,096</u>	<u>2,624,639</u>	<u>32,451</u>	<u>12,685,186</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>1,740,260</u>	<u>(1,412,506)</u>	<u>471,435</u>	<u>799,189</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	439,524	1,415,734	1,217	1,856,475
Transfers out	(1,364,244)	-	(142,948)	(1,507,192)
Total other financing sources (uses)	<u>(924,720)</u>	<u>1,415,734</u>	<u>(141,731)</u>	<u>349,283</u>
Net change in fund balances	815,540	3,228	329,704	1,148,472
Fund balances - beginning	16,211,443	9,360,229	8,146,899	33,718,571
Prior period adjustments	(1,861,775)	-	-	(1,861,775)
Fund balances - ending	<u>\$ 15,165,208</u>	<u>\$ 9,363,457</u>	<u>\$ 8,476,603</u>	<u>\$ 33,005,268</u>



SPECIAL REVENUE FUNDS**113 – Paths & Trails Reserve**

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

123 – Park Site Acquisition

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

125 – Federal Building

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

126 – Library Gift

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

131 – Olympic Pipeline Incident

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

132 – Squalicum Park/Olympic

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

133 – Olympic Restoration

Created for the purpose of accounting for funds to complete restoration projects on Whatcom Creek pursuant to the Olympic Pipeline Whatcom Creek Restoration Plan. Established by Ordinance 2005-10-083. Proceeds placed in this fund have been disbursed and the fund was closed in 2011.

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.

136 – Environmental Remediation

Created to account for revenues and expenses related to environmental remediation of toxic waste that is not related to landfills. Established by Ordinance 2011-02-029.

141 – First ¼% Real Estate Excise Tax

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

142 – Second ¼% Real Estate Excise Tax

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

151 – Police Federal Equitable Sharing

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

152 – Asset Forfeiture/Drug Enforcement

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

153 – Criminal Justice

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

160 – Public Safety Dispatch

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

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 will be used to maintain and build transportation infrastructure and to pay for Sunday bus service in Bellingham.

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.

177 – Park Impact Fee

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

178 – Sportsplex

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

180 – Tourism

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

City of Bellingham
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2011

Page 1 of 2

	Paths and Trails Reserve	Park Site Acquisition	Federal Building	Library Gift	Olympic Pipeline Incident	Squalicum Park/Olympic	Olympic Restoration	Olympic- Whatcom Falls Park Addition	Little Squalicum Oeser Settlement	Environmental Remediation	First 1/4% Real Estate Excise
ASSETS											
Cash and cash equivalents	\$ 1,301	\$ 43,254	\$ 77,537	\$ 52,749	\$ 96,525	\$ 6,229	\$ -	\$ 38,272	\$ 3,133	\$ 63,369	\$ 388,304
Investments	7,637	253,898	455,133	-	566,588	36,566	-	224,649	18,390	371,965	2,279,292
Receivables, net	-	-	-	-	-	-	-	-	-	17,329	-
Due from other funds	-	-	210	-	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>8,938</u>	<u>297,152</u>	<u>532,880</u>	<u>52,749</u>	<u>663,113</u>	<u>42,795</u>	<u>-</u>	<u>262,921</u>	<u>21,523</u>	<u>452,663</u>	<u>2,667,596</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	-	-	210	1,100	325	959	-	-	6,016	5,488	66,988
Accrued wages and benefits	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>210</u>	<u>1,100</u>	<u>325</u>	<u>959</u>	<u>-</u>	<u>-</u>	<u>6,016</u>	<u>5,488</u>	<u>66,988</u>
FUND BALANCES											
Non-spendable	-	-	-	-	-	-	-	-	-	-	-
Restricted	<u>8,938</u>	<u>297,152</u>	<u>532,670</u>	<u>51,649</u>	<u>662,788</u>	<u>41,836</u>	<u>-</u>	<u>262,921</u>	<u>15,507</u>	<u>447,175</u>	<u>2,600,608</u>
Total fund balances	<u>8,938</u>	<u>297,152</u>	<u>532,670</u>	<u>51,649</u>	<u>662,788</u>	<u>41,836</u>	<u>-</u>	<u>262,921</u>	<u>15,507</u>	<u>447,175</u>	<u>2,600,608</u>
Total liabilities and fund balances	<u>\$ 8,938</u>	<u>\$ 297,152</u>	<u>\$ 532,880</u>	<u>\$ 52,749</u>	<u>\$ 663,113</u>	<u>\$ 42,795</u>	<u>\$ -</u>	<u>\$ 262,921</u>	<u>\$ 21,523</u>	<u>\$ 452,663</u>	<u>\$ 2,667,596</u>

City of Bellingham
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2011

Page 2 of 2

	Second 1/4% Real Estate Excise	Police Federal Equitable	Asset Forfeit/Drug Enforcement	Criminal Justice	Public Safety Dispatch	Transportation Benefit District	Beyond Greenway Levy	Park Impact Fees	Sportsplex	Tourism	Nonmajor Special Revenue Funds
ASSETS											
Cash and cash equivalents	\$ 346,308	\$ 68,253	\$ 12,330	\$ 102,156	\$ 325,405	\$ 142,305	\$ 188,231	\$ 293,520	\$ 23,391	\$ 55,828	\$ 2,328,400
Investments	2,032,778	400,637	72,375	599,647	1,910,085	835,310	1,104,895	1,722,920	137,304	327,700	13,357,769
Receivables, net	-	-	-	-	6,331	-	4	-	-	-	23,664
Due from other funds	-	-	-	-	784	-	6,134	-	-	-	7,128
Due from other governments	9,978	2,177	-	-	-	-	-	-	-	-	12,155
Prepaid items	-	-	-	-	-	28,986	-	-	-	-	28,986
Total assets	<u>2,389,064</u>	<u>471,067</u>	<u>84,705</u>	<u>701,803</u>	<u>2,242,605</u>	<u>1,006,601</u>	<u>1,299,264</u>	<u>2,016,440</u>	<u>160,695</u>	<u>383,528</u>	<u>\$ 15,758,102</u>
LIABILITIES AND FUND BALANCES											
LIABILITIES											
Accounts payable	8,151	2,761	3,949	6,455	10,915	60,975	43,827	5,150	-	88,887	312,156
Accrued wages and benefits	-	-	-	-	158,427	-	-	-	-	707	159,134
Other liabilities	-	-	-	-	-	-	-	-	121,600	-	121,600
Deferred revenue	-	-	-	-	-	-	4	-	-	-	4
Total liabilities	<u>8,151</u>	<u>2,761</u>	<u>3,949</u>	<u>6,455</u>	<u>169,342</u>	<u>60,975</u>	<u>43,831</u>	<u>5,150</u>	<u>121,600</u>	<u>89,594</u>	<u>592,894</u>
FUND BALANCES											
Non-spendable	-	-	-	-	-	28,986	-	-	-	-	28,986
Restricted	2,380,913	468,306	80,756	695,348	2,073,263	916,640	1,255,433	2,011,290	39,095	293,934	15,136,222
Total fund balances	<u>2,380,913</u>	<u>468,306</u>	<u>80,756</u>	<u>695,348</u>	<u>2,073,263</u>	<u>945,626</u>	<u>1,255,433</u>	<u>2,011,290</u>	<u>39,095</u>	<u>293,934</u>	<u>15,165,208</u>
Total liabilities and fund balances	<u>\$ 2,389,064</u>	<u>\$ 471,067</u>	<u>\$ 84,705</u>	<u>\$ 701,803</u>	<u>\$ 2,242,605</u>	<u>\$ 1,006,601</u>	<u>\$ 1,299,264</u>	<u>\$ 2,016,440</u>	<u>\$ 160,695</u>	<u>\$ 383,528</u>	<u>\$ 15,758,102</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

Page 1 of 2

	Paths and Trails Reserve	Park Site Acquisition	Technology Replacement	Federal Building	Library Gift	Olympic Pipeline Incident	Squalicum Park/Olympic	Olympic Restoration	Olympic- Whatcom Falls Park Addition	Little Squalicum Oeser Settlement	Environmental Remediation	First 1/4% Real Estate Excise
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 864,550
Intergovernmental revenue	8,427	-	-	-	510	-	-	-	-	-	10,971	-
Charges for services	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	438	3,360	-	5,801	-	7,653	760	91	2,962	411	2,700	38,864
Miscellaneous revenues	-	-	-	-	71,171	-	-	-	-	-	110,755	40
Total revenues	<u>8,865</u>	<u>3,360</u>	<u>-</u>	<u>5,801</u>	<u>71,681</u>	<u>7,653</u>	<u>760</u>	<u>91</u>	<u>2,962</u>	<u>411</u>	<u>124,426</u>	<u>903,454</u>
EXPENDITURES												
Current:												
General government services	-	-	-	-	-	-	-	-	-	-	-	14,000
Public safety	-	-	-	-	-	-	-	-	-	-	-	-
Physical environment	-	-	-	55,794	-	35,672	-	23,676	-	-	-	-
Cultural and recreation	-	-	-	-	77,751	-	-	-	-	32,816	116,775	34,520
Capital outlay	<u>64,350</u>	<u>3,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,544,600</u>
Total expenditures	<u>64,350</u>	<u>3,860</u>	<u>-</u>	<u>55,794</u>	<u>77,751</u>	<u>35,672</u>	<u>39,939</u>	<u>23,676</u>	<u>-</u>	<u>32,816</u>	<u>116,775</u>	<u>1,593,120</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(55,485)</u>	<u>(500)</u>	<u>-</u>	<u>(49,993)</u>	<u>(6,070)</u>	<u>(28,019)</u>	<u>(39,179)</u>	<u>(23,585)</u>	<u>2,962</u>	<u>(32,405)</u>	<u>7,651</u>	<u>(689,666)</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	-	-	-	-	439,524	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,217)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(439,524)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,217)</u>	<u>-</u>	<u>-</u>	<u>439,524</u>	<u>(439,524)</u>
Net change in fund balances	<u>(55,485)</u>	<u>(500)</u>	<u>-</u>	<u>(49,993)</u>	<u>(6,070)</u>	<u>(28,019)</u>	<u>(39,179)</u>	<u>(24,802)</u>	<u>2,962</u>	<u>(32,405)</u>	<u>447,175</u>	<u>(1,129,190)</u>
Fund balance - beginning	64,423	297,652	1,282,985	1,161,453	57,719	690,807	81,015	24,802	259,959	47,912	-	3,729,798
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(1,282,985)</u>	<u>(578,790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 8,938</u>	<u>\$ 297,152</u>	<u>\$ -</u>	<u>\$ 532,670</u>	<u>\$ 51,649</u>	<u>\$ 662,788</u>	<u>\$ 41,836</u>	<u>\$ -</u>	<u>\$ 262,921</u>	<u>\$ 15,507</u>	<u>\$ 447,175</u>	<u>\$ 2,600,608</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

Page 2 of 2

	Second 1/4% Real Estate Excise	Police Federal Equitable	Asset Forfeit/Drug Enforcement	Criminal Justice	Public Safety Dispatch	Transportation Benefit District	Beyond Greenway Levy	Park Impact Fees	Sportsplex	Tourism	Total Nonmajor Special Revenue Funds
REVENUES											
Taxes	\$ 864,550	\$ -	\$ -	\$ -	\$ -	\$ 2,454,454	\$ 118	\$ -	\$ -	\$ 973,157	\$ 5,156,829
Intergovernmental revenue	579,419	21,769	-	269,913	2,775,131	-	-	-	-	-	3,666,140
Charges for services	-	-	-	-	1,793,873	-	-	710,122	-	-	2,503,995
Investment income	27,123	6,015	901	8,070	19,191	4,235	14,511	24,573	1,807	3,594	173,060
Miscellaneous revenues	-	-	85,936	-	31	-	-	-	399	-	268,332
Total revenues	<u>1,471,092</u>	<u>27,784</u>	<u>86,837</u>	<u>277,983</u>	<u>4,588,226</u>	<u>2,458,689</u>	<u>14,629</u>	<u>734,695</u>	<u>2,206</u>	<u>976,751</u>	<u>11,768,356</u>
EXPENDITURES											
Current:											
General government services	8,443	-	-	-	-	-	-	-	-	-	22,443
Public safety	-	107,836	41,171	108,091	4,160,654	-	-	-	-	-	4,417,752
Physical environment	700	-	-	-	-	522,471	-	-	-	-	638,313
Cultural and recreation	15,418	-	-	-	-	-	21,730	5,196	-	843,354	1,147,560
Capital outlay	88,150	27,776	-	-	75,360	990,592	86,826	880,575	-	-	3,802,028
Total expenditures	<u>112,711</u>	<u>135,612</u>	<u>41,171</u>	<u>108,091</u>	<u>4,236,014</u>	<u>1,513,063</u>	<u>108,556</u>	<u>885,771</u>	<u>-</u>	<u>843,354</u>	<u>10,028,096</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,358,381</u>	<u>(107,828)</u>	<u>45,666</u>	<u>169,892</u>	<u>352,212</u>	<u>945,626</u>	<u>(93,927)</u>	<u>(151,076)</u>	<u>2,206</u>	<u>133,397</u>	<u>1,740,260</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	-	-	-	-	-	-	-	-	439,524
Transfers out	(693,503)	-	-	(140,000)	-	-	-	-	-	(90,000)	(1,364,244)
Total other financing sources (uses)	<u>(693,503)</u>	<u>-</u>	<u>-</u>	<u>(140,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>	<u>(924,720)</u>
Net change in fund balances	664,878	(107,828)	45,666	29,892	352,212	945,626	(93,927)	(151,076)	2,206	43,397	815,540
Fund balance - beginning	1,716,035	576,134	35,090	665,456	1,721,051	-	1,349,360	2,162,366	36,889	250,537	16,211,443
Prior period adjustment	-	-	-	-	-	-	-	-	-	-	(1,861,775)
Fund balance - ending	<u>\$ 2,380,913</u>	<u>\$ 468,306</u>	<u>\$ 80,756</u>	<u>\$ 695,348</u>	<u>\$ 2,073,263</u>	<u>\$ 945,626</u>	<u>\$ 1,255,433</u>	<u>\$ 2,011,290</u>	<u>\$ 39,095</u>	<u>\$ 293,934</u>	<u>\$ 15,165,208</u>

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

Page 1 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 7,750	\$ 7,750	\$ 8,427	\$ 677
Investment income	434	434	438	4
Total revenues	<u>8,184</u>	<u>8,184</u>	<u>8,865</u>	<u>681</u>
EXPENDITURES				
Capital outlay	-	64,370	64,350	20
Total expenditures	<u>-</u>	<u>64,370</u>	<u>64,350</u>	<u>20</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>8,184</u>	<u>(56,186)</u>	<u>(55,485)</u>	<u>701</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>8,184</u>	<u>(56,186)</u>	<u>(55,485)</u>	<u>701</u>
Fund balance - beginning	<u>64,183</u>	<u>64,371</u>	<u>64,423</u>	<u>52</u>
Fund balance - ending	<u>\$ 72,367</u>	<u>\$ 8,185</u>	<u>\$ 8,938</u>	<u>\$ 753</u>

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

Page 2 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 3,046	\$ 3,046	\$ 3,360	\$ 314
Total revenues	<u>3,046</u>	<u>3,046</u>	<u>3,360</u>	<u>314</u>
EXPENDITURES				
Capital outlay	-	220,240	3,860	216,380
Total expenditures	<u>-</u>	<u>220,240</u>	<u>3,860</u>	<u>216,380</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>3,046</u>	<u>(217,194)</u>	<u>(500)</u>	<u>216,694</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>3,046</u>	<u>(217,194)</u>	<u>(500)</u>	<u>216,694</u>
Fund balance - beginning	<u>33,507</u>	<u>297,413</u>	<u>297,652</u>	<u>239</u>
Fund balance - ending	<u>\$ 36,553</u>	<u>\$ 80,219</u>	<u>\$ 297,152</u>	<u>\$ 216,933</u>

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

Page 3 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Investment income	\$ 26,946	\$ 26,946	\$ -	\$ (26,946)
Total revenues	<u>26,946</u>	<u>26,946</u>	<u>-</u>	<u>(26,946)</u>
EXPENDITURES				
Current:				
General government services	65,651	65,651	-	65,651
Capital outlay	<u>293,020</u>	<u>379,791</u>	<u>-</u>	<u>379,791</u>
Total expenditures	<u>358,671</u>	<u>445,442</u>	<u>-</u>	<u>445,442</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(331,725)</u>	<u>(418,496)</u>	<u>-</u>	<u>418,496</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	-	(225,000)
Transfers out	<u>-</u>	<u>(1,400,000)</u>	<u>-</u>	<u>1,400,000</u>
Total other financing sources (uses)	<u>225,000</u>	<u>(1,175,000)</u>	<u>-</u>	<u>1,175,000</u>
Net change in fund balances	<u>(106,725)</u>	<u>(1,593,496)</u>	<u>-</u>	<u>1,593,496</u>
Fund balance - beginning	1,350,000	1,281,882	1,282,985	1,103
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(1,282,985)</u>	<u>(1,282,985)</u>
Fund balance - ending	<u>\$ 1,243,275</u>	<u>\$ (311,614)</u>	<u>\$ -</u>	<u>\$ 311,614</u>

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

Page 4 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Investment income	\$ 12,096	\$ 12,096	\$ 5,801	\$ (6,295)
Total revenues	<u>12,096</u>	<u>12,096</u>	<u>5,801</u>	<u>(6,295)</u>
EXPENDITURES				
Current:				
General government services	675,000	715,170	-	715,170
Physical environment	-	287,632	55,794	231,838
Culture and recreation	<u>45,000</u>	<u>76,363</u>	<u>-</u>	<u>76,363</u>
Total expenditures	<u>720,000</u>	<u>1,079,165</u>	<u>55,794</u>	<u>1,023,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(707,904)</u>	<u>(1,067,069)</u>	<u>(49,993)</u>	<u>1,017,076</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	465,000	465,000	-	(465,000)
Transfers out	<u>-</u>	<u>(1,164,351)</u>	<u>-</u>	<u>1,164,351</u>
Total other financing sources (uses)	<u>465,000</u>	<u>(699,351)</u>	<u>-</u>	<u>699,351</u>
Net change in fund balances	<u>(242,904)</u>	<u>(1,766,420)</u>	<u>(49,993)</u>	<u>1,716,427</u>
Fund balance - beginning	<u>645,654</u>	<u>1,160,431</u>	<u>1,161,453</u>	<u>1,022</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(578,790)</u>	<u>(578,790)</u>
Fund balance - ending	<u>\$ 402,750</u>	<u>\$ (605,989)</u>	<u>\$ 532,670</u>	<u>\$ 1,138,659</u>

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

Page 5 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 510	\$ 510
Miscellaneous revenues	15,000	68,524	71,171	2,647
Total revenues	<u>15,000</u>	<u>68,524</u>	<u>71,681</u>	<u>3,157</u>
EXPENDITURES				
Current:				
Culture and recreation	15,000	87,124	77,751	9,373
Total expenditures	<u>15,000</u>	<u>87,124</u>	<u>77,751</u>	<u>9,373</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>-</u>	<u>(18,600)</u>	<u>(6,070)</u>	<u>12,530</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(18,600)</u>	<u>(6,070)</u>	<u>12,530</u>
Fund balance - beginning	<u>40,000</u>	<u>57,670</u>	<u>57,719</u>	<u>49</u>
Fund balance - ending	<u>\$ 40,000</u>	<u>\$ 39,070</u>	<u>\$ 51,649</u>	<u>\$ 12,579</u>

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

Page 6 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 8,792	\$ 8,792	\$ 7,653	\$ (1,139)
Total revenues	<u>8,792</u>	<u>8,792</u>	<u>7,653</u>	<u>(1,139)</u>
EXPENDITURES				
Current:				
Physical environment	<u>5,347</u>	<u>656,768</u>	<u>35,672</u>	<u>621,096</u>
Total expenditures	<u>5,347</u>	<u>656,768</u>	<u>35,672</u>	<u>621,096</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>3,445</u>	<u>(647,976)</u>	<u>(28,019)</u>	<u>619,957</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>3,445</u>	<u>(647,976)</u>	<u>(28,019)</u>	<u>619,957</u>
Fund balance - beginning	<u>41,441</u>	<u>690,252</u>	<u>690,807</u>	<u>555</u>
Fund balance - ending	<u>\$ 44,886</u>	<u>\$ 42,276</u>	<u>\$ 662,788</u>	<u>\$ 620,512</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Squalicum Park/Olympic Fund
For the Year Ended December 31, 2011

Page 7 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ -	\$ -	\$ 760	\$ 760
Total revenues	<u>-</u>	<u>-</u>	<u>760</u>	<u>760</u>
EXPENDITURES				
Capital outlay	-	66,566	39,939	26,627
Total expenditures	<u>-</u>	<u>66,566</u>	<u>39,939</u>	<u>26,627</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>-</u>	<u>(66,566)</u>	<u>(39,179)</u>	<u>27,387</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(66,566)</u>	<u>(39,179)</u>	<u>27,387</u>
Fund balance - beginning	<u>12,558</u>	<u>80,950</u>	<u>81,015</u>	<u>65</u>
Fund balance - ending	<u>\$ 12,558</u>	<u>\$ 14,384</u>	<u>\$ 41,836</u>	<u>\$ 27,452</u>

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

Page 8 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ -	\$ -	\$ 91	\$ 91
Total revenues	<u>-</u>	<u>-</u>	<u>91</u>	<u>91</u>
EXPENDITURES				
Current:				
Physical environment	-	24,075	23,676	399
Total expenditures	<u>-</u>	<u>24,075</u>	<u>23,676</u>	<u>399</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>-</u>	<u>(24,075)</u>	<u>(23,585)</u>	<u>490</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(1,217)	(1,217)	-
Total other financing sources (uses)	<u>-</u>	<u>(1,217)</u>	<u>(1,217)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(25,292)</u>	<u>(24,802)</u>	<u>490</u>
Fund balance - beginning	<u>902</u>	<u>24,782</u>	<u>24,802</u>	<u>20</u>
Fund balance - ending	<u>\$ 902</u>	<u>\$ (510)</u>	<u>\$ -</u>	<u>\$ 510</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Olympic - Whatcom Falls Park Addition Fund
For the Year Ended December 31, 2011

Page 9 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 2,282	\$ 2,282	\$ 2,962	\$ 680
Total revenues	<u>2,282</u>	<u>2,282</u>	<u>2,962</u>	<u>680</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,282</u>	<u>2,282</u>	<u>2,962</u>	<u>680</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>2,282</u>	<u>2,282</u>	<u>2,962</u>	<u>680</u>
Fund balance - beginning	<u>258,347</u>	<u>259,751</u>	<u>259,959</u>	<u>208</u>
Fund balance - ending	<u>\$ 260,629</u>	<u>\$ 262,033</u>	<u>\$ 262,921</u>	<u>\$ 888</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Little Squalicum Oeser Settlement Fund
For the Year Ended December 31, 2011

Page 10 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 3,948	\$ 3,948	\$ 411	\$ (3,537)
Total revenues	<u>3,948</u>	<u>3,948</u>	<u>411</u>	<u>(3,537)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>2,023</u>	<u>50,984</u>	<u>32,816</u>	<u>18,168</u>
Total expenditures	<u>2,023</u>	<u>50,984</u>	<u>32,816</u>	<u>18,168</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>1,925</u>	<u>(47,036)</u>	<u>(32,405)</u>	<u>14,631</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,925</u>	<u>(47,036)</u>	<u>(32,405)</u>	<u>14,631</u>
Fund balance - beginning	<u>48,836</u>	<u>47,868</u>	<u>47,912</u>	<u>44</u>
Fund balance - ending	<u>\$ 50,761</u>	<u>\$ 832</u>	<u>\$ 15,507</u>	<u>\$ 14,675</u>

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

Page 11 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 10,971	\$ 10,971
Investment income	-	-	2,700	2,700
Miscellaneous revenues	-	-	110,755	110,755
Total revenues	-	-	124,426	124,426
EXPENDITURES				
Current:				
Culture and recreation	-	439,524	116,775	322,749
Total expenditures	-	439,524	116,775	322,749
Excess (deficiency) of revenues				
over (under) expenditures	-	(439,524)	7,651	447,175
OTHER FINANCING SOURCES (USES)				
Transfers in	-	439,524	439,524	-
Total other financing sources (uses)	-	439,524	439,524	-
Net change in fund balances	-	-	447,175	447,175
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ 447,175	\$ 447,175

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
First 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2011

Page 12 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 864,550	\$ (35,450)
Investment income	32,513	32,513	38,864	6,351
Miscellaneous revenues	-	-	40	40
Total revenues	<u>932,513</u>	<u>932,513</u>	<u>903,454</u>	<u>(29,059)</u>
EXPENDITURES				
Current:				
General government services	9,453	13,034	14,000	(966)
Culture and recreation	77,000	77,000	34,520	42,480
Capital outlay	<u>1,000,000</u>	<u>3,218,919</u>	<u>1,544,600</u>	<u>1,674,319</u>
Total expenditures	<u>1,086,453</u>	<u>3,308,953</u>	<u>1,593,120</u>	<u>1,715,833</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(153,940)</u>	<u>(2,376,440)</u>	<u>(689,666)</u>	<u>1,686,774</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(439,524)	(439,524)	-
Total other financing sources (uses)	<u>-</u>	<u>(439,524)</u>	<u>(439,524)</u>	<u>-</u>
Net change in fund balances	<u>(153,940)</u>	<u>(2,815,964)</u>	<u>(1,129,190)</u>	<u>1,686,774</u>
Fund balance - beginning	<u>1,120,391</u>	<u>3,726,795</u>	<u>3,729,798</u>	<u>3,003</u>
Fund balance - ending	<u>\$ 966,451</u>	<u>\$ 910,831</u>	<u>\$ 2,600,608</u>	<u>\$ 1,689,777</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Second 1/4% Real Estate Excise Tax Fund
For the Year Ended December 31, 2011

Page 13 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 864,550	\$ (35,450)
Intergovernmental revenue	-	2,511,166	579,419	(1,931,747)
Investment income	27,581	27,581	27,123	(458)
Total revenues	<u>927,581</u>	<u>3,438,747</u>	<u>1,471,092</u>	<u>(1,967,655)</u>
EXPENDITURES				
Current:				
General government services	8,443	8,443	8,443	-
Physical environment	-	3,250	700	2,550
Culture and recreation	25,000	42,030	15,418	26,612
Capital outlay	100,000	3,287,937	88,150	3,199,787
Total expenditures	<u>133,443</u>	<u>3,341,660</u>	<u>112,711</u>	<u>3,228,949</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>794,138</u>	<u>97,087</u>	<u>1,358,381</u>	<u>1,261,294</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(693,552)	(693,552)	(693,503)	49
Total other financing sources (uses)	<u>(693,552)</u>	<u>(693,552)</u>	<u>(693,503)</u>	<u>49</u>
Net change in fund balances	100,586	(596,465)	664,878	1,261,343
Fund balance - beginning	1,256,138	1,714,658	1,716,035	1,377
Fund balance - ending	<u>\$ 1,356,724</u>	<u>\$ 1,118,193</u>	<u>\$ 2,380,913</u>	<u>\$ 1,262,720</u>

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

Page 14 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 13,480	\$ 13,480	\$ 21,769	\$ 8,289
Investment income	2,326	2,326	6,015	3,689
Total revenues	<u>15,806</u>	<u>15,806</u>	<u>27,784</u>	<u>11,978</u>
EXPENDITURES				
Current:				
Public safety	57,719	138,804	107,836	30,968
Capital outlay	<u>36,000</u>	<u>36,000</u>	<u>27,776</u>	<u>8,224</u>
Total expenditures	<u>93,719</u>	<u>174,804</u>	<u>135,612</u>	<u>39,192</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(77,913)</u>	<u>(158,998)</u>	<u>(107,828)</u>	<u>51,170</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(77,913)</u>	<u>(158,998)</u>	<u>(107,828)</u>	<u>51,170</u>
Fund balance - beginning	<u>530,949</u>	<u>575,669</u>	<u>576,134</u>	<u>465</u>
Fund balance - ending	<u>\$ 453,036</u>	<u>\$ 416,671</u>	<u>\$ 468,306</u>	<u>\$ 51,635</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Asset Forfeiture/Drug Enforcement Fund
For the Year Ended December 31, 2011

Page 15 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 2,455	\$ 2,455	\$ 901	\$ (1,554)
Miscellaneous revenues	<u>35,000</u>	<u>35,000</u>	<u>85,936</u>	<u>50,936</u>
Total revenues	<u>37,455</u>	<u>37,455</u>	<u>86,837</u>	<u>49,382</u>
EXPENDITURES				
Current:				
Public safety	<u>71,834</u>	<u>71,834</u>	<u>41,171</u>	<u>30,663</u>
Total expenditures	<u>71,834</u>	<u>71,834</u>	<u>41,171</u>	<u>30,663</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(34,379)</u>	<u>(34,379)</u>	<u>45,666</u>	<u>80,045</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(34,379)</u>	<u>(34,379)</u>	<u>45,666</u>	<u>80,045</u>
Fund balance - beginning	<u>47,106</u>	<u>35,061</u>	<u>35,090</u>	<u>29</u>
Fund balance - ending	<u>\$ 12,727</u>	<u>\$ 682</u>	<u>\$ 80,756</u>	<u>\$ 80,074</u>

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

Page 16 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 257,229	\$ 257,229	\$ 269,913	\$ 12,684
Investment income	5,784	5,784	8,070	2,286
Total revenues	<u>263,013</u>	<u>263,013</u>	<u>277,983</u>	<u>14,970</u>
EXPENDITURES				
Current:				
Public safety	<u>113,752</u>	<u>172,952</u>	<u>108,091</u>	<u>64,861</u>
Total expenditures	<u>113,752</u>	<u>172,952</u>	<u>108,091</u>	<u>64,861</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>149,261</u>	<u>90,061</u>	<u>169,892</u>	<u>79,831</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(140,000)</u>	<u>(140,000)</u>	<u>(140,000)</u>	<u>-</u>
Net change in fund balances	9,261	(49,939)	29,892	79,831
Fund balance - beginning	<u>645,463</u>	<u>664,918</u>	<u>665,456</u>	<u>538</u>
Fund balance - ending	<u>\$ 654,724</u>	<u>\$ 614,979</u>	<u>\$ 695,348</u>	<u>\$ 80,369</u>

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

Page 17 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Intergovernmental revenue	\$ 2,324,911	\$ 2,324,911	\$ 2,775,131	\$ 450,220
Charges for services	1,822,670	1,822,670	1,793,873	(28,797)
Investment income	19,971	19,971	19,191	(780)
Miscellaneous revenues	-	-	31	31
Total revenues	<u>4,167,552</u>	<u>4,167,552</u>	<u>4,588,226</u>	<u>420,674</u>
EXPENDITURES				
Current:				
Public safety	4,292,835	4,339,200	4,160,654	178,546
Capital outlay	<u>23,000</u>	<u>80,152</u>	<u>75,360</u>	<u>4,792</u>
Total expenditures	<u>4,315,835</u>	<u>4,419,352</u>	<u>4,236,014</u>	<u>183,338</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(148,283)</u>	<u>(251,800)</u>	<u>352,212</u>	<u>604,012</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(148,283)</u>	<u>(251,800)</u>	<u>352,212</u>	<u>604,012</u>
Fund balance - beginning	<u>1,490,736</u>	<u>1,700,033</u>	<u>1,721,051</u>	<u>21,018</u>
Fund balance - ending	<u>\$ 1,342,453</u>	<u>\$ 1,448,233</u>	<u>\$ 2,073,263</u>	<u>\$ 625,030</u>

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

Page 18 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes	\$ -	\$ 2,100,000	\$ 2,454,454	\$ 354,454
Investment income	-	-	4,235	4,235
Total revenues	<u>-</u>	<u>2,100,000</u>	<u>2,458,689</u>	<u>358,689</u>
EXPENDITURES				
Current:				
Physical environment	-	596,750	522,471	74,279
Capital outlay	-	1,200,000	990,592	209,408
Total expenditures	<u>-</u>	<u>1,796,750</u>	<u>1,513,063</u>	<u>283,687</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>-</u>	<u>303,250</u>	<u>945,626</u>	<u>642,376</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>303,250</u>	<u>945,626</u>	<u>642,376</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ 303,250</u>	<u>\$ 945,626</u>	<u>\$ 642,376</u>

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

Page 19 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 118	\$ 118
Intergovernmental revenue	-	49,800	-	(49,800)
Investment income	24,492	24,492	14,511	(9,981)
Total revenues	<u>24,492</u>	<u>74,292</u>	<u>14,629</u>	<u>(59,663)</u>
EXPENDITURES				
Current:				
Culture and recreation	48,516	57,169	21,730	35,439
Capital outlay	50,717	720,028	86,826	633,202
Total expenditures	<u>99,233</u>	<u>777,197</u>	<u>108,556</u>	<u>668,641</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(74,741)</u>	<u>(702,905)</u>	<u>(93,927)</u>	<u>608,978</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(74,741)</u>	<u>(702,905)</u>	<u>(93,927)</u>	<u>608,978</u>
Fund balance - beginning	<u>517,073</u>	<u>1,348,298</u>	<u>1,349,360</u>	<u>1,062</u>
Fund balance - ending	<u>\$ 442,332</u>	<u>\$ 645,393</u>	<u>\$ 1,255,433</u>	<u>\$ 610,040</u>

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

Page 20 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Charges for services	\$ 500,000	\$ 500,000	\$ 710,122	\$ 210,122
Investment income	14,953	14,953	24,573	9,620
Total revenues	<u>514,953</u>	<u>514,953</u>	<u>734,695</u>	<u>219,742</u>
EXPENDITURES				
Current:				
Culture and recreation	28,309	28,309	5,196	23,113
Capital outlay	553,528	2,139,787	880,575	1,259,212
Total expenditures	<u>581,837</u>	<u>2,168,096</u>	<u>885,771</u>	<u>1,282,325</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(66,884)</u>	<u>(1,653,143)</u>	<u>(151,076)</u>	<u>1,502,067</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(500,000)	-	500,000
Total other financing sources (uses)	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>500,000</u>
Net change in fund balances	<u>(66,884)</u>	<u>(2,153,143)</u>	<u>(151,076)</u>	<u>2,002,067</u>
Fund balance - beginning	<u>167,967</u>	<u>2,160,715</u>	<u>2,162,366</u>	<u>1,651</u>
Fund balance - ending	<u>\$ 101,083</u>	<u>\$ 7,572</u>	<u>\$ 2,011,290</u>	<u>\$ 2,003,718</u>

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Sportsplex Fund
For the Year Ended December 31, 2011

Page 21 of 23

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 1,196	\$ 1,196	\$ 1,807	\$ 611
Miscellaneous revenues	-	-	399	399
Total revenues	<u>1,196</u>	<u>1,196</u>	<u>2,206</u>	<u>1,010</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>1,196</u>	<u>1,196</u>	<u>2,206</u>	<u>1,010</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>1,196</u>	<u>1,196</u>	<u>2,206</u>	<u>1,010</u>
Fund balance - beginning	<u>36,946</u>	<u>36,762</u>	<u>36,889</u>	<u>127</u>
Fund balance - ending	<u>\$ 38,142</u>	<u>\$ 37,958</u>	<u>\$ 39,095</u>	<u>\$ 1,137</u>

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

Page 22 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 973,157	\$ 73,157
Investment income	4,296	4,296	3,594	(702)
Total revenues	<u>904,296</u>	<u>904,296</u>	<u>976,751</u>	<u>72,455</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>835,027</u>	<u>862,810</u>	<u>843,354</u>	<u>19,456</u>
Total expenditures	<u>835,027</u>	<u>862,810</u>	<u>843,354</u>	<u>19,456</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>69,269</u>	<u>41,486</u>	<u>133,397</u>	<u>91,911</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(90,000)</u>	<u>(90,000)</u>	<u>(90,000)</u>	<u>-</u>
Net change in fund balances	<u>(20,731)</u>	<u>(48,514)</u>	<u>43,397</u>	<u>91,911</u>
Fund balance - beginning	<u>215,000</u>	<u>250,258</u>	<u>250,537</u>	<u>279</u>
Fund balance - ending	<u>\$ 194,269</u>	<u>\$ 201,744</u>	<u>\$ 293,934</u>	<u>\$ 92,190</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2011

Page 23 of 23

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes	\$ 2,700,000	\$ 4,800,000	\$ 5,156,829	\$ 356,829
Intergovernmental revenue	2,603,370	5,164,336	3,666,140	(1,498,196)
Charges for services	2,322,670	2,322,670	2,503,995	181,325
Investment income	193,111	193,111	173,060	(20,051)
Miscellaneous revenues	50,000	103,524	268,332	164,808
Total revenues	7,869,151	12,583,641	11,768,356	(815,285)
EXPENDITURES				
Current:				
General government services	758,547	802,298	22,443	779,855
Public safety	4,536,140	4,722,790	4,417,752	305,038
Physical environment	5,347	1,568,475	638,313	930,162
Culture and recreation	1,075,875	1,721,313	1,147,560	573,753
Capital outlay	2,056,265	11,413,790	3,802,028	7,611,762
Total expenditures	8,432,174	20,228,666	10,028,096	10,200,570
Excess (deficiency) of revenues				
over (under) expenditures	(563,023)	(7,645,025)	1,740,260	9,385,285
OTHER FINANCING SOURCES (USES)				
Transfers in	690,000	1,129,524	439,524	(690,000)
Transfers out	(923,552)	(4,428,644)	(1,364,244)	3,064,400
Total other financing sources (uses)	(233,552)	(3,299,120)	(924,720)	2,374,400
Net change in fund balances	(796,575)	(10,944,145)	815,540	11,759,685
Fund balance - beginning	8,523,197	16,178,537	16,211,443	32,906
Prior period adjustment	-	-	(1,861,775)	(1,861,775)
Fund balance - ending	\$ 7,726,622	\$ 5,234,392	\$ 15,165,208	\$ 9,930,816

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

\$2,800,000 voted for land, construction and equipping of fire station #6 in the northern part of the City. Established by Ordinance 2001-03-016. This bond was paid in full and the fund was closed in 2011.

223 – 1996 Refunding LTGO Bond

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

224 – 2004 Sportsplex LTGO Bond

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

225 – 2004 PFD/Civic Field LTGO Bond

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

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 – PW Trust Fund Loan – Street Overlay

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

245 – Local Improvement District (LID) Guaranty

The guaranty fund assures that payments on individual LID's will be made on time if collections from district property holders are insufficient. Property in arrears is foreclosed and the proceeds deposited to the guaranty fund. The balance in the guaranty fund is maintained at twelve percent of the combined assessments in the LID funds. The LID guaranty fund was established by Ordinance 4764. In 2009 debt service for LID 1099 and LID 1107/08 were paid off ahead of schedule. These LIDs were 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.

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2011

	2001 Fire UTGO Bond	1996 Refund LTGO Bond	2004 Sportsplex LTGO Bond	2004 PFD/Civic Fid LTGO Bond	2011 QEC Bond	Drake Note	PW Trust Loan Street Overlay	LID Guaranty	LID Assessment Debt Fund	Total Nonmajor Debt Service Funds
ASSETS										
Cash and cash equivalents	\$ -	\$ 302	\$ 3,308	\$ -	\$ 33,031	\$ -	\$ -	\$ 122,050	\$ 2,376	\$ 161,067
Investments	-	-	19,413	-	193,886	-	-	716,414	-	929,713
Receivables, net	-	-	-	-	-	-	-	42,101	25,877	67,978
Due from component units	-	-	-	8,205,000	-	-	-	-	-	8,205,000
Special assessments - deferred	-	-	-	-	-	-	-	344,615	356,864	701,479
Total assets	<u>-</u>	<u>302</u>	<u>22,721</u>	<u>8,205,000</u>	<u>226,917</u>	<u>-</u>	<u>-</u>	<u>1,225,180</u>	<u>385,117</u>	<u>10,065,237</u>
LIABILITIES AND FUND BALANCES										
LIABILITIES										
Accounts payable	-	302	-	-	-	-	-	-	-	302
Deferred revenue	-	-	-	-	-	-	-	344,615	356,863	701,478
Total liabilities	<u>-</u>	<u>302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,615</u>	<u>356,863</u>	<u>701,780</u>
FUND BALANCES										
Restricted for debt service	-	-	22,721	8,205,000	226,917	-	-	880,565	28,254	9,363,457
Total fund balances	<u>-</u>	<u>-</u>	<u>22,721</u>	<u>8,205,000</u>	<u>226,917</u>	<u>-</u>	<u>-</u>	<u>880,565</u>	<u>28,254</u>	<u>9,363,457</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 302</u>	<u>\$ 22,721</u>	<u>\$ 8,205,000</u>	<u>\$ 226,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,225,180</u>	<u>\$ 385,117</u>	<u>\$ 10,065,237</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2011

	2001 Fire UTGO Bond	1996 Refund LTGO Bond	2004 Sportsplex LTGO Bond	2004 PFD/Civic Fld LTGO Bond	2011 QEC Bond	Drake Note	PW Trust Loan Street Overlay	LID Guaranty	LID Assessment Debt Fund	Total Nonmajor Debt Service Funds
REVENUES										
Taxes	\$ 258,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 258,226
Intergovernmental revenue	-	-	-	184	-	-	-	-	-	184
Charges for services	-	-	-	-	35,328	-	-	-	-	35,328
Investment income	1,072	-	827	387,951	911	-	-	8,493	-	399,254
Miscellaneous revenues	-	-	270,508	-	-	-	-	153,142	95,491	519,141
Total revenues	<u>259,298</u>	<u>-</u>	<u>271,335</u>	<u>388,135</u>	<u>36,239</u>	<u>-</u>	<u>-</u>	<u>161,635</u>	<u>95,491</u>	<u>1,212,133</u>
EXPENDITURES										
Debt service:										
Redemption of general long-term debt	335,000	310,000	120,000	745,000	-	8,029	157,935	-	135,000	1,810,964
Interest and other debt service cost	14,740	36,179	151,208	576,638	-	9,934	9,476	-	15,500	813,675
Total expenditures	<u>349,740</u>	<u>346,179</u>	<u>271,208</u>	<u>1,321,638</u>	<u>-</u>	<u>17,963</u>	<u>167,411</u>	<u>-</u>	<u>150,500</u>	<u>2,624,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,442)</u>	<u>(346,179)</u>	<u>127</u>	<u>(933,503)</u>	<u>36,239</u>	<u>(17,963)</u>	<u>(167,411)</u>	<u>161,635</u>	<u>(55,009)</u>	<u>(1,412,506)</u>
OTHER FINANCING SOURCES (USES)										
Transfers in	-	346,179	-	693,503	190,678	17,963	167,411	-	-	1,415,734
Total other financing sources (uses)	<u>-</u>	<u>346,179</u>	<u>-</u>	<u>693,503</u>	<u>190,678</u>	<u>17,963</u>	<u>167,411</u>	<u>-</u>	<u>-</u>	<u>1,415,734</u>
Net change in fund balances	<u>(90,442)</u>	<u>-</u>	<u>127</u>	<u>(240,000)</u>	<u>226,917</u>	<u>-</u>	<u>-</u>	<u>161,635</u>	<u>(55,009)</u>	<u>3,228</u>
Fund balances - beginning	<u>90,442</u>	<u>-</u>	<u>22,594</u>	<u>8,445,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>718,930</u>	<u>83,263</u>	<u>9,360,229</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,721</u>	<u>\$ 8,205,000</u>	<u>\$ 226,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 880,565</u>	<u>\$ 28,254</u>	<u>\$ 9,363,457</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2001 Fire UTGO Bond Fund
For the Year Ended December 31, 2011

Page 1 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 265,000	\$ 265,000	\$ 258,226	\$ (6,774)
Investment income	1,495	1,495	1,072	(423)
Total revenues	<u>266,495</u>	<u>266,495</u>	<u>259,298</u>	<u>(7,197)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	335,000	335,000	335,000	-
Interest and other debt service cost	15,165	15,165	14,740	425
Total expenditures	<u>350,165</u>	<u>350,165</u>	<u>349,740</u>	<u>425</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(83,670)</u>	<u>(83,670)</u>	<u>(90,442)</u>	<u>(6,772)</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(83,670)</u>	<u>(83,670)</u>	<u>(90,442)</u>	<u>(6,772)</u>
Fund balance - beginning	<u>86,723</u>	<u>90,369</u>	<u>90,442</u>	<u>73</u>
Fund balance - ending	<u>\$ 3,053</u>	<u>\$ 6,699</u>	<u>\$ -</u>	<u>\$ (6,699)</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
1996 Refund LTGO Bond Fund
For the Year Ended December 31, 2011

Page 2 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	310,000	310,000	310,000	-
Interest and other debt service cost	<u>36,303</u>	<u>36,303</u>	<u>36,179</u>	<u>124</u>
Total expenditures	<u>346,303</u>	<u>346,303</u>	<u>346,179</u>	<u>124</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(346,303)</u>	<u>(346,303)</u>	<u>(346,179)</u>	<u>124</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>346,303</u>	<u>346,303</u>	<u>346,179</u>	<u>(124)</u>
Total other financing sources (uses)	<u>346,303</u>	<u>346,303</u>	<u>346,179</u>	<u>(124)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 Sportsplex Acq. LTGO Bond Fund
For the Year Ended December 31, 2011

Page 3 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 917	\$ 917	\$ 827	\$ (90)
Miscellaneous revenues	270,425	270,425	270,508	83
Total revenues	<u>271,342</u>	<u>271,342</u>	<u>271,335</u>	<u>(7)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	120,000	120,000	120,000	-
Interest and other debt service cost	151,333	151,333	151,208	125
Total expenditures	<u>271,333</u>	<u>271,333</u>	<u>271,208</u>	<u>125</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>9</u>	<u>9</u>	<u>127</u>	<u>118</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>9</u>	<u>9</u>	<u>127</u>	<u>118</u>
Fund balance - beginning	<u>22,576</u>	<u>22,576</u>	<u>22,594</u>	<u>18</u>
Fund balance - ending	<u>\$ 22,585</u>	<u>\$ 22,585</u>	<u>\$ 22,721</u>	<u>\$ 136</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
2004 PFD/Civic Fld LTGO Bond
For the Year Ended December 31, 2011

Page 4 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Intergovernmental revenue	\$ 628,211	\$ 628,211	\$ 184	\$ (628,027)
Investment income	-	-	387,951	387,951
Total revenues	<u>628,211</u>	<u>628,211</u>	<u>388,135</u>	<u>(240,076)</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	745,000	745,000	745,000	-
Interest and other debt service cost	<u>576,763</u>	<u>576,763</u>	<u>576,638</u>	<u>125</u>
Total expenditures	<u>1,321,763</u>	<u>1,321,763</u>	<u>1,321,638</u>	<u>125</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(693,552)</u>	<u>(693,552)</u>	<u>(933,503)</u>	<u>(239,951)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>693,552</u>	<u>693,552</u>	<u>693,503</u>	<u>(49)</u>
Total other financing sources (uses)	<u>693,552</u>	<u>693,552</u>	<u>693,503</u>	<u>(49)</u>
Net change in fund balances	-	-	(240,000)	(240,000)
Fund balance - beginning	-	-	8,445,000	8,445,000
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,205,000</u>	<u>\$ 8,205,000</u>

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

Page 5 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Charges for services	\$ -	\$ -	\$ 35,328	\$ 35,328
Investment income	-	-	911	911
Total revenues	-	-	36,239	36,239
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues				
over (under) expenditures	-	-	36,239	36,239
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	190,678	190,678
Total other financing sources (uses)	-	-	190,678	190,678
Net change in fund balances	-	-	226,917	226,917
Fund balance - beginning	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,917</u>	<u>\$ 226,917</u>

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

Page 6 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	8,029	8,029	8,029	-
Interest and other debt service cost	<u>9,935</u>	<u>9,935</u>	<u>9,934</u>	<u>1</u>
Total expenditures	<u>17,964</u>	<u>17,964</u>	<u>17,963</u>	<u>1</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(17,964)</u>	<u>(17,964)</u>	<u>(17,963)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>17,964</u>	<u>17,964</u>	<u>17,963</u>	<u>(1)</u>
Total other financing sources (uses)	<u>17,964</u>	<u>17,964</u>	<u>17,963</u>	<u>(1)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
PW Trust Fund Loan - Street Overlay Fund
For the Year Ended December 31, 2011

Page 7 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	157,935	157,935	157,935	-
Interest and other debt service cost	<u>9,477</u>	<u>9,477</u>	<u>9,476</u>	<u>1</u>
Total expenditures	<u>167,412</u>	<u>167,412</u>	<u>167,411</u>	<u>1</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(167,412)</u>	<u>(167,412)</u>	<u>(167,411)</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>167,412</u>	<u>167,412</u>	<u>167,411</u>	<u>(1)</u>
Total other financing sources (uses)	<u>167,412</u>	<u>167,412</u>	<u>167,411</u>	<u>(1)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Page 8 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Investment income	\$ 4,513	\$ 4,513	\$ 8,493	\$ 3,980
Miscellaneous revenues	-	-	153,142	153,142
Total revenues	<u>4,513</u>	<u>4,513</u>	<u>161,635</u>	<u>157,122</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>4,513</u>	<u>4,513</u>	<u>161,635</u>	<u>157,122</u>
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>4,513</u>	<u>4,513</u>	<u>161,635</u>	<u>157,122</u>
Fund balance - beginning	<u>374,593</u>	<u>678,287</u>	<u>718,930</u>	<u>40,643</u>
Fund balance - ending	<u>\$ 379,106</u>	<u>\$ 682,800</u>	<u>\$ 880,565</u>	<u>\$ 197,765</u>

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, 2011

Page 9 of 10

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Miscellaneous revenues	\$ -	\$ -	\$ 95,491	\$ 95,491
Total revenues	-	-	95,491	95,491
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	-	-	135,000	(135,000)
Interest and other debt service cost	-	-	15,500	(15,500)
Total expenditures	-	-	150,500	(150,500)
Excess (deficiency) of revenues				
over (under) expenditures	-	-	(55,009)	(55,009)
OTHER FINANCING SOURCES (USES)				
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(55,009)	(55,009)
Fund balance - beginning	-	-	83,263	83,263
Fund balance - ending	\$ -	\$ -	\$ 28,254	\$ 28,254

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

Page 10 of 10

	Budgeted Fund Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Taxes	\$ 265,000	\$ 265,000	\$ 258,226	\$ (6,774)
Intergovernmental revenue	628,211	628,211	184	(628,027)
Charges for services	-	-	35,328	35,328
Investment income	6,925	6,925	399,254	392,329
Miscellaneous revenues	270,425	270,425	519,141	248,716
Total revenues	<u>1,170,561</u>	<u>1,170,561</u>	<u>1,212,133</u>	<u>41,572</u>
EXPENDITURES				
Debt service:				
Redemption of general long-term debt	1,675,964	1,675,964	1,810,964	(135,000)
Interest and other debt service cost	798,976	798,976	813,675	(14,699)
Total expenditures	<u>2,474,940</u>	<u>2,474,940</u>	<u>2,624,639</u>	<u>(149,699)</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>(1,304,379)</u>	<u>(1,304,379)</u>	<u>(1,412,506)</u>	<u>(108,127)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,225,231	1,225,231	1,415,734	190,503
Total other financing sources (uses)	<u>1,225,231</u>	<u>1,225,231</u>	<u>1,415,734</u>	<u>190,503</u>
Net change in fund balances	<u>(79,148)</u>	<u>(79,148)</u>	<u>3,228</u>	<u>82,376</u>
Fund balance - beginning	<u>483,892</u>	<u>791,232</u>	<u>9,360,229</u>	<u>8,568,997</u>
Fund balance - ending	<u>\$ 404,744</u>	<u>\$ 712,084</u>	<u>\$ 9,363,457</u>	<u>\$ 8,651,373</u>



PERMANENT FUNDS**701 – Greenways Maintenance Endowment**

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

702 – Natural Resource Protection and Restoration

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

CITY OF BELLINGHAM
Combining Balance Sheet
Nonmajor Permanent Funds
For the Year Ended December 31, 2011

	Greenways Maintenance Endowment	Natural Resource Protection & Restoration	Totals
ASSETS			
Cash and cash equivalents	\$ 103,282	\$ 398,697	\$ 501,979
Investments	606,251	2,340,298	2,946,549
Receivables, net	10,301	-	10,301
Due from component units	-	1,800,000	1,800,000
Interfund loans receivable	<u>3,232,022</u>	<u>-</u>	<u>3,232,022</u>
Total assets	<u><u>3,951,856</u></u>	<u><u>4,538,995</u></u>	<u><u>8,490,851</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Other liabilities	-	3,947	3,947
Deferred revenue	<u>10,301</u>	<u>-</u>	<u>10,301</u>
Total liabilities	<u><u>10,301</u></u>	<u><u>3,947</u></u>	<u><u>14,248</u></u>
FUND BALANCES			
Nonspendable	3,848,802	4,000,000	7,848,802
Restricted	<u>92,753</u>	<u>535,048</u>	<u>627,801</u>
Total fund balances	<u><u>3,941,555</u></u>	<u><u>4,535,048</u></u>	<u><u>8,476,603</u></u>
Total liabilities and fund balances	<u><u>\$ 3,951,856</u></u>	<u><u>\$ 4,538,995</u></u>	<u><u>\$ 8,490,851</u></u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the Year Ended December 31, 2011

	Greenways Maintenance Endowment	Natural Resource Protection & Restoration	Totals
REVENUES			
Taxes	\$ 390,355	\$ -	\$ 390,355
Investment income	37,125	76,406	113,531
Total revenues	<u>427,480</u>	<u>76,406</u>	<u>503,886</u>
EXPENDITURES			
Physical environment	-	27,484	27,484
Culture and recreation	4,967	-	4,967
Total expenditures	<u>4,967</u>	<u>27,484</u>	<u>32,451</u>
Excess (deficiency) of revenues over (under) expenditures	<u>422,513</u>	<u>48,922</u>	<u>471,435</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,217	1,217
Transfers out	(142,948)	-	(142,948)
Total other financing sources (uses)	<u>(142,948)</u>	<u>1,217</u>	<u>(141,731)</u>
Net change in fund balances	279,565	50,139	329,704
Fund balance - beginning	3,661,990	4,484,909	8,146,899
Fund balance - ending	<u>\$ 3,941,555</u>	<u>\$ 4,535,048</u>	<u>\$ 8,476,603</u>

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

Page 1 of 3

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 363,600	\$ 363,600	\$ 390,355	\$ 26,755
Investment income	41,668	49,668	37,125	(12,543)
Total revenues	<u>405,268</u>	<u>413,268</u>	<u>427,480</u>	<u>14,212</u>
EXPENDITURES				
Culture and recreation	4,967	4,967	4,967	-
Total expenditures	<u>4,967</u>	<u>4,967</u>	<u>4,967</u>	<u>-</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>400,301</u>	<u>408,301</u>	<u>422,513</u>	<u>14,212</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(142,948)	(142,948)	(142,948)	-
Total other financing sources (uses)	<u>(142,948)</u>	<u>(142,948)</u>	<u>(142,948)</u>	<u>-</u>
Net change in fund balances	257,353	265,353	279,565	14,212
Fund balance - beginning	3,663,420	3,659,053	3,661,990	2,937
Fund balance - ending	<u>\$ 3,920,773</u>	<u>\$ 3,924,406</u>	<u>\$ 3,941,555</u>	<u>\$ 17,149</u>

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual GAAP Basis
Natural Resource Protection and Restoration Fund
For the Year Ended December 31, 2011

Page 2 of 3

	Budgeted Fund Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
			GAAP Basis	Positive
				(Negative)
REVENUES				
Investment income	\$ 99,711	\$ 99,711	\$ 76,406	\$ (23,305)
Total revenues	<u>99,711</u>	<u>99,711</u>	<u>76,406</u>	<u>(23,305)</u>
EXPENDITURES				
Physical environment	3,010	265,396	27,484	237,912
Total expenditures	<u>3,010</u>	<u>265,396</u>	<u>27,484</u>	<u>237,912</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>96,701</u>	<u>(165,685)</u>	<u>48,922</u>	<u>214,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,217	1,217	-
Total other financing sources (uses)	<u>-</u>	<u>1,217</u>	<u>1,217</u>	<u>-</u>
Net change in fund balances	96,701	(164,468)	50,139	214,607
Fund balance - beginning	<u>1,427,082</u>	<u>3,682,755</u>	<u>4,484,909</u>	<u>802,154</u>
Fund balance - ending	<u>\$ 1,523,783</u>	<u>\$ 3,518,287</u>	<u>\$ 4,535,048</u>	<u>\$ 1,016,761</u>

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

Page 3 of 3

	<u>Budgeted Fund Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
			<u>GAAP Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
REVENUES				
Taxes	\$ 363,600	\$ 363,600	\$ 390,355	\$ 26,755
Investment income	<u>141,379</u>	<u>149,379</u>	<u>113,531</u>	<u>(35,848)</u>
Total revenues	<u>504,979</u>	<u>512,979</u>	<u>503,886</u>	<u>(9,093)</u>
EXPENDITURES				
Physical environment	3,010	265,396	27,484	237,912
Culture and recreation	<u>4,967</u>	<u>4,967</u>	<u>4,967</u>	<u>-</u>
Total expenditures	<u>7,977</u>	<u>270,363</u>	<u>32,451</u>	<u>237,912</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>497,002</u>	<u>242,616</u>	<u>471,435</u>	<u>228,819</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,217	1,217	-
Transfers out	<u>(142,948)</u>	<u>(142,948)</u>	<u>(142,948)</u>	<u>-</u>
Total other financing sources (uses)	<u>(142,948)</u>	<u>(141,731)</u>	<u>(141,731)</u>	<u>-</u>
Net change in fund balances	354,054	100,885	329,704	228,819
Fund balance - beginning	<u>5,090,502</u>	<u>7,341,808</u>	<u>8,146,899</u>	<u>805,091</u>
Fund balance - ending	<u>\$ 5,444,556</u>	<u>\$ 7,442,693</u>	<u>\$ 8,476,603</u>	<u>\$ 1,033,910</u>

ENTERPRISE 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
Nonmajor Enterprise Funds
December 31, 2011

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Development Services</u>	<u>Totals</u>
ASSETS					
<i>Current assets:</i>					
Cash and cash equivalents	\$ 11,011	\$ 32,617	\$ 220,936	\$ 226,515	\$ 491,079
Investments	64,630	191,460	1,296,867	1,329,616	2,882,573
Receivables, net	<u>1,116</u>	<u>493</u>	<u>567,529</u>	<u>5,479</u>	<u>574,617</u>
Total current assets	<u>76,757</u>	<u>224,570</u>	<u>2,085,332</u>	<u>1,561,610</u>	<u>3,948,269</u>
<i>Noncurrent assets:</i>					
Restricted cash and cash equivalents	61,664	-	4,919	-	66,583
Restricted investments	361,957	-	28,875	-	390,832
Capital assets, not being depreciated:					
Land	359,274	-	1,109,905	-	1,469,179
Construction in progress	-	15,020	-	-	15,020
Capital assets, net of depreciation:					
Buildings	47,033	447,222	2,060,087	-	2,554,342
Improvements	10,877	225,173	432,069	52,877	720,996
Machinery and equipment	<u>-</u>	<u>42,891</u>	<u>40,687</u>	<u>-</u>	<u>83,578</u>
Total noncurrent assets	<u>840,805</u>	<u>730,306</u>	<u>3,676,542</u>	<u>52,877</u>	<u>5,300,530</u>
Total assets	<u>917,562</u>	<u>954,876</u>	<u>5,761,874</u>	<u>1,614,487</u>	<u>9,248,799</u>
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	4,914	5,648	106,244	4,114	120,920
Accrued wages and benefits	13,304	124	18,823	52,260	84,511
Due to other governments	465	-	1,144	-	1,609
Other current liabilities	140,775	14,883	24,005	1,015	180,678
<i>Current portion:</i>					
Bonds payable, net	-	-	130,000	-	130,000
Compensated absences	<u>9,149</u>	<u>419</u>	<u>19,752</u>	<u>66,530</u>	<u>95,850</u>
Total current liabilities	<u>168,607</u>	<u>21,074</u>	<u>299,968</u>	<u>123,919</u>	<u>613,568</u>
<i>Noncurrent liabilities:</i>					
Compensated absences	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>4,143</u>	<u>8,943</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>4,800</u>	<u>4,143</u>	<u>8,943</u>
Total liabilities	<u>168,607</u>	<u>21,074</u>	<u>304,768</u>	<u>128,062</u>	<u>622,511</u>
NET POSITION					
Net investment in capital assets	417,185	730,305	3,512,747	52,876	4,713,113
Restricted for debt service	-	-	33,716	-	33,716
Restricted for cemetery endowment	281,854	-	-	-	281,854
Unrestricted	<u>49,916</u>	<u>203,497</u>	<u>1,910,643</u>	<u>1,433,549</u>	<u>3,597,605</u>
Total net position	<u>\$ 748,955</u>	<u>\$ 933,802</u>	<u>\$ 5,457,106</u>	<u>\$ 1,486,425</u>	<u>\$ 8,626,288</u>

CITY OF BELLINGHAM
Combining Statement of Revenue, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended December 31, 2011

	<u>Cemetery</u>	<u>Golf Course</u>	<u>Parking Services</u>	<u>Development Services</u>	<u>Totals</u>
Operating revenues:					
Customer sales and service fees	\$ 293,327	\$ -	\$ -	\$ 1,906,723	\$ 2,200,050
Rents, parking and concessions	<u>-</u>	<u>195,161</u>	<u>2,178,221</u>	<u>-</u>	<u>2,373,382</u>
Total operating revenues	<u>293,327</u>	<u>195,161</u>	<u>2,178,221</u>	<u>1,906,723</u>	<u>4,573,432</u>
Operating expenses:					
General operations	337,421	89,823	1,359,869	498,243	2,285,356
General administration	179,664	-	-	1,092,924	1,272,588
Administration:					
Depreciation	6,565	31,684	99,808	17,083	155,140
Taxes	<u>3,309</u>	<u>-</u>	<u>2,069</u>	<u>-</u>	<u>5,378</u>
Total operating expenses	<u>526,959</u>	<u>121,507</u>	<u>1,461,746</u>	<u>1,608,250</u>	<u>3,718,462</u>
Operating income (loss)	<u>(233,632)</u>	<u>73,654</u>	<u>716,475</u>	<u>298,473</u>	<u>854,970</u>
Nonoperating revenues (expenses):					
External operating subsidies	-	-	23,000	-	23,000
Investment interest	4,456	1,908	13,857	13,276	33,497
Net increase (decrease) in fair value of investments	763	424	2,550	2,655	6,392
Interest expense and related charges	-	-	(8,368)	-	(8,368)
Other non-operating revenues (expenses)	<u>8,131</u>	<u>(5,165)</u>	<u>27,466</u>	<u>8,561</u>	<u>38,993</u>
Total nonoperating revenues (expenses)	<u>13,350</u>	<u>(2,833)</u>	<u>58,505</u>	<u>24,492</u>	<u>93,514</u>
Income (loss) before transfers	<u>(220,282)</u>	<u>70,821</u>	<u>774,980</u>	<u>322,965</u>	<u>948,484</u>
Transfers in	221,480	-	-	-	221,480
Transfers out	-	-	(721,286)	-	(721,286)
Extraordinary item - land contribution	<u>-</u>	<u>-</u>	<u>(1,535,605)</u>	<u>-</u>	<u>(1,535,605)</u>
Change in net position	<u>1,198</u>	<u>70,821</u>	<u>(1,481,911)</u>	<u>322,965</u>	<u>(1,086,927)</u>
Total net position - beginning	<u>747,757</u>	<u>862,981</u>	<u>6,366,954</u>	<u>1,163,460</u>	<u>9,141,152</u>
Prior period adjustments	<u>-</u>	<u>-</u>	<u>572,063</u>	<u>-</u>	<u>572,063</u>
Total net position - ending	<u>\$ 748,955</u>	<u>\$ 933,802</u>	<u>\$ 5,457,106</u>	<u>\$ 1,486,425</u>	<u>\$ 8,626,288</u>

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2011

	Cemetery	Golf Course	Parking Services	Development Services	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 284,449	\$ 200,872	\$ 2,269,207	\$ 1,907,041	\$ 4,661,569
Receipts from interfund services provided	7,730	915	-	-	8,645
Payments for wages and benefits	(305,990)	(13,715)	(441,978)	(1,216,262)	(1,977,945)
Payments for operating expenses	(218,996)	(71,778)	(835,338)	(389,483)	(1,515,595)
Other receipts (payments)	(740)	(5,165)	27,116	8,561	29,772
Net cash provided (used) by operating activities	<u>(233,547)</u>	<u>111,129</u>	<u>1,019,007</u>	<u>309,857</u>	<u>1,206,446</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	221,480	-	-	-	221,480
Transfers out	-	-	(721,286)	-	(721,286)
Receipts from other governmental units	-	-	23,000	-	23,000
Net cash provided (used) by noncapital financing activities	<u>221,480</u>	<u>-</u>	<u>(698,286)</u>	<u>-</u>	<u>(476,806)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal payment on bonds	-	-	(125,000)	-	(125,000)
Payments for interest	-	-	(9,537)	-	(9,537)
Purchases of capital assets	-	(15,020)	-	-	(15,020)
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(15,020)</u>	<u>(134,537)</u>	<u>-</u>	<u>(149,557)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	403,464	103,008	1,081,701	990,566	2,578,739
Purchase of investments	(438,792)	(196,937)	(1,363,672)	(1,367,657)	(3,367,058)
Interest and dividends received	4,881	1,792	14,505	13,557	34,735
Net cash provided (used) in investment activities	<u>(30,447)</u>	<u>(92,137)</u>	<u>(267,466)</u>	<u>(363,534)</u>	<u>(753,584)</u>
Net increase (decrease) in cash and equivalents	(42,514)	3,972	(81,282)	(53,677)	(173,501)
Cash and cash equivalents - beginning of year	115,189	28,645	307,137	280,192	731,163
Cash and cash equivalents - end of year	<u>72,675</u>	<u>32,617</u>	<u>225,855</u>	<u>226,515</u>	<u>557,662</u>
Cash at end of year consists of					
Cash and cash equivalents	11,011	32,617	220,936	226,515	491,079
Restricted cash	61,664	-	4,919	-	66,583
Total cash at end of year	<u>\$ 72,675</u>	<u>\$ 32,617</u>	<u>\$ 225,855</u>	<u>\$ 226,515</u>	<u>\$ 557,662</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (233,632)	\$ 73,654	\$ 716,475	\$ 298,473	\$ 854,970
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	6,565	31,684	99,808	17,084	155,141
Other non-operating receipts (expenses)	7,216	(4,250)	27,467	8,561	38,994
Change in assets and liabilities:					
(Increase) decrease in accounts receivable other	138	5,711	89,970	319	96,138
Increase (decrease) in accounts payable	(2,186)	5,603	87,843	(19,036)	72,224
Increase (decrease) in wages and benefits payable	(2,406)	(1,273)	(3,238)	4,215	(2,702)
Increase (decrease) in revenues collected in advance	(9,016)	-	1,015	-	(8,001)
Increase (decrease) in other current liabilities	-	-	717	-	717
Increase (decrease) in other fees and taxes	(226)	-	(1,050)	241	(1,035)
Net cash provided (used) by operating activities	<u>\$ (233,547)</u>	<u>\$ 111,129</u>	<u>\$ 1,019,007</u>	<u>\$ 309,857</u>	<u>\$ 1,206,446</u>
Non-cash investing, capital, and financing activities:					
Net change in fair value of investments	763	424	2,550	2,655	6,392
Contributions to component unit	-	-	(1,535,605)	-	-

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 – Telecommunications and Technology

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, 2011

Page 1 of 2

	Fleet	Purchasing			
	Administration	Materials	Facilities	Telecomm. &	Claims &
ASSETS		Management	Administration	Technology	Litigation
<i>Current assets:</i>					
Cash and cash equivalents	\$ 1,111,167	\$ 149,826	\$ 187,739	\$ 240,372	\$ 579,667
Investments	6,522,400	879,461	1,102,001	1,410,953	3,402,565
Receivables, net	16,818	2,268	9,620	3,638	8,774
Inventories	-	596,358	-	-	-
Prepaid items	-	-	-	-	-
Total current assets	7,650,385	1,627,913	1,299,360	1,654,963	3,991,006
<i>Noncurrent assets:</i>					
Restricted cash and cash equivalents	-	-	447,821	-	-
Restricted investments	-	-	2,628,652	-	-
Deferred charges	-	-	19,574	-	-
Capital assets, not being depreciated:					
Land	-	-	40,102	-	-
Capital assets, net of depreciation:					
Buildings	-	-	1,589,010	-	-
Improvements	-	33,163	-	24,306	-
Machinery and equipment	10,069,418	-	-	359,126	-
Total noncurrent assets	10,069,418	33,163	4,725,159	383,432	-
Total assets	17,719,803	1,661,076	6,024,519	2,038,395	3,991,006
LIABILITIES					
<i>Current liabilities:</i>					
Accounts payable	30,107	18,141	520,151	18,513	13,194
Accrued wages and benefits	37,733	30,126	56,000	3,998	6,828
Due to other funds	-	-	210	-	-
Due to other governments	-	-	115,066	-	-
Interfund loans payable	-	-	-	-	-
Other current liabilities	-	-	11,969	-	-
<i>Current portion:</i>					
Compensated absences	43,857	55,082	66,014	5,189	7,192
Claims and judgements payable	-	-	-	-	160,000
Total current liabilities	111,697	103,349	769,410	27,700	187,214
<i>Noncurrent liabilities:</i>					
Bonds payable, net	-	-	6,433,487	-	-
Compensated absences	14,941	6,949	7,754	-	-
Claims and judgements payable	-	-	-	-	2,468,000
Total noncurrent liabilities	14,941	6,949	6,441,241	-	2,468,000
Total liabilities	126,638	110,298	7,210,651	27,700	2,655,214
NET POSITION					
Net investment in capital assets	10,069,418	33,163	1,629,113	383,432	-
Restricted for debt service	-	-	8,797	-	-
Restricted for improvements	-	-	3,060,478	-	-
Unrestricted	7,523,747	1,517,615	(5,884,520)	1,627,263	1,335,792
Total net position	\$ 17,593,165	\$ 1,550,778	\$ (1,186,132)	\$ 2,010,695	\$ 1,335,792

CITY OF BELLINGHAM
Combining Statement of Net Position
Internal Service Funds
December 31, 2011

Page 2 of 2

	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
ASSETS				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 75,066	\$ 142,475	\$ 266,940	\$ 2,753,252
Investments	440,627	836,313	1,566,901	16,161,221
Receivables, net	1,136	2,156	4,040	48,450
Inventories	-	-	-	596,358
Prepaid items	-	44,747	11,000	55,747
Total current assets	<u>516,829</u>	<u>1,025,691</u>	<u>1,848,881</u>	<u>19,615,028</u>
<i>Noncurrent assets:</i>				
Restricted cash and cash equivalents	-	-	-	447,821
Restricted investments	-	-	-	2,628,652
Deferred charges	-	-	-	19,574
Capital assets, not being depreciated:				
Land	-	-	-	40,102
Capital assets, net of depreciation:				
Buildings	-	-	-	1,589,010
Improvements	-	-	-	57,469
Machinery and equipment	-	-	-	10,428,544
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,211,172</u>
Total assets	<u>516,829</u>	<u>1,025,691</u>	<u>1,848,881</u>	<u>34,826,200</u>
LIABILITIES				
<i>Current liabilities:</i>				
Accounts payable	-	56,509	11,013	667,628
Accrued wages and benefits	506	4,086	18,163	157,440
Due to other funds	-	-	-	210
Due to other governments	42,223	-	-	157,289
Interfund loans payable	-	-	-	-
Other current liabilities	-	-	8,762	20,731
<i>Current portion:</i>				
Compensated absences	1,034	7,228	19,952	205,548
Claims and judgements payable	175,000	350,000	-	685,000
Notes and contracts payable	-	-	-	-
Total current liabilities	<u>218,763</u>	<u>417,823</u>	<u>57,890</u>	<u>1,893,846</u>
<i>Noncurrent liabilities:</i>				
Bonds payable, net	-	-	-	6,433,487
Compensated absences	-	-	-	29,644
Claims and judgements payable	-	-	-	2,468,000
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,931,131</u>
Total liabilities	<u>218,763</u>	<u>417,823</u>	<u>57,890</u>	<u>10,824,977</u>
NET POSITION				
Net investment in capital assets	-	-	-	12,115,126
Restricted for debt service	-	-	-	8,797
Restricted for improvements	-	-	-	3,060,478
Unrestricted	298,066	607,868	1,790,991	8,816,822
Total net position	<u>\$ 298,066</u>	<u>\$ 607,868</u>	<u>\$ 1,790,991</u>	<u>\$ 24,001,223</u>

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2011

Page 1 of 2

	Fleet	Purchasing	Facilities	Telecomm. &	Claims &
	Administration	Materials	Administration	Technology	Litigation
Operating revenues:					
Sales of merchandise	\$ -	\$ 1,803,277	\$ 2,008,109	\$ -	\$ -
Less: cost of goods sold	-	(804,753)	-	-	-
Charges for services	1,907,191	4,737	-	353,191	-
Insurance premium contributions	-	-	-	-	1,099,785
Other operating revenues	1,414,177	-	-	-	-
Total operating revenues	3,321,368	1,003,261	2,008,109	353,191	1,099,785
Operating expenses:					
General operations	1,859,249	995,958	6,405,449	509,041	-
General administration	-	-	-	-	739,371
Depreciation	1,289,633	33,164	77,911	174,006	-
Taxes	-	-	-	-	-
Risk transfer payment	-	-	-	-	521,170
Payments to claimants and beneficiaries	-	-	-	-	110,588
Total operating expenses	3,148,882	1,029,122	6,483,360	683,047	1,371,129
Operating income (loss)	172,486	(25,861)	(4,475,251)	(329,856)	(271,344)
Nonoperating revenues (expenses):					
External operating subsidies	-	-	146,415	-	-
Investment interest	64,396	8,774	49,704	18,312	36,735
Net increase (decrease) in fair value of investments	12,581	1,579	9,612	2,476	5,824
Interest expense and related charges	-	-	(223,604)	-	-
Gain (loss) on sale of capital assets	(50,817)	-	-	-	-
Other nonoperating revenues (expenses)	10,947	29,244	132,662	2,588	-
Total nonoperating revenues (expenses)	37,107	39,597	114,789	23,376	42,559
Income (loss) before transfers	209,593	13,736	(4,360,462)	(306,480)	(228,785)
Transfers in	9,000	-	528,250	224,190	-
Transfers out	-	-	(199,678)	-	-
Change in net position	218,593	13,736	(4,031,890)	(82,290)	(228,785)
Total net position - beginning	17,374,572	1,537,042	2,266,968	809,999	1,564,577
Prior period adjustment	-	-	578,790	1,282,986	-
Total net position - ending	\$ 17,593,165	\$ 1,550,778	\$ (1,186,132)	\$ 2,010,695	\$ 1,335,792

CITY OF BELLINGHAM
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended December 31, 2011

Page 2 of 2

	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
Operating revenues:				
Sales of merchandise	\$ -	\$ -	\$ -	\$ 3,811,386
Less: cost of goods sold	-	-	-	(804,753)
Charges for services	-	-	-	2,265,119
Insurance premium contributions	151,185	547,279	11,727,420	13,525,669
Other operating revenues	-	-	-	1,414,177
Total operating revenues	<u>151,185</u>	<u>547,279</u>	<u>11,727,420</u>	<u>\$ 20,211,598</u>
Operating expenses:				
General operations	-	-	-	9,769,697
General administration	16,164	267,263	438,983	1,461,781
Depreciation	-	-	-	1,574,714
Taxes	-	-	700	700
Risk transfer payments	-	40,936	11,007,430	11,569,536
Payments to claimants and beneficiaries	(97,689)	324,876	215,862	553,637
Total operating expenses	<u>(81,525)</u>	<u>633,075</u>	<u>11,662,975</u>	<u>24,930,065</u>
Operating income (loss)	<u>232,710</u>	<u>(85,796)</u>	<u>64,445</u>	<u>(4,718,467)</u>
Nonoperating revenues (expenses):				
External operating subsidies	-	-	-	146,415
Investment interest	4,522	8,687	14,268	205,398
Net increase (decrease) in fair value of investments	756	1,536	2,896	37,260
Interest expense and related charges	-	-	-	(223,604)
Gain (loss) on sale of capital assets	-	-	-	(50,817)
Other nonoperating revenues (expenses)	-	-	4	175,445
Total nonoperating revenues (expenses)	<u>5,278</u>	<u>10,223</u>	<u>17,168</u>	<u>290,097</u>
Income (loss) before transfers	<u>237,988</u>	<u>(75,573)</u>	<u>81,613</u>	<u>(4,428,370)</u>
Transfers in	-	-	-	761,440
Transfers out	-	-	-	(199,678)
Change in net position	<u>237,988</u>	<u>(75,573)</u>	<u>81,613</u>	<u>(3,866,608)</u>
Total net position - beginning	<u>510,078</u>	<u>933,441</u>	<u>1,709,378</u>	<u>26,706,055</u>
Prior period adjustment	(450,000)	(250,000)	-	1,161,776
Total net position - ending	<u>\$ 298,066</u>	<u>\$ 607,868</u>	<u>\$ 1,790,991</u>	<u>\$ 24,001,223</u>

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2011

Page 1 of 2

	<u>Fleet Administration</u>	<u>Purchasing Materials Management</u>	<u>Facilities Administration</u>	<u>Telecomm. & Technology</u>	<u>Claims & Litigation</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ -	\$ 21,905	\$ 4,589	\$ -
Receipts from interfund services provided	3,321,368	1,808,014	2,121,982	348,602	1,084,278
Payments for merchandise	-	(796,826)	-	-	-
Payments for wages and benefits	(703,784)	(581,578)	(1,228,925)	(87,173)	(156,536)
Payments for operating expenses	(1,230,085)	(475,394)	(4,723,103)	(406,884)	(1,366,072)
Other receipts (payments)	10,947	29,244	115,251	2,586	15,507
Net cash provided (used) by operating activities	<u>1,398,446</u>	<u>(16,540)</u>	<u>(3,692,890)</u>	<u>(138,280)</u>	<u>(422,823)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	-	528,250	224,190	-
Transfers out	-	-	(199,678)	-	-
Payments for interest	-	-	(209,726)	-	-
Receipts from other governmental units	-	-	146,415	-	-
General obligation bond revenue	-	-	6,480,000	-	-
Bond issue costs	-	-	(71,171)	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>6,674,090</u>	<u>224,190</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(512,739)	-	-	(90,656)	-
Proceeds from the sale of capital assets	80,853	-	-	-	-
Net cash provided (used) by capital financing activities	<u>(431,886)</u>	<u>-</u>	<u>-</u>	<u>(90,656)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturity of investments	5,285,740	825,689	698,789	317,978	3,468,574
Purchase of investments	(6,709,006)	(904,622)	(3,837,387)	(1,451,320)	(3,499,913)
Interest and dividends received	67,450	9,627	42,359	15,744	41,108
Net cash provided (used) in investment activities	<u>(1,355,816)</u>	<u>(69,306)</u>	<u>(3,096,239)</u>	<u>(1,117,598)</u>	<u>9,769</u>
Net increase (decrease) in cash and equivalents	<u>(389,256)</u>	<u>(85,846)</u>	<u>(115,039)</u>	<u>(1,122,344)</u>	<u>(413,054)</u>
Cash and cash equivalents - beginning of year	1,500,423	235,672	750,599	1,362,716	992,721
Cash and cash equivalents - end of year	<u>1,111,167</u>	<u>149,826</u>	<u>635,560</u>	<u>240,372</u>	<u>579,667</u>
Cash at end of year consists of					
Cash and cash equivalents	1,111,167	149,826	187,739	240,372	579,667
Restricted cash	-	-	447,821	-	-
Total cash at end of year	<u>\$ 1,111,167</u>	<u>\$ 149,826</u>	<u>\$ 635,560</u>	<u>\$ 240,372</u>	<u>\$ 579,667</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 172,486	\$ (25,861)	\$ (4,475,251)	\$ (329,856)	\$ (271,344)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	1,289,633	33,164	77,911	174,005	-
Other non-operating receipts (expenses)	10,947	29,244	132,662	2,588	-
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	-	-	434	-	-
(Increase) decrease in inventory of supplies	-	7,928	-	-	-
Increase (decrease) in accounts payable	(81,527)	(63,891)	441,551	5,796	(71,026)
Increase (decrease) in wages and benefits payable	6,907	2,876	12,753	9,187	(7,664)
Increase (decrease) in revenues collected in advance	-	-	1,823	-	-
Increase (decrease) in due to other funds	-	-	210	-	-
Increase (decrease) in due to other governmental units	-	-	-	-	-
Increase (decrease) in other current liabilities	-	-	115,066	-	-
Increase (decrease) in other fees and taxes	-	-	(49)	-	-
Increase (decrease) in other long-term liabilities	-	-	-	-	(72,789)
Net cash provided (used) by operating activities	<u>\$ 1,398,446</u>	<u>\$ (16,540)</u>	<u>\$ (3,692,890)</u>	<u>\$ (138,280)</u>	<u>\$ (422,823)</u>
Non-cash investing, capital, and financing activities:					
Net change in fair value of investments	12,581	1,579	9,612	2,476	5,824
Fleet donations	9,000	-	-	-	-

CITY OF BELLINGHAM
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2011

Page 2 of 2

	Unemployment Compensation	Worker's Compensation Self-Insurance	Health Benefits	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ -	\$ -	\$ -	\$ 26,494
Receipts from interfund services provided	151,185	547,279	11,727,420	21,110,128
Payments for merchandise	-	-	-	(796,826)
Payments for wages and benefits	(14,624)	(61,369)	(191,574)	(3,025,563)
Payments for operating expenses	85,839	(558,258)	(11,460,760)	(20,134,717)
Other receipts (payments)	-	-	4	173,539
Net cash provided (used) by operating activities	222,400	(72,348)	75,090	(2,646,945)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	752,440
Transfers out	-	-	-	(199,678)
Payments for interest	-	-	-	(209,726)
Receipts from other governmental units	-	-	-	146,415
General obligation bond revenue	-	-	-	6,480,000
Bond issue costs	-	-	-	(71,171)
Net cash provided (used) by noncapital financing activities	-	-	-	6,898,280
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	-	-	-	(603,395)
Proceeds from the sale of capital assets	-	-	-	80,853
activities	-	-	-	(522,542)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturity of investments	447,697	751,524	1,391,668	13,187,659
Purchase of investments	(453,233)	(860,240)	(1,611,730)	(19,327,451)
Interest and dividends received	5,083	9,367	15,477	206,215
Net cash provided (used) in investment activities	(453)	(99,349)	(204,585)	(5,933,577)
Net increase (decrease) in cash and equivalents	221,947	(171,697)	(129,495)	(2,204,784)
Cash and cash equivalents - beginning of year	(146,881)	314,172	396,435	5,405,857
Cash and cash equivalents - end of year	75,066	142,475	266,940	3,201,073
Cash at end of year consists of				
Cash and cash equivalents	75,066	142,475	266,940	2,753,252
Restricted cash	-	-	-	447,821
Total cash at end of year	\$ 75,066	\$ 142,475	\$ 266,940	\$ 3,201,073
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 232,710	\$ (85,796)	\$ 64,445	\$ (4,718,467)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>				
Depreciation	-	-	-	1,574,713
Other non-operating receipts (expenses)	-	-	4	175,445
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	434
(Increase) decrease in inventory of supplies	-	-	-	7,928
Increase (decrease) in accounts payable	(54,073)	6,082	6,106	189,018
Increase (decrease) in wages and benefits payable	1,540	7,366	16,185	49,150
Increase (decrease) in revenues collected in advance	-	-	-	1,823
Increase (decrease) in due to other funds	-	-	-	210
Increase (decrease) in due to other governmental units	42,223	-	-	42,223
Increase (decrease) in other current liabilities	-	-	(11,650)	103,416
Increase (decrease) in other fees and taxes	-	-	-	(49)
Increase (decrease) in other long-term liabilities	-	-	-	(72,789)
Net cash provided (used) by operating activities	\$ 222,400	\$ (72,348)	\$ 75,090	\$ (2,646,945)
Non-cash investing, capital, and financing activities:				
Net change in fair value of investments	756	1,536	2,896	37,260
Fleet donations	-	-	-	9,000



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, 2011

	Firefighters'	Police	Total
	Pension	Officers'	Pension
	Pension	Pension	Funds
ASSETS			
Cash and cash equivalents	\$ 851,636	\$ 736,833	\$ 1,588,469
Governments securities	4,998,993	4,325,108	9,324,101
Receivables, net	63,293	11,153	74,446
Interfund loans receivable	1,706,658	-	1,706,658
Total assets	<u>7,620,580</u>	<u>5,073,094</u>	<u>12,693,674</u>
LIABILITIES			
Accounts payable	277	74	351
Accrued pension benefits	47,103	12,110	59,213
Other liabilities	50,403	-	50,403
Total liabilities	<u>97,783</u>	<u>12,184</u>	<u>109,967</u>
NET POSITION			
Restricted for pension	5,447,388	3,088,663	8,536,051
Restricted for long-term care	2,075,409	1,972,247	4,047,656
TOTAL NET POSITION	<u>\$ 7,522,797</u>	<u>\$ 5,060,910</u>	<u>\$ 12,583,707</u>

CITY OF BELLINGHAM
Combining Statement of Net Position
Agency Funds
December 31, 2011

	<u>Guaranty Deposit</u>	<u>School Impact Fee</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 147,083	\$ 59,899	\$ 206,982
Total assets	<u>147,083</u>	<u>59,899</u>	<u>206,982</u>
LIABILITIES			
Accounts payable	28,062	59,899	87,961
Other liabilities	119,021	-	119,021
Total liabilities	<u>\$ 147,083</u>	<u>\$ 59,899</u>	<u>\$ 206,982</u>

CITY OF BELLINGHAM
Combining Statement of Changes in Plan Net Position
Pension Trust Funds
For the Year Ended December 31, 2011

	Firefighters' Pension	Police Officers' Pension	Totals
ADDITIONS			
<i>Contributions:</i>			
Taxes	\$ 2,016,767	\$ -	\$ 2,016,767
Auction proceeds	-	16,709	16,709
Employer contributions	<u>220,772</u>	<u>879,228</u>	<u>1,100,000</u>
Total trust contributions	<u>2,237,539</u>	<u>895,937</u>	<u>3,133,476</u>
<i>Investment income:</i>			
Interest	96,527	45,369	141,896
Net incr (decr) in fair value of investments	<u>9,439</u>	<u>7,692</u>	<u>17,131</u>
Net investment income	<u>105,966</u>	<u>53,061</u>	<u>159,027</u>
Total additions	<u>2,343,505</u>	<u>948,998</u>	<u>3,292,503</u>
DEDUCTIONS			
Benefits	1,924,542	1,014,447	2,938,989
Administration expense	<u>50,557</u>	<u>51,172</u>	<u>101,729</u>
Total deductions	<u>1,975,099</u>	<u>1,065,619</u>	<u>3,040,718</u>
CHANGE IN NET POSITION			
Pension benefits	6,435	(45,559)	(39,124)
Long-term care benefits	361,971	(71,062)	290,909
Net position pension benefits, January 1, 2011	5,440,953	3,134,222	8,575,175
Net position long-term care benefits, January 1, 2011	<u>1,713,438</u>	<u>2,043,309</u>	<u>3,756,747</u>
Net position pension benefits, December 31, 2011	<u>\$ 5,447,388</u>	<u>\$ 3,088,663</u>	<u>\$ 8,536,051</u>
Net position long-term care benefits, December 31, 2011	<u>\$ 2,075,409</u>	<u>\$ 1,972,247</u>	<u>\$ 4,047,656</u>

CITY OF BELLINGHAM
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2011

	<u>Balance December 31, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2011</u>
GUARANTY DEPOSIT				
ASSETS				
Cash and cash equivalents	\$ 362,495	\$ -	\$ 215,412	\$ 147,083
Total assets	<u>362,495</u>	<u>-</u>	<u>215,412</u>	<u>147,083</u>
LIABILITIES				
Accounts payable	-	28,062	-	28,062
Other liabilities	362,495	-	243,474	119,021
Total liabilities	<u>\$ 362,495</u>	<u>\$ 28,062</u>	<u>\$ 243,474</u>	<u>\$ 147,083</u>
SCHOOL IMPACT FEE				
ASSETS				
Cash and cash equivalents	\$ 1,860	\$ 58,039	\$ -	\$ 59,899
Total assets	<u>1,860</u>	<u>58,039</u>	<u>-</u>	<u>59,899</u>
LIABILITIES				
Accounts payable	1,860	58,039	-	59,899
Total liabilities	<u>\$ 1,860</u>	<u>\$ 58,039</u>	<u>\$ -</u>	<u>\$ 59,899</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 364,355	\$ 58,039	\$ 215,412	\$ 206,982
Total assets	<u>364,355</u>	<u>58,039</u>	<u>215,412</u>	<u>206,982</u>
LIABILITIES				
Accounts payable	1,860	86,101	-	87,961
Other liabilities	362,495	-	243,474	119,021
Total liabilities	<u>\$ 364,355</u>	<u>\$ 86,101</u>	<u>\$ 243,474</u>	<u>\$ 206,982</u>



STATISTICAL SECTION

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

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

Data Source:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the applicable year. The City implemented GASB Statement No. 34 in fiscal year 2002, therefore tables presenting government-wide financial data include only eight years of information.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<i>Governmental activities</i>										
Invested in capital assets, net of related debt	\$ 129,113,187	\$ 141,437,663	\$ 192,350,431	\$ 200,189,756	\$ 220,101,614	\$ 251,023,811	\$ 275,562,771	\$ 294,335,598	\$ 314,661,962	\$ 324,665,481
Restricted	28,574,403	31,364,685	42,746,769	49,900,468	43,251,138	43,371,259	42,022,692	36,300,224	48,968,976	59,689,364
Unrestricted	34,399,939	41,082,736	44,904,378	49,526,184	56,458,719	57,555,947	55,239,874	46,656,052	26,636,479	3,956,622
Total governmental activities net assets	<u>192,087,529</u>	<u>213,885,084</u>	<u>280,001,578</u>	<u>299,616,408</u>	<u>319,811,471</u>	<u>351,951,017</u>	<u>372,825,337</u>	<u>377,291,874</u>	<u>390,267,417</u>	<u>388,311,467</u>
<i>Business-type activities</i>										
Invested in capital assets, net of related debt	126,901,880	139,147,818	160,449,099	158,377,192	162,349,648	180,824,082	184,549,549	192,943,450	200,721,924	202,646,637
Restricted	3,120,822	3,120,823	1,833,500	6,351,590	12,465,769	10,378,265	20,483,281	13,055,191	12,337,425	56,042,820
Unrestricted	41,968,152	39,755,405	26,859,475	27,255,759	24,743,675	20,744,147	16,807,591	14,771,564	7,104,917	(26,780,033)
Total business-type activities net assets	<u>171,990,854</u>	<u>182,024,046</u>	<u>189,142,074</u>	<u>191,984,541</u>	<u>199,559,092</u>	<u>211,946,494</u>	<u>221,840,421</u>	<u>220,770,205</u>	<u>220,164,266</u>	<u>231,909,424</u>
<i>Primary government</i>										
Invested in capital assets, net of related debt	256,015,067	280,585,481	352,799,530	358,566,948	382,451,262	431,847,893	460,112,320	487,279,048	515,383,886	527,312,118
Restricted	31,695,225	34,485,508	44,580,269	56,252,058	55,716,907	53,749,524	62,505,973	49,355,415	61,306,401	115,732,184
Unrestricted	76,368,091	80,838,141	71,763,853	76,781,943	81,202,394	78,300,094	72,047,465	61,427,616	33,741,396	(22,823,411)
Total primary government net assets	<u>\$ 364,078,383</u>	<u>\$ 395,909,130</u>	<u>\$ 469,143,652</u>	<u>\$ 491,600,949</u>	<u>\$ 519,370,563</u>	<u>\$ 563,897,511</u>	<u>\$ 594,665,758</u>	<u>\$ 598,062,079</u>	<u>\$ 610,431,683</u>	<u>\$ 620,220,891</u>

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.

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

Page 1 of 3

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses										
General government	\$ 13,279,680	\$ 14,159,375	\$ 10,915,142	\$ 11,089,032	\$ 13,866,795	\$ 14,284,854	\$ 15,976,149	\$ 15,385,834	\$ 15,074,279	\$ 14,476,790
Public safety	25,878,696	26,756,344	27,416,212	29,418,316	30,176,940	35,049,105	37,993,287	36,977,859	37,219,216	40,327,955
Physical environment	3,682,285	3,899,521	4,457,323	3,750,150	4,231,976	4,910,829	6,557,780	6,920,500	5,053,666	5,383,923
Transportation	7,929,942	7,543,476	7,841,862	8,643,230	8,895,051	9,335,399	9,853,604	10,571,685	10,669,612	12,136,460
Economic environment	4,349,341	3,678,977	4,053,125	4,015,164	5,358,832	5,645,655	5,495,025	6,015,965	24,403,155	4,340,166
Mental and physical health	42,027	75,786	52,182	60,093	60,093	45,929	77,346	47,087	77,989	47,024
Culture and recreation	11,298,862	11,574,675	12,139,503	12,654,783	13,868,673	13,477,767	15,719,617	15,949,086	24,151,314	15,799,406
Redemption of general long-term debt	-	1,289,390	-	-	-	-	-	-	-	-
Interest and other debt service costs	<u>1,318,036</u>	<u>893,334</u>	<u>1,268,721</u>	<u>1,454,831</u>	<u>1,302,372</u>	<u>1,192,772</u>	<u>1,146,323</u>	<u>1,076,982</u>	<u>957,318</u>	<u>865,859</u>
Total governmental activities expenses	<u>67,778,869</u>	<u>69,870,878</u>	<u>68,144,070</u>	<u>71,085,599</u>	<u>77,760,732</u>	<u>83,942,310</u>	<u>92,819,131</u>	<u>92,944,998</u>	<u>117,606,549</u>	<u>93,377,583</u>
Business-type activities										
Water	10,174,867	10,793,928	11,108,784	10,872,803	12,475,713	13,141,474	14,190,176	15,130,789	14,684,026	16,338,457
Wastewater	10,596,498	10,412,085	10,668,320	11,524,801	12,748,773	13,418,966	14,394,572	15,354,650	14,896,450	15,474,647
Surface and stormwater	-	-	-	3,740,021	3,964,093	4,121,268	4,565,706	4,769,300	5,109,870	5,192,494
Solid waste	-	-	-	5,452,417	1,741,750	1,865,236	985,055	5,439,399	7,697,454	1,251,060
Cemetery	-	-	-	492,307	540,511	634,208	612,882	590,617	518,100	526,959
Golf course	-	-	-	760,381	736,496	741,103	150,966	127,981	110,473	121,507
Parking	-	-	-	875,404	1,094,941	984,043	1,196,683	1,541,680	1,624,501	1,470,114
Medic one	6,572,659	6,921,739	6,799,473	6,831,349	7,878,728	8,657,338	9,044,577	7,681,681	7,673,790	7,312,579
Development services	-	-	-	2,609,138	2,747,268	2,574,241	2,888,843	1,926,678	1,725,177	1,608,250
Other business-type activities	<u>7,586,832</u>	<u>7,694,819</u>	<u>9,543,683</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities expenses	<u>34,930,856</u>	<u>35,822,571</u>	<u>38,120,260</u>	<u>43,158,621</u>	<u>43,928,273</u>	<u>46,137,877</u>	<u>48,029,460</u>	<u>52,562,775</u>	<u>54,039,841</u>	<u>49,296,067</u>
Total primary government expenses	<u>\$ 102,709,725</u>	<u>\$ 105,693,449</u>	<u>\$ 106,264,330</u>	<u>\$ 114,244,220</u>	<u>\$ 121,689,005</u>	<u>\$ 130,080,187</u>	<u>\$ 140,848,591</u>	<u>\$ 145,507,773</u>	<u>\$ 171,646,390</u>	<u>\$ 142,673,650</u>

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

Page 2 of 3

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues										
Charges for services:										
General government	\$ 9,339,003	\$ 5,893,041	\$ 5,090,982	\$ 6,978,664	\$ 7,378,154	\$ 8,214,128	\$ 7,629,530	\$ 1,846,028	\$ 7,971,785	\$ 7,341,172
Public safety	5,582,699	5,859,182	4,137,835	4,832,625	4,716,786	5,536,189	4,652,808	5,031,673	3,649,014	3,919,904
Physical environment	2,783,772	3,094,960	2,609,588	2,797,346	2,908,572	2,865,241	3,332,454	3,456,750	3,306,542	3,059,867
Transportation	1,904,121	959,312	455,452	437,267	820,489	982,665	780,990	1,575,309	2,969,540	1,797,675
Economic environment	790,480	826,452	1,229,828	1,252,248	1,576,664	1,340,234	1,031,818	1,608,883	-	30,159
Culture and recreation	1,255,841	1,306,930	2,411,547	4,015,913	1,579,059	1,658,473	2,957,313	3,368,716	3,492,695	3,235,228
Redemption of general long-term debt	68,976	74,241	-	-	-	-	-	-	-	-
Operating grants and contributions	8,399,993	11,890,791	5,870,274	3,902,310	4,365,394	3,493,504	4,654,983	6,194,611	6,835,919	5,458,395
Capital grants and contributions	<u>7,002,295</u>	<u>4,019,672</u>	<u>4,849,861</u>	<u>5,198,298</u>	<u>8,240,714</u>	<u>11,137,427</u>	<u>8,277,317</u>	<u>9,921,191</u>	<u>19,831,012</u>	<u>3,352,046</u>
Total governmental activities program revenues	<u>37,127,180</u>	<u>33,924,581</u>	<u>26,655,367</u>	<u>29,414,671</u>	<u>31,585,832</u>	<u>35,227,861</u>	<u>33,317,213</u>	<u>33,003,161</u>	<u>48,056,507</u>	<u>28,194,446</u>
Business-type activities										
Charges for services:										
Water	12,182,880	11,635,263	11,522,506	12,662,209	13,715,124	14,426,124	14,906,201	15,252,014	16,632,474	17,374,266
Wastewater	12,565,788	12,990,049	14,593,476	14,007,723	14,327,011	15,269,074	17,076,027	15,809,211	16,529,749	17,442,198
Surface and stormwater	-	-	-	3,997,067	4,426,473	4,884,658	4,950,172	4,743,490	4,832,097	5,398,976
Solid waste	-	-	-	197,220	830,445	308,130	233,471	211,874	196,329	220,301
Cemetery	-	-	-	286,095	305,660	366,050	346,156	244,710	326,436	301,334
Golf course	-	-	-	755,881	757,042	729,949	184,297	189,999	189,477	189,450
Parking	-	-	-	969,013	1,106,119	2,375,143	2,285,357	2,351,599	2,377,394	2,229,067
Medic one	4,176,400	4,312,241	5,559,733	5,859,978	5,944,914	7,291,514	8,024,156	6,574,164	6,397,643	6,106,185
Development services	-	-	-	2,622,009	2,644,051	2,866,133	2,360,011	2,208,015	1,815,099	1,912,283
Other business-type activities	6,013,345	6,874,452	7,653,881	-	-	-	-	-	-	-
Operating grants and contributions	5,891,297	7,829,401	379,224	599,117	49,406	45,593	6,607	3,919	62,035	769,988
Capital grants and contributions	<u>28,645</u>	<u>34,295</u>	<u>102,041</u>	<u>344,615</u>	<u>3,426,595</u>	<u>1,762,313</u>	<u>2,368,644</u>	<u>1,844,551</u>	<u>1,437,283</u>	<u>1,563,673</u>
Total business-type activities revenues	<u>40,858,355</u>	<u>43,675,701</u>	<u>39,810,861</u>	<u>42,300,927</u>	<u>47,532,840</u>	<u>50,324,681</u>	<u>52,741,099</u>	<u>49,433,546</u>	<u>50,796,016</u>	<u>53,507,721</u>
Total primary government program revenues	<u>\$ 77,985,535</u>	<u>\$ 77,600,282</u>	<u>\$ 66,466,228</u>	<u>\$ 71,715,598</u>	<u>\$ 79,118,672</u>	<u>\$ 85,552,542</u>	<u>\$ 86,058,312</u>	<u>\$ 82,436,707</u>	<u>\$ 98,852,523</u>	<u>\$ 81,702,167</u>
Net (Expense) Revenue										
Governmental activities	\$ (30,651,689)	\$ (35,946,297)	\$ (41,488,703)	\$ (41,670,928)	\$ (46,174,900)	\$ (48,714,449)	\$ (59,501,918)	\$ (59,941,837)	\$ (69,550,042)	\$ (65,183,137)
Business-type activities	<u>5,927,499</u>	<u>7,853,130</u>	<u>1,690,601</u>	<u>(857,694)</u>	<u>3,604,567</u>	<u>4,186,804</u>	<u>4,711,639</u>	<u>(3,129,229)</u>	<u>(3,243,825)</u>	<u>4,211,654</u>
Total primary government net expense	<u>\$ (24,724,190)</u>	<u>\$ (28,093,167)</u>	<u>\$ (39,798,102)</u>	<u>\$ (42,528,622)</u>	<u>\$ (42,570,333)</u>	<u>\$ (44,527,645)</u>	<u>\$ (54,790,279)</u>	<u>\$ (63,071,066)</u>	<u>\$ (72,793,867)</u>	<u>\$ (60,971,483)</u>

Note: Economic Environment does not have revenue in 2010 because of a change in accounting procedure with deferred revenue. See Note V-J.

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

Page 3 of 3

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets										
Taxes										
Property taxes	\$ 13,047,167	\$ 12,461,078	\$ 12,819,530	\$ 12,744,306	\$ 13,092,773	\$ 15,905,123	\$ 16,560,804	\$ 16,683,534	\$ 16,998,700	\$ 17,351,542
Retail sales and use taxes	15,788,358	17,672,260	18,781,686	19,974,866	22,136,372	21,854,574	21,603,021	18,763,691	19,297,747	22,978,303
Interfund taxes	2,338,504	3,042,009	3,066,935	3,355,251	3,563,139	3,763,959	4,022,074	3,894,999	4,136,250	5,272,962
Business taxes	14,520,375	15,480,065	16,098,324	17,628,056	19,220,883	20,972,718	21,208,125	20,817,581	19,365,332	20,032,301
Other taxes	2,681,476	3,450,518	4,099,398	4,534,052	4,522,487	4,085,034	3,330,446	2,912,563	2,559,299	2,466,211
Interest and investment earnings	2,631,032	1,140,764	1,022,486	2,160,842	3,878,646	4,776,518	4,274,577	1,436,128	1,551,747	1,366,413
Miscellaneous sources (uses)	-	(28,372)	432,842	-	-	7,207,497	1,140,391	119,800	12,010	-
Contributions	-	1,426,561	6,724,498	1,489,229	-	-	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	(278,942)	-	-	-	-	-	338,277
Transfers	(1,817,743)	(1,274,489)	(1,216,211)	(321,902)	(44,337)	(202,204)	(480,030)	(219,922)	(687,592)	(1,455,455)
Total governmental activities	49,189,169	53,370,384	61,829,488	61,285,758	66,369,963	78,363,219	71,659,408	64,408,374	63,233,493	68,350,554
<i>Business-type activities</i>										
Retail sales and use taxes	-	-	-	-	350,465	595,633	-	-	-	-
Interfund taxes	552,520	-	-	-	-	-	-	-	-	-
Business taxes	-	-	-	883,843	1,163,203	1,256,117	1,271,585	1,186,561	1,352,583	1,252,349
Other taxes	-	-	618,431	-	-	-	-	-	-	-
Interest and investment earnings	(103)	924,446	569,838	1,125,536	2,075,081	2,709,735	2,843,893	783,800	597,811	773,678
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)	-
Transfers	1,817,743	1,274,489	1,216,211	321,902	44,337	202,204	480,030	219,922	687,592	1,455,455
Total business-type activities	2,370,160	2,198,935	5,428,351	3,700,161	3,969,984	5,798,423	5,182,288	2,186,516	2,637,886	1,945,877
Total primary government	\$ 51,559,329	\$ 55,569,329	\$ 67,257,839	\$ 64,985,919	\$ 70,339,947	\$ 84,161,642	\$ 76,841,696	66,594,890	65,871,379	70,296,431
Change in Net Assets										
Governmental activities	\$ 18,537,480	\$ 17,424,097	\$ 20,340,785	\$ 19,614,830	\$ 20,195,063	\$ 29,648,770	\$ 12,157,490	\$ 4,466,537	\$ (6,316,549)	\$ 3,167,417
Business-type activities	8,297,659	10,052,065	7,118,952	2,842,467	7,574,551	9,985,227	9,893,927	(942,713)	(605,939)	6,157,531
Prior period adjustments	13,410,711	4,354,585	45,774,785	-	-	18,452,702	8,716,830	(127,503)	19,292,092	464,252
Total primary government	\$ 40,245,850	\$ 31,830,747	\$ 73,234,522	\$ 22,457,297	\$ 27,769,614	\$ 58,086,699	\$ 30,768,247	\$ 3,396,321	\$ 12,369,604	\$ 9,789,200

Note: Years 2002-2004 have not been restated; all the business-type funds that were not individually stated are combined under "Other business-type activities".

Beginning in year 2007 the Public Facilities District (PFD) is separately reported as a Discrete Component Unit accounting for a change in net assets of \$13,559,751 between 2006 and 2007.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 35,300	\$ 36,500	\$ 36,100	\$ 1,682	\$ 1,637,368	\$ 1,453,257	\$ 1,261,782	\$ 1,062,649	\$ 855,551	\$ -
Unreserved	<u>4,961,070</u>	<u>6,966,500</u>	<u>7,460,685</u>	<u>10,438,803</u>	<u>12,573,654</u>	<u>24,242,434</u>	<u>14,489,331</u>	<u>12,787,288</u>	<u>12,549,757</u>	-
Nonspendable										640,985
Restricted										853,834
Committed										9,156,556
Assigned										150,409
Unassigned										<u>4,708,440</u>
Total general fund	<u>\$ 4,996,370</u>	<u>\$ 7,003,000</u>	<u>\$ 7,496,785</u>	<u>\$ 10,440,485</u>	<u>\$ 14,211,022</u>	<u>\$ 25,695,691</u>	<u>\$ 15,751,113</u>	<u>\$ 13,849,937</u>	<u>\$ 13,405,308</u>	<u>\$ 15,510,224</u>
All Other Governmental Funds										
Reserved, reported in:										
Special revenue funds	\$ 1,000	\$ 1,100	\$ 1,100	\$ 1,000	\$ 1,000	\$ 1,000	\$ 2,000	\$ 2,000	\$ 11,447,677	\$ -
Debt service funds	2,683,498	1,693,163	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	21,340,970	24,806,318	34,111,990	41,122,938	40,125,731	40,496,481	37,748,500	30,188,799	31,602,827	-
Capital project funds	828,094	882,048	6,233,094	7,289,560	1,771,842	828,930	139,972	-	-	-
Permanent funds	<u>1,179,410</u>	<u>5,454,080</u>	<u>5,802,554</u>	<u>3,641,024</u>	<u>523,616</u>	<u>747,704</u>	<u>757,342</u>	<u>857,725</u>	<u>688,451</u>	-
Nonspendable										7,880,845
Restricted										47,246,996
Committed										-
Assigned										-
Unassigned										<u>(635,116)</u>
Total all other governmental funds	<u>\$ 26,032,972</u>	<u>\$ 32,836,709</u>	<u>\$ 47,173,914</u>	<u>\$ 55,320,665</u>	<u>\$ 49,163,543</u>	<u>\$ 48,922,602</u>	<u>\$ 45,817,050</u>	<u>\$ 38,713,194</u>	<u>\$ 60,557,632</u>	<u>\$ 54,492,725</u>
Total Governmental Funds	<u>\$ 31,029,342</u>	<u>\$ 39,839,709</u>	<u>\$ 54,670,699</u>	<u>\$ 65,761,150</u>	<u>\$ 63,374,565</u>	<u>\$ 74,618,293</u>	<u>\$ 61,568,163</u>	<u>\$ 52,563,131</u>	<u>\$ 73,962,940</u>	<u>\$ 70,002,949</u>

Note: In 2012, GASB 54 changed the classification of fund balances. See discussion in the Notes and Management's Discussion and Analysis. The special revenue fund "General Reserve" was moved to the General Fund in 2003. 2002 has been restated moving "General Reserve" into 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.

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

Revenues	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Taxes (see schedule 5)	\$ 47,853,452	\$ 52,114,673	\$ 54,939,484	\$ 58,334,861	\$ 62,517,853	\$ 66,477,096	\$ 66,787,714	\$ 63,051,228	\$ 62,306,696	\$ 68,113,285
Licenses and Permits	561,444	664,696	686,053	748,160	839,561	917,718	962,989	966,937	1,070,280	1,078,032
Intergovernmental revenue	10,842,978	7,505,414	10,701,346	9,352,256	10,839,504	11,980,989	12,338,995	17,625,391	17,238,533	9,972,732
Charges for services	15,296,397	15,954,548	12,796,330	13,635,249	15,282,851	18,728,092	15,205,392	15,971,339	16,269,473	16,086,214
Fines and forfeits	1,506,190	1,435,403	1,505,718	1,531,297	1,757,922	1,153,695	1,136,335	1,245,620	1,219,571	1,224,859
Investment income	-	-	-	-	-	-	-	1,416,710	1,496,734	1,177,518
Miscellaneous revenues	4,627,262	8,134,498	3,065,575	5,835,324	5,390,953	13,121,564	6,393,108	1,520,850	2,144,314	1,651,030
Total revenues	80,687,723	85,809,232	83,694,506	89,437,147	96,628,644	112,379,154	102,824,533	101,798,075	101,745,601	99,303,670
Expenditures										
General government services	13,254,849	14,333,409	11,013,084	11,299,397	14,188,145	14,081,146	16,141,149	15,507,332	15,167,326	13,923,871
Public safety	25,161,649	27,028,326	26,995,761	29,226,910	31,616,600	33,044,238	37,662,623	36,575,103	36,378,223	37,962,289
Physical environment	3,855,560	4,068,251	4,119,080	4,013,739	4,374,785	4,938,868	6,752,365	7,391,028	5,390,396	5,476,279
Transportation	4,190,479	4,166,516	4,297,507	4,963,151	4,975,443	5,234,218	5,904,387	5,767,047	5,541,435	5,698,525
Economic environment	4,362,288	3,762,357	4,140,276	4,066,829	5,494,392	4,976,102	5,398,503	5,939,617	4,715,403	3,863,451
Mental and physical health	42,027	70,045	57,529	60,093	60,093	45,929	77,346	47,087	77,989	47,024
Cultural and recreation	10,754,115	11,117,728	11,346,889	11,825,657	12,896,367	12,880,007	14,727,561	15,015,039	13,668,315	12,921,869
Debt service:										
Redemption of general long-term debt	3,048,816	2,479,390	2,816,311	2,611,031	2,633,025	2,519,893	2,664,430	2,219,918	2,180,422	1,810,964
Interest and other debt service cost	1,124,505	962,322	1,217,242	1,479,864	1,316,975	1,207,355	1,162,285	1,091,742	972,391	871,130
Capital outlay	17,415,248	10,273,780	22,535,717	8,728,506	21,129,218	15,820,342	23,252,908	20,521,065	14,859,164	17,739,732
Total expenditures	83,209,536	78,262,124	88,539,396	78,275,177	98,685,043	94,748,098	113,743,557	110,074,978	98,951,064	100,315,134
Excess (deficiency) of revenues over (under) expenditures	(2,521,813)	7,547,108	(4,844,890)	11,161,970	(2,056,399)	17,631,056	(10,919,024)	(8,276,903)	2,794,537	(1,011,464)
Other Financing Sources (Uses)										
General long-term debt	1,487,500	1,190,000	148,750	148,750	-	-	-	-	-	-
Current refunding of long-term debt	-	-	(970,000)	-	-	-	-	-	-	-
Interest and other debt service costs	-	-	(6,447)	-	-	-	-	-	-	-
Bond issue	-	-	20,690,000	-	-	-	-	-	-	-
Premium on bonds	-	-	425,314	-	-	-	-	-	-	-
Gain (loss) on sale of capital assets	174,360	-	1,021,934	1	-	-	-	-	-	338,277
Insurance recoveries	-	-	-	-	-	-	1,008,046	119,800	12,010	-
Transfers in	4,222,531	8,715,789	4,297,917	5,588,838	9,896,036	4,901,560	3,549,291	3,203,500	3,507,589	2,950,709
Transfers out	(5,849,273)	(8,642,530)	(5,934,020)	(5,809,108)	(10,226,222)	(6,527,547)	(6,688,446)	(4,051,436)	(4,206,417)	(4,967,928)
Total other financing sources and (uses)	35,118	1,263,259	19,673,448	(71,519)	(330,186)	(1,625,987)	(2,131,109)	(728,136)	(686,818)	(1,678,942)
Prior period adjustments	-	-	2,432	-	-	-	-	-	19,292,090	(1,269,587)
Net change in fund balances	\$ (2,486,695)	\$ 8,810,367	\$ 14,830,990	\$ 11,090,451	\$ (2,386,585)	\$ 16,005,069	\$ (13,050,133)	\$ (9,005,039)	\$ 21,399,809	\$ (3,959,993)
Debt service as a percentage of non-capital expenditures	6.3%	5.1%	6.1%	5.9%	5.1%	4.7%	4.2%	3.7%	3.7%	3.2%

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.

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

Fiscal year	Property	Sales & use	Utility	Business & occupation	Real estate excise	Other	Total
2002	\$ 12,510,081	\$ 15,788,357	\$ 8,811,567	\$ 8,098,187	\$ 1,997,630	\$ 647,630	\$ 47,853,452
2003	12,457,296	17,672,260	9,239,961	9,341,033	2,857,688	546,435	52,114,673
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
Change 2002-2011	38.73%	45.54%	56.66%	42.76%	-13.44%	5.85%	42.34%

Schedule 6
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal year	Real property	Personal property	Total all property	Total direct tax rate
2002	\$ -	\$ -	\$ 4,488,602,150	3.02195
2003	-	-	4,598,293,447	2.92713
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

Source: Whatcom County Assessor's Office.

Note: The breakdown of real and personal property values are not available prior to 2006.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City of Bellingham										
General fund	2.09114	2.09193	2.12921	2.04020	1.68297	1.68677	1.70899	1.49912	1.45770	1.52788
What RDA LIFT	-	-	-	-	-	-	0.00018	0.00021	0.00018	0.00226
Fire pension	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>	<u>0.22500</u>
Sub-total nonvoted levy	2.31614	2.31693	2.35421	2.26520	1.90797	1.91177	1.93417	1.72433	1.68288	1.75514
Voted greenways	<u>0.57000</u>	<u>0.57000</u>	<u>0.57000</u>	<u>0.29748</u>	<u>0.24761</u>	<u>0.57000</u>	<u>0.57493</u>	<u>0.51163</u>	<u>0.49651</u>	<u>0.51645</u>
Total regular levy	2.88614	2.88693	2.92421	2.56268	2.15558	2.48177	2.50910	2.23596	2.17939	2.27159
Voted excess levies	<u>0.13581</u>	<u>0.04020</u>	<u>0.04344</u>	<u>0.06488</u>	<u>0.04884</u>	<u>0.05486</u>	<u>0.05197</u>	<u>0.04516</u>	<u>0.04178</u>	<u>0.03187</u>
Total City of Bellingham levy	3.02195	2.92713	2.96765	2.62756	2.20442	2.53663	2.56107	2.28112	2.22117	2.30346
Overlapping districts										
State schools	3.14299	3.11238	3.15695	3.21948	2.97937	2.69846	2.42701	2.21902	2.19787	2.45657
County levy	1.47041	1.45274	1.55023	1.46589	1.32537	1.14785	1.08884	1.01676	1.02054	1.11230
Conservation futures	0.06136	0.06062	0.06022	0.05694	0.05148	0.04453	0.04229	0.03949	0.01714	0.04125
Flood control	-	-	0.19370	0.18345	0.16582	0.14354	0.13625	0.16598	0.16299	0.13243
Port of Bellingham	0.39012	0.38575	0.38320	0.38258	0.38320	0.34220	0.32465	0.30593	0.29601	0.29719
Bellingham School District	<u>3.72605</u>	<u>3.83237</u>	<u>3.79208</u>	<u>3.45964</u>	<u>2.97790</u>	<u>3.27693</u>	<u>3.26299</u>	<u>2.98677</u>	<u>3.02022</u>	<u>3.41363</u>
Total City & overlapping levy	11.81288	11.77099	12.10403	11.39554	10.08756	10.19014	9.84310	9.01507	8.93594	9.75683

Source: Whatcom County Assessor's Office.

Note: A portion of the City of Bellingham lies within the Meridian School District. The 2011 levy rate for Meridian is 3.74819.

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

Taxpayer	2011			2002		
	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	113,371,742	1	1.35%	-	-	-
Bellis Fair Partners	42,284,652	2	0.50%	35,993,260	2	0.80%
PKII Sunset Square LLC	34,817,760	3	0.41%	-	-	-
Sisters of St Joseph of PeaceHealth	21,825,339	4	0.26%	-	-	-
Qwest Corporation	19,985,829	5	0.24%	-	-	-
Madrona Medical - 4545 Cordata Parkway LLC	17,573,030	6	0.21%	-	-	-
Bellingham Cold Storage	16,983,462	7	0.20%	-	-	-
Fred Meyer - Roundup Company	16,613,571	8	0.20%	-	-	-
Metropolitan Life Insurance	16,502,190	9	0.20%	-	-	-
KIR Bellingham LP	16,425,783	10	0.20%	13,823,585	7	0.31%
Talbot Real Estate	-	-	-	42,988,605	1	0.96%
Georgia-Pacific West, Inc.	-	-	-	23,045,920	3	0.51%
Pan Pacific Development Corporation	-	-	-	20,717,075	4	0.46%
Meridian Village - RVIP CA/WA/OR Portfolio LC	-	-	-	14,461,405	5	0.32%
Trillium Corporation	-	-	-	14,294,545	6	0.32%
Britax Cabin Interiors, Inc.	-	-	-	12,947,100	8	0.29%
Haggen	-	-	-	12,037,485	9	0.27%
Walmart	-	-	-	11,985,465	10	0.27%
Total top ten principal taxpayers	\$ 316,383,358		3.76%	\$ 202,294,445		4.51%
Total all taxpayers	\$ 8,416,799,032			\$ 4,488,602,150		

Source: Whatcom County Assessor's Office.

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		Delinquent collections, & tax levy changes	Total collections to date	
		Amount	Percentage of levy		Amount	Percentage of levy
2002	13,555,413	13,244,413	97.7057%	311,000	13,555,413	100.0000%
2003	13,457,161	13,132,508	97.5875%	324,653	13,493,384	100.0000%
2004	13,910,630	13,656,680	98.1744%	253,950	13,945,259	100.0000%
2005	14,050,825	13,767,756	97.9854%	283,069	14,041,065	100.0000%
2006	14,623,252	14,371,570	98.2789%	251,642	14,623,211	99.9997%
2007	17,419,207	17,161,069	98.5181%	257,932	17,342,512	99.9988%
2008	18,104,429	17,976,878	99.2955%	125,384	18,102,262	99.9880%
2009	18,426,728	18,187,142	98.6998%	186,983	18,374,125	99.7145%
2010	19,091,521	18,682,177	97.8559%	278,602	18,682,177	97.8559%
2011	\$ 19,384,545	\$ 19,048,860	98.2683%	\$ -	\$ 19,048,860	98.2683%

Source: Whatcom County Treasurer's Office.

Note: Beginning in the year 2010, Whatcom County is writing off outstanding property tax balances older than 5 years.

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

Fiscal year	Governmental activities					Business-type activities				Total primary government	Percentage of personal income**	Per capita
	General obligation bonds	Special assessment bonds	Notes payable	Government loans payable	Revenue bonds (net)*	General obligation bonds (net)	Notes payable	Government loans payable				
2002	\$ 10,960,000	\$ 3,985,000	\$ 193,076	\$ 2,684,617	\$ 17,333,293	\$ 1,045,000	\$ -	\$ 1,398,798	\$ 37,599,784	1.64%	\$ 543	
2003	9,990,000	3,160,000	188,483	3,694,821	15,307,399	975,000	-	2,216,198	35,531,901	1.50%	509	
2004	28,490,000	2,395,000	183,557	3,517,186	17,786,760	890,000	3,000,000	2,064,598	58,327,101	2.28%	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	2.33%	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	2.36%	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	1.97%	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	1.86%	822	
2009	19,716,556	286,110	153,045	2,053,154	23,660,000	7,850,585	-	1,985,000	55,704,450	1.75%	732	
2010	17,775,200	212,735	145,558	1,895,219	20,055,000	7,415,688	-	1,823,479	49,322,879	1.43%	610	
2011	\$ 22,691,244	\$ 84,361	\$ 137,529	\$ 1,737,284	\$ 61,989,516	\$ 6,980,607	-	\$ 1,661,959	\$ 95,282,500	-	\$ 1,175	

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

** See Schedule 15 for per capita personal income and population data. Local data is not yet available for 2011 personal income.

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
2002	\$ 12,005,000	\$ 275,148	\$ 11,729,852	0.28%	\$ 168
2003	10,965,000	592,312	10,372,688	0.26%	146
2004	29,380,000	231,072	29,148,928	0.23%	403
2005	36,245,000	184,183	36,060,817	0.54%	491
2006	34,170,000	172,173	33,997,827	0.54%	452
2007	32,005,000	163,426	31,841,574	0.49%	420
2008	29,720,000	191,001	29,528,999	0.45%	388
2009	27,490,000	207,564	27,282,436	0.37%	337
2010	25,120,000	214,706	24,905,294	0.30%	308
2011	\$ 29,635,000	\$ 311,540	\$ 29,323,460	0.35%	\$ 362

Schedule 12
Direct and Overlapping Governmental Activities Debt
As of December 31, 2011

Governmental unit	Debt outstanding	Estimated percentage applicable	Estimated share of direct and overlapping debt
Bellingham School District #501	\$ 88,600,000	75.9%	\$ 67,261,550
Ferndale School District #502	30,730,000	0.1%	16,197
Port of Bellingham	12,535,000	35.4%	4,435,852
Whatcom County	4,865,000	35.4%	1,721,613
Whatcom County Fire District #4	1,960,124	11.0%	<u>214,922</u>
Subtotal, overlapping debt			73,650,135
City of Bellingham direct debt		100.0%	<u>29,635,000</u>
Total direct and overlapping debt			<u>\$ 103,285,135</u>

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.

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

Schedule 13
Legal Debt Margin Information
Last Ten Fiscal Years

<u>Legal Debt Margin Calculation for Fiscal Year</u>	
Total assessed value	\$8,327,291,360
Debt limit:	
Non-voted debt limit (1.5% of assessed value)	124,909,370
Voted debt limit (1.0% of assessed value)	83,272,914
Total debt limit	208,182,284
Debt applicable to limit:	
General obligation bonds	29,635,000
Other debt	137,529
Less: assets available for repayment of debt	<u>(311,540)</u>
Total debt applicable to limit	<u>29,460,989</u>
Legal debt margin	<u>\$ 178,721,295</u>

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total assessed valuation	<u>\$ 4,488,602,150</u>	<u>\$ 4,598,293,447</u>	<u>\$ 5,348,485,164</u>	<u>\$ 6,635,005,489</u>	<u>\$ 6,868,648,539</u>	<u>\$ 7,070,686,278</u>	<u>\$ 8,079,556,522</u>	<u>\$ 8,596,997,698</u>	<u>\$ 8,416,799,032</u>	<u>\$ 8,327,291,360</u>
Debt limit (2.5%)	112,215,054	114,957,336	133,712,129	165,875,137	171,716,213	176,767,157	201,988,913	214,924,942	210,419,975	208,182,284
Total net debt applicable to limit	<u>12,396,661</u>	<u>10,760,312</u>	<u>29,262,019</u>	<u>36,239,090</u>	<u>34,170,337</u>	<u>32,008,113</u>	<u>29,689,026</u>	<u>27,435,481</u>	<u>25,050,852</u>	<u>29,460,989</u>
Legal debt margin	<u>\$ 99,818,393</u>	<u>\$ 104,197,024</u>	<u>\$ 104,450,110</u>	<u>\$ 129,636,047</u>	<u>\$ 137,545,876</u>	<u>\$ 144,759,044</u>	<u>\$ 172,299,887</u>	<u>\$ 187,489,461</u>	<u>\$ 185,369,123</u>	<u>\$ 178,721,295</u>
Total net debt applicable to limit as a percentage of debt limit	11.0%	9.4%	21.9%	21.8%	19.9%	18.1%	14.7%	12.8%	11.9%	14.2%

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.

Schedule 14
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal year	Water-Sewer revenue bonds						Special assessment (LID) bonds				
	Gross revenue	Operating expense	Net available revenue	Debt service		Percentage bond coverage	Special assessment collections	Debt service		Percentage bond coverage	
				Principal	Interest			Principal	Interest		
2002	\$ 25,662,709	\$ 16,057,401	\$ 9,605,308	\$ 1,965,000	\$ 901,148	3.35	\$ 1,257,651	\$ 945,000	\$ 305,660	1.01	
2003	25,820,131	16,356,359	9,463,772	2,050,000	809,678	3.31	1,086,486	825,000	251,448	1.01	
2004	25,851,284	16,819,139	9,032,145	2,150,000	565,726	3.33	973,069	765,000	202,048	1.01	
2005	27,954,210	17,444,886	10,509,324	1,725,000	830,794	4.11	695,305	530,000	154,818	1.02	
2006	29,979,626	19,819,809	10,159,817	1,860,000	669,589	4.02	702,709	570,000	120,993	1.02	
2007	32,006,315	20,916,527	11,089,788	2,520,000	1,058,107	3.10	453,028	370,000	83,213	1.00	
2008	33,954,048	22,816,773	11,137,275	2,675,000	967,095	3.06	410,967	355,000	58,925	0.99	
2009	31,792,039	24,531,698	7,260,341	2,775,000	1,076,464	1.89	355,519	235,000	35,223	1.32	
2010	32,157,169	22,658,580	9,498,589	3,605,000	979,422	2.07	130,023	80,000	20,100	1.30	
2011	\$ 37,802,051	\$ 24,295,254	\$ 13,506,797	\$ 3,755,000	\$ 841,396	2.94	\$ 135,889	\$ 135,000	\$ 15,300	0.90	

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

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
2002	69,260	\$ 2,294,307	\$ 33,126	-	-	6.9%
2003	69,850	2,368,544	33,909	-	-	6.8%
2004	71,080	2,558,738	35,998	-	-	5.8%
2005	72,320	2,658,917	36,766	30.1	22,726	5.0%
2006	73,460	2,906,812	39,570	30.7	25,667	4.5%
2007	75,220	3,173,682	42,192	29.7	29,343	4.1%
2008	75,750	3,340,424	44,098	30.3	26,276	5.0%
2009	76,130	3,181,853	41,795	30.7	27,496	8.5%
2010	80,885	\$ 3,443,274	\$ 42,570	36.6	27,594	7.9%
2011	81,067	***	***	***	***	8.1%

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

Per capita personal income source: Federal Reserve Bank of St. Louis - Economic Research.

Median age, education level, and school enrollment source: U.S. Census Bureau, American FactFinder.

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

The data in this schedule is derived from the Bellingham, WA Metropolitan Statistical Area (MSA).

**** 2011 Information was not available at the time this schedule was prepared.*

Schedule 16
Principal Employers
Current Year and Eight Years Prior

Employer	2011			2003		
	Employees	Rank	Percentage of total city employment	Employees	Rank	Percentage of total city employment
St. Joseph Hospital	2,753	1	2.83%	1,800	2	2.02%
Western Washington University	1,592	2	1.63%	1,970	1	2.22%
Bellingham School District	1,312	3	1.35%	1,216	3	1.37%
City of Bellingham	899	4	0.92%	823	6	0.93%
Whatcom County	864	5	0.89%	828	4	0.93%
Haggen Inc.	850	6	0.87%	827	5	0.00%
Heath Techna	704	7	0.72%	-	-	0.00%
Sodexo Services	652	8	0.67%	400	10	0.45%
Sterling Helath	650	9	0.67%	-	-	0.00%
Fred Meyer's	613	10	0.63%	-	-	0.00%
Anvil Corporation		-	0.00%	560	7	0.63%
Brown & Cole Stores		-	0.00%	520	8	0.58%
T-Mobile USA		-	0.00%	500	9	0.56%
Total employed by the top 10 employers	<u>10,889</u>		<u>11.18%</u>	<u>9,444</u>		<u>9.69%</u>
Total city employment	<u>97,387</u>			<u>88,924</u>		

Sources: Western Washington University College of Business and Economics, Economics and Business Research for 2010 employer data. Bellingham Herald for 2003 employer data, and U.S. Department of Labor, Bureau of Labor Statistics for total city employment data. Beginning in 2009, the total city employment figure reported for both years is derived from the Bellingham, WA Metropolitan Statistical Area (MSA). Note: Fiscal year 2003 is the earliest available historical data. Haggen Inc. and Sterling Health are estimates based on 2009 numbers.

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

Employee groups	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Elected Mayor	2.0	2.0	2.0	2.0	2.0	2.0	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	75.6	78.6	77.4	77.1	79.9	83.9	90.8	87.0	80.1	75.7
Supervisors & Professionals	94.3	100.6	101.7	104.9	103.4	108.6	107.8	106.0	100.0	97.5
Professional Librarians	9.3	8.3	8.0	8.0	8.0	8.0	8.0	8.0	6.3	7.0
Emergency Med Svcs Dispatch	11.0	11.0	11.0	12.0	12.0	12.0	13.0	13.0	13.0	13.0
Fire Supervisors	8.0	8.0	7.3	7.0	8.0	8.0	8.0	8.0	8.0	8.0
Firefighters	128.7	129.7	129.3	122.5	126.0	132.0	135.0	133.0	129.0	133.0
Police	98.0	98.0	95.4	95.1	100.0	102.0	102.0	106.0	99.7	101.0
WHAT COMM Dispatch	-	23.0	23.0	23.0	23.0	26.0	26.0	26.0	26.0	26.0
Non-Uniformed	<u>379.1</u>	<u>355.7</u>	<u>334.4</u>	<u>323.5</u>	<u>327.3</u>	<u>336.5</u>	<u>352.1</u>	<u>351.6</u>	<u>319.8</u>	<u>308.8</u>
Total regular workforce	814.0	822.9	797.5	783.1	797.6	827.0	851.7	847.6	790.9	779.0
Temporary labor	<u>73.4</u>	<u>69.1</u>	<u>60.9</u>	<u>59.2</u>	<u>62.2</u>	<u>66.7</u>	<u>64.6</u>	<u>62.6</u>	<u>62.0</u>	<u>59.6</u>
Total paid workforce	887.4	892.0	858.4	842.3	859.8	893.7	916.3	910.2	852.9	838.6

Sources: City of Bellingham 2002-2011 adopted budgets.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Governmental Services										
Judicial										
Caseload per Public Defender	-	-	-	-	-	-	486	392	436	399
% of Criminal cases completed in 90 da	-	-	-	-	-	80%	82%	86%	83%	85%
Clearance rates - all infractions	-	-	106%	110%	107%	108%	110%	109%	115%	102%
Clearance rates - criminal misdemeanor	-	-	118%	137%	117%	112%	109%	102%	104%	113%
Finance										
GO Bonded debt issued (millions)	\$ -	\$ -	\$ 20.7	\$ 8.7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.5
GO Bonded debt redeemed (millions)	\$ -	\$ 1.0	\$ 2.3	\$ 1.8	\$ 2.1	\$ 2.2	\$ 2.3	\$ 2.2	\$ 2.4	\$ 2.0
GO Bonded debt (millions)	\$ -	\$ 11.0	\$ 29.4	\$ 36.2	\$ 34.2	\$ 32.0	\$ 29.7	\$ 27.5	\$ 25.1	\$ 29.6
GO Bonded debt per capita	\$ -	\$ 157.0	\$ 420.0	\$ 501.0	\$ 465.0	\$ 425.0	\$ 392.0	\$ 361.0	\$ 324.0	\$ 366.0
Human Resources and Payroll										
Benefit costs as a % of wages	-	28.5%	30.2%	31.9%	33.8%	36.2%	37.7%	40.2%	34.2%	36.3%
Legal										
Criminal filings	3,700	4,183	4,015	3,552	3,809	4,138	3,860	4,138	3,844	3,576
Claims filed	80	93	70	54	46	62	60	79	48	58
Public Safety										
Police										
Violent crime incidents	164	181	182	174	196	187	181	171	282	202
Property crime incidents	4,944	5,138	5,878	5,573	5,334	5,022	4,358	4,341	3,653	3,718
Total dispatch incidents/CAD	120,080	125,544	128,089	126,709	128,089	128,665	129,048	128,416	128,734	127,248
Incidents per dispatcher	-	5,458	5,569	5,509	5,569	5,594	5,611	5,583	4,951	5,533
Fire										
Fire unit responses	8,920	9,059	9,802	8,277	8,211	7,735	7,592	7,412	7,227	6,916
Aid unit responses	-	-	-	1,044	1,804	2,501	3,848	3,939	4,478	4,077
False fire alarms	-	599	735	627	729	656	639	580	605	532
EMS Incidents in City	-	-	-	-	4,819	6,754	6,764	7,399	6,600	6,790
EMS Incidents in total	-	10,797	11,375	11,815	11,085	10,221	10,063	9,100	9,045	11,213
Physical Environment										
Public Works										
Million of gallons water treated/day	10.0	10.2	10.4	9.8	10.5	10.8	9.7	9.4	8.9	8.8
Million of gallons wastewater/day	11.3	11.9	12.5	11.8	12.5	12.0	11.6	12.8	12.2	12.2
Transportation										
Public Works										
% of streets needing overlay	-	-	-	-	8.8%	6.0%	6.0%	6.4%	6.5%	-
% of sidewalks needing overlay	-	-	-	-	6.7%	10.0%	12.0%	11.0%	18.5%	13.0%
Economic Environment										
Hearing Examiner										
Cases heard	69	75	84	76	55	54	33	32	24	34
Planning										
Subdivision/short plats	59	55	47	99	61	40	31	37	25	36
New lots created	201	200	123	130	284	231	81	72	72	26
Development Services (Building Services)										
Plans reviewed	2,915	2,000	1,145	2,146	2,123	1,738	1,553	2,070	1,393	1,506
Total permits issued	4,390	4,608	4,770	4,846	4,198	4,372	3,681	3,111	3,472	3,615
Culture and Recreation										
Library										
Circulation per capita	16.2	16.4	16.6	16.5	16.4	17.0	18.7	20.9	20.9	20.3
Persons visiting (in thousands)	-	671.8	698.0	702.2	744.9	744.3	894.0	924.3	836.7	862.3
Museum										
Total attendance	107,675	103,299	104,565	111,705	106,001	103,656	90,700	50,445	70,879	64,977
Parks										
Park Acreage	-	-	-	-	3,218	3,272	3,334	3,440	3,446	3,561
Trail miles	-	-	-	-	64.1	64.6	65.8	67.2	67.9	68.0
Cum. acres of parks acq-greenway levy	392	483	499	510	511	525	598	696	697	812

Source: City of Bellingham 2003-2012 adopted budgets

Schedule 19
Capital Asset Statistics by Function
Last Ten Fiscal Years

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
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	47	43	48	45	40	36	39	34	39	44
Armored vehicle	-	-	-	-	-	-	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	13	13	12	10	10
Command vehicle	-	-	-	-	-	-	1	1	1	1
Ambulances	10	10	10	10	11	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)	368	377	383	386	387	392	395	390	393	396
Sewer mains (miles)	305	310	316	319	316	316	316	316	316	314
Fire hydrants (total)	-	-	-	3,050	3,099	3,119	3,149	3,154	3,199	3,245
Water storage capacity (millions of gallons)	-	-	-	24	24	24	24	24	24	24
Wastewater treatment capacity (millions of gallons)	-	-	-	20	20	20	20	20	20	20
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)	269	275	280	286	289	280	297	297	297	297
Sidewalks (miles)	-	-	-	110	110	143	143	149	199	291
Traffic signals maintained										199
Culture and Recreation										
Library	2	2	2	2	2	2	2	2	2	2
Libraries (buildings)										
Museum	2	2	2	2	2	2	2	2	2	2
Museums (buildings)										
Parks Department	38	40	40	40	40	40	40	40	48	48
Parks										
Civic field complex:	1	1	1	1	1	1	1	1	1	1
Football stadium	-	1	1	1	1	1	1	1	1	1
Ice rink / indoor soccer	1	1	1	1	1	1	1	1	1	1
Skateboard / bicycle park	9	9	9	9	9	9	9	9	9	9
Baseball / softball fields	1	1	1	1	1	1	1	1	1	1
Swimming pool	1	1	1	1	1	1	1	1	1	1
Golf course										
Public Facilities District (PFD)										
Theater	1	1	1	1	1	1	1	1	1	1
Museum	-	-	-	-	-	-	-	1	1	1

City of Bellingham, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Page 1 of 2

1 Federal Agency Name / Pass-Through Agency Name	2 Federal Program Name	3 CFDA Number	4 Other ID Number	5 Expenditures			6 Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
US Dept. of Housing & Urban Development, Office of Community, Planning, & Development	Community Development Block Grants / Entitlement Grants	14.218	B-10-MC-53-0010		893,020	893,020	1, 3
US Dept. of Housing & Urban Development, Office of Community, Planning, & Development / WA State Dept. of Commerce	Community Development Block Grants / State's Program and Non-entitlement Grants in Hawaii	14.228	08-F6401-030	2,309		2,309	1
US Dept. of Housing & Urban Development, Office of Community, Planning, & Development	HOME Investment Partnerships Program	14.239	M09(10)&(11)-MC-53-0204		490,405	490,405	1, 3
US Dept. of Housing & Urban Development	Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)	14.253	B09-MY-53-0010		58,873	58,873	1, 4
US Dept. of the Interior, National Park Svc / WA State Dept. of Archaeology & Historic Preservation	Historic Preservation Fund Grants-In-Aid	15.904	FY11-61011-002	15,000		15,000	
US Dept. of the Interior, National Park Svc, GSA	Federal Building Restoration	15.999	Consolidated Appropriation Act, 2004 (H.R.2673)		50,217	50,217	5
US Dept. of Justice, Violence Against Women Office / WA State Dept. of CTED / DVSAS of Whatcom County	Violence Against Women Formula Grants	16.588	F10-31103-028	19,662		19,662	1, 2
US Dept. of Justice, Violence Against Women Office	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2005-WE-AX-0080		202,840	202,840	1
US Dept. of Justice, Bureau of Justice Assistance	Bulletproof Vest Partnership Program	16.607	2011		16,172	16,172	1, 2
US Dept. of Justice, Bureau of Justice Assistance / WA State Dept. of CTED / Whatcom County Sheriff's Office	Edward Byrne Memorial Justice Assistance Grant Program	16.738	M10(11)-34021-017	43,406		43,406	1, 2
US Dept. of Transportation, Federal Highway Administration / WA State Dept. of Transportation	Highway Planning & Construction	20.205	BRM-5511(001)/LA7052 HPP-0080(016)/LA6713 SRTS-0080(015)/LA6661 STPE 0080(014)/LA6657 STPR-5534(001)/LA6329 STPUS-5511(002)/LA7470	191,563 7,037 6,597 3,009 63,714 80,088			1, 2 1 2 1, 2
			Sub-Total	352,008		352,008	
Subtotal Federal Awards Expended				\$432,385	\$1,711,527	\$2,143,912	

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

City of Bellingham, Washington
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

Page 2 of 2

1	2	3	4	5			6
Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
US Dept. of Transportation, NHTSA / WA Traffic Safety Commission	State & Community Highway Safety	20.600	Speeding LEL	3,664 3,376			2 1,2
			Sub-Total	7,040		7,040	
US Dept. of Transportation, NHTSA / WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	X52	5,175		5,175	2
US Dept. of Transportation, NHTSA / WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	Seatbelts	1,682		1,682	2
US Environmental Protection Agency, Office of Air Radiation	Climate Showcase Communities Grant Program	66.041	AF-83453201-0		108,994	108,994	1, 2
US Environmental Protection Agency, Office of Solid Waste & Emergency Response	Solid Waste Management Assistance Grants	66.808	X1-00J05201-0		4,453	4,453	1
US Dept. of Energy / WA State Dept. of Commerce	State Energy Program	81.041	F11-52112-002	3,153		3,153	1
US Dept. of Energy	ARRA-Energy Efficiency & Conservation Block Grant Program	81.128	DE-SC0002224		89,738	89,738	1, 2, 4
US Dept. of Education, Office of Student Financial Assistance / Western Washington University & Whatcom Community College	ARRA-Federal Work- Study Program	84.033		8,402		8,402	1, 2, 4
US Dept. of Homeland Security / WA State Military Dept.	Emergency Management Performance Grants	97.042	2011-EP-00-0011 D09-124 / 1817-DR-WA	47,401 267,324			2 1, 2
			Sub-Total	314,725		314,725	1, 2
US Dept. of Homeland Security / Whatcom County Sheriff's Office	Homeland Security Grant Program	97.067	2008-GE-T8-0038 2009-SS-T9-0015 2010-SS-T0-0084	45,196 42,099 39,785			1 1
			Sub-Total	127,080		127,080	1, 2
US Dept. of Homeland Security	Staffing for Adequate Fire & Emergency Response	97.083	EMW-2009-FH-00193		190,631	190,631	1, 2
Subtotal - page 1				\$432,385	\$1,711,527	\$2,143,912	
Subtotal - page 2				\$467,257	\$393,816	\$861,073	
Total Federal Awards Expended				\$899,642	\$2,105,343	\$3,004,985	

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

City of Bellingham, Washington
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2011

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. The entire program costs, including the City's portion, may be more than the amounts shown.

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 \$435,316 and the HOME Grant was \$347,856 and are included in this schedule. The amounts of principal and interest received in loan payments for the year for CDBG loans was \$257,778 and for HOME loans was \$108,807.

NOTE 4 - ARRA

The City has expended funds under three separate American Recovery and Reinvestment Act (ARRA) grant awards.

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 \$55,794, of this amount \$5,577 came from interest earnings. The amount of original award remaining is \$531,425.

City of Bellingham, Washington
Schedule of State and Local Financial Assistance
For the Year Ended December 31, 2011

Grantor / Pass-Through Granter / Program Title	Other ID Number	Current Year Expenditures	Foot-note Ref.
<u>Washington State Higher Education / Whatcom Community College</u>			
State Work Study Program - Whatcom Community College		3,645	
<u>Washington State Department of Ecology</u>			
Centennial Clean Water - Bellingham Water Quality & Habitat Improvement	G0800132	14,979	1, 2
Centennial Clean Water - Marine Nearshore Water Quality & Habitat Improvement	G0900085	65,105	1, 2
Centennial Clean Water - Municipal Stormwater Capacity Grant Program	G1100018	55,510	
Centennial Clean Water - Stormwater Homeowner Incentive Program	G1100173	60,731	1, 2
Centennial Clean Water - Stormwater University	G1100171	29,423	1, 2
Local Source Control Partnership	C1200068	60,190	1, 2
Remedial Action - Eldridge Municipal Landfill	G1100200	385,846	1, 2
Remedial Action - R.G. Haley	G1100188	102,939	1, 2
Remedial Action - South State Street Manufactured Gas Plant	G0900207	36,330	1, 2
Stormwater - Phase II Stormwater Pass-through Grant Program	G1100198	50,000	
Stormwater - Residential Stormwater Retrofit Program	G0800614	12,487	2
Stormwater - Shared Sweeping with NPDES Permittees in Whatcom County	G1000535	232,850	
Sub-Total		1,106,390	
<u>Washington State Department of Health</u>			
EMS Prehospital Participation Grant	37M01	1,738	2
<u>Washington State Office of Public Defense</u>			
Public Defense Services	RCW 10.101.080	130,000	2
<u>Washington State Transportation Improvement Board</u>			
Urban Sidewalk Program - Meador Avenue Pedestrian Bridge	P-W-156(P04)-1	175,000	2
Urban Arterial Program - Northwest Avenue	8-2-156(036)-1	214,274	2
Urban Arterial Program - Northwest Avenue Roundabout	8-2-156(038)-1	16,588	1, 2
Sub-Total		405,862	
<u>Washington Traffic Safety Commission</u>			
School Zone Enforcement		6,730	
Total State Assistance		1,654,365	
<u>Northwest Clean Air Agency</u>			
Energy Efficiency Community Challenge		20,559	
<u>Whatcom County</u>			
Economic Development Initiative	200707013-1	8,358	2
Total Local Assistance		\$28,917	
Total State and Local Assistance		\$1,683,282	