



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Bellingham

For the period January 1, 2024 through December 31, 2024

Published September 29, 2025

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

September 29, 2025

Mayor and City Council
City of Bellingham
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Bellingham's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Bellingham January 1, 2024 through December 31, 2024

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Bellingham are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
20.205	Highway Planning and Construction
21.027	COVID-19 – CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$803,281.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Bellingham January 1, 2024 through December 31, 2024

Mayor and City Council
City of Bellingham
Bellingham, Washington

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information, each major fund and the aggregate remaining fund information of the City of Bellingham, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 29, 2025

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Bellingham
January 1, 2024 through December 31, 2024

Mayor and City Council
City of Bellingham
Bellingham, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Bellingham, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2024. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 29, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Bellingham January 1, 2024 through December 31, 2024

Mayor and City Council
City of Bellingham
Bellingham, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information, each major fund and the aggregate remaining fund information of the City of Bellingham, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying 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 and remaining fund information, each major fund and the aggregate remaining fund information of the City of Bellingham, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information 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 basic financial statements. The information has been subjected to the 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 basic financial statements or to the basic 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 as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2025 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. 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

Olympia, WA

September 29, 2025

**City of Bellingham
January 1, 2024 through December 31, 2024**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2024

Statement of Activities – 2024

Governmental Funds Balance Sheet – 2024

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position
– 2024

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2024

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities – 2024

Statement of Net Position – Proprietary Funds – 2024

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2024

Statement of Cash Flows – Proprietary Funds – 2024

Statement of Net Position – Fiduciary Funds – 2024

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2024

Notes to the Basic Financial Statements – 2024

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Legal Basis – Original General Fund – 2024

Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balances
– Differences in Actual Amounts for General Fund Legal Basis and General Fund
GAAP Basis – 2024

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Legal Basis – Transportation Fund – 2024

Schedule of City’s Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3,
LEOFF 1, LEOFF 2, PSERS 2 – 2024

Schedule of Contributions – PERS 1, PERS 2/3, LEOFF 2, PSERS 2 – 2024

Schedule of Changes in Total Pension Liability and Related Ratios – FFP, POP – 2024

Schedule of Changes in Total OPEB Liability and Related Ratios – FFP, POP – 2024

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2024

Notes to Schedule of Expenditures of Federal Awards – 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellingham presents this discussion and analysis as part of the financial statements for the fiscal year ended December 31, 2024. The information presented should be read in conjunction with the financial statements and the notes to the financial statements.

Financial highlights

- On December 31, 2024, the City's government-wide net position, the amount by which total assets and deferred outflow of resources exceed total liabilities and deferred inflow of resources, totaled \$1.1 billion, an increase of \$43.1 million over the 2023 amount of \$1.07 billion. 69.3% or \$772.4 million of the 2024 government-wide net position is classified as net investments in capital assets, 22.5% or \$250.5 million is restricted net position, and the remaining 8.2% or \$91.9 million of government-wide net position is unrestricted and may be used to meet the City's, ongoing obligations.
- The net position of governmental activities is \$683.7 million in 2024, an increase of \$27.6 million over the 2023 amount of \$656.1 million. Restricted government-wide governmental net position is \$237.7 million in 2024, an increase of 2% or \$5.4 million over the 2023 amount of \$232.3 million. The unrestricted government-wide governmental net position decreased by \$4.4 million.
- The net position of business-type activities is \$431.1 million in 2024, which represents an increase of \$15.6 million over the 2023 amount of \$415.6 million. This increase can be attributed to gains in utility funds' net positions. Water gained \$12.8 million, wastewater \$2.6 million, and surface & stormwater \$761 thousand in proprietary fund net position.

Overview of the financial statements

This discussion and analysis is intended to introduce the basic financial statements. The basic financial statements consist of three parts: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements

Government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar in nature to a private-sector business. These statements are reported using full accrual basis of accounting. All funds are represented except custodial fund types.

- **The Statement of Net Position** presents financial information on all assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increased or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- **The Statement of Activities** presents financial information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cashflows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Each of the government-wide financial statements distinguish function of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, transportation, natural and economic resources, social services, and culture and recreation. The business-type activities of the City include

water, wastewater, surface and stormwater, cemetery, golf course, parking, medic one, and development services.

The government-wide financial statements include the City, referred to as the primary government, and a legally separate entity, the Bellingham-Whatcom Public Facility District (PFD), a discretely presented component unit for which the City is financially accountable. Financial information for the Bellingham-Whatcom Public Facility District is reported separately from the financial information presented for the primary government itself.

Fund financial statements

While the government-wide statements look at the City as a whole and a focus on types of activities (general government versus business-type activities), the fund financial statements provide a more detailed look at the City's individual major funds and combined fund types.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and custodial funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund statements include balance sheets and statements of revenues, expenditures, and changes in fund balance. The accounting basis used is modified accrual and there are no capital assets or long-term debt included in these statements. Unlike the full accrual basis of accounting used in government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to compare the governmental fund statements and the *governmental activities* in the government-wide statements.

The City reports 24 individual governmental funds. Information for the General fund and Transportation fund, the City's two major governmental funds, are presented separately in the basic statements. Data from the City's other governmental funds including special revenue, debt service, capital project, and permanent funds are combined into a single aggregated presentation.

Budgetary comparisons are included with the financial statements in the required supplementary information section for the legally adopted General fund budget. These statements demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are used to account for the City's business-type activities where all, or part, of the cost of activities are supported by fees and charges that are paid directly by those who benefit from the activities. The fund level statements provide the same type of information as the government-wide financial statements, only in more detail since both apply the accrual basis of accounting. In comparing the total assets and total liabilities between the two statements, you will notice only slight differences. One notable difference is that the "Due from other fund" (asset) and the "Due to other funds" (liability) are combined into a single line called "Internal balances" in the liabilities section of the government-wide statement of net position. Proprietary fund statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows.

The City reports two types of proprietary funds: enterprise and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City has eight enterprise funds, which account for the operations of three major funds: Water, Wastewater, and Surface and Stormwater, and five other funds that are aggregated in the non-major enterprise fund column. *Internal service* funds are used to report activities that provide supplies and services for City programs and to accumulate and allocate the associated costs of providing these supplies and services to the various functions. The internal service funds account for these eight funds: Fleet Administration, Facilities Administration, Technology and Telecommunications, Claims and Litigation, Unemployment Compensation, Worker's Compensation Self-Insurance, Health Benefits, and Public Works Administration and Engineering. Because these internal fund services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The proprietary fund statement of net position and the proprietary fund statement of revenues, expenses, and Changes in fund net position present separate columns of financial data for the three major enterprise funds. Data from the remaining enterprise funds and internal service funds are combined and presented in their own, single, aggregated columns in the fund statement.

Custodial 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. The City has one fund that is reported as a Custodial fund. Custodial funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own operations.

Notes to the financial statements

The notes 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents comparative budget statements for major governmental funds. This report contains certain required supplementary information concerning the City's Pension and Other Post Employment Benefit funds. Information is also provided for the City's participation in, and proportionate share of, the state retirement plans.

Government-wide financial analysis

Government-wide net position

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Bellingham, assets and deferred outflows of resources exceeded liabilities by \$1.1 billion, on December 31, 2024. This was an increase of \$43.1 million, or 4%, over December 31, 2023.

Net position (in thousands)						
	Governmental activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Current	\$ 255,125	\$ 268,918	\$ 106,435	\$ 108,840	\$ 361,559	\$ 377,758
Noncurrent	119,420	97,358	22,166	24,410	141,586	121,768
Capital assets	<u>491,490</u>	<u>454,487</u>	<u>377,383</u>	<u>361,294</u>	<u>868,873</u>	<u>815,781</u>
Total assets	<u>866,035</u>	<u>820,764</u>	<u>505,984</u>	<u>494,544</u>	<u>1,372,019</u>	<u>1,315,307</u>
Deferred Outflows of Resources	<u>30,366</u>	<u>22,359</u>	<u>9,409</u>	<u>7,645</u>	<u>39,774</u>	<u>30,004</u>
Liabilities						
Current	22,867	28,396	8,773	8,455	31,639	36,851
Noncurrent	<u>175,092</u>	<u>139,844</u>	<u>67,306</u>	<u>68,913</u>	<u>242,398</u>	<u>208,757</u>
Total liabilities	<u>197,959</u>	<u>168,240</u>	<u>76,078</u>	<u>77,367</u>	<u>274,037</u>	<u>245,608</u>
Deferred Inflows of Resources	<u>14,776</u>	<u>18,768</u>	<u>8,208</u>	<u>9,307</u>	<u>22,984</u>	<u>28,074</u>
Net position						
Net investment in capital assets	456,061	429,470	316,357	297,837	772,418	727,307
Restricted	237,696	232,310	12,768	15,099	250,465	247,409
Unrestricted	<u>(10,091)</u>	<u>(5,665)</u>	<u>101,981</u>	<u>102,578</u>	<u>91,890</u>	<u>96,913</u>
Total net position	<u>\$ 683,666</u>	<u>\$ 656,115</u>	<u>\$ 431,106</u>	<u>\$ 415,515</u>	<u>\$1,114,772</u>	<u>\$1,071,630</u>

69.3% of the City's GW net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, infrastructure, software, leases, and SBITAs), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. During 2024, the GW net investment in capital assets increased by \$45.1 million.

An additional 22.5% of the City's GW net position represents resources that are subject to external restrictions on how they may be used. These restrictions include bond covenants, construction requirements, levy agreements, endowment terms, settlement agreements and the Revised Code of Washington. In 2024, the GW restricted resources total \$250.5 million. The remaining balance of \$91.9 million is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors. In 2024, the unrestricted net position decreased \$5 million from 2023.

At the end of 2024, the City of Bellingham is able to report positive balances in all reported categories of net position for the government as a whole.

Government-wide changes in net position

In 2024, government-wide net position increased by \$43.1 million. In 2023, government-wide net position increased by \$30.3 million, an increase in net gain of \$12.8 million in 2024. The most notable factors that contribute to the increased gain in 2024, are related to the accrual basis of accounting, recording unrealized losses in fair value of investment income earnings, and recording an increase in the City's unrestricted amount. The government-wide recorded net gain on fair value of investments was \$7 million in 2024. The government-wide recorded increase in the City's unrestricted was \$4 million in 2024.

Changes in net position (in thousands)						
	Governmental activities		Business-type activities		Total	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 21,293	\$ 20,204	\$ 106,845	\$ 98,775	\$ 128,138	\$ 118,979
Operating grants and contributions	28,034	15,256	2,454	1,814	30,489	17,070
Capital grants and contributions	19,780	9,054	3,412	3,158	23,191	12,212
General revenues:						
Property tax	33,498	29,639	-	-	33,498	29,639
Sales and use tax	54,627	54,386	1,152	1,162	55,779	55,548
Business tax	45,171	42,465	-	-	45,171	42,465
Real estate excise tax	4,540	4,622	-	-	4,540	4,622
Leasehold tax	666	650	-	-	666	650
Admissions tax	483	455	-	-	483	455
Investment Income	11,360	10,967	5,333	5,179	16,693	16,146
Miscellaneous revenue	4,389	3,155	592	710	4,981	3,865
Total revenues	223,842	190,853	119,789	110,798	343,630	301,650
Program expenses:						
General government	23,067	17,108	-	-	23,067	17,108
Public safety	85,312	80,332	-	-	85,312	80,332
Transportation	26,510	23,705	-	-	26,510	23,705
Natural and economic environment	31,095	27,764	-	-	31,095	27,764
Social services	2,411	396	-	-	2,411	396
Culture and recreation	28,441	28,643	-	-	28,441	28,643
Interest on long-term debt	2,102	1,398	-	-	2,102	1,398
Water	-	-	27,083	25,348	27,083	25,348
Wastewater	-	-	33,559	27,442	33,559	27,442
Surface & stormwater	-	-	15,250	16,248	15,250	16,248
Medic one	-	-	14,890	13,085	14,890	13,085
Other business type activities	-	-	11,769	9,811	11,769	9,811
Total expenses	198,938	179,346	102,551	91,935	301,488	271,281
Excess (deficiency) before transfers	24,904	11,507	17,238	18,863	42,142	30,369
Transfers	1,646	899	(1,646)	(899)	-	-
Change in net position	26,551	12,406	15,592	17,963	42,142	30,369
Net position - beginning	657,115	643,709	415,515	397,551	1,072,630	1,041,260
Net position - ending	\$ 683,666	\$ 656,115	\$ 431,106	\$ 415,515	\$1,114,772	\$1,071,630

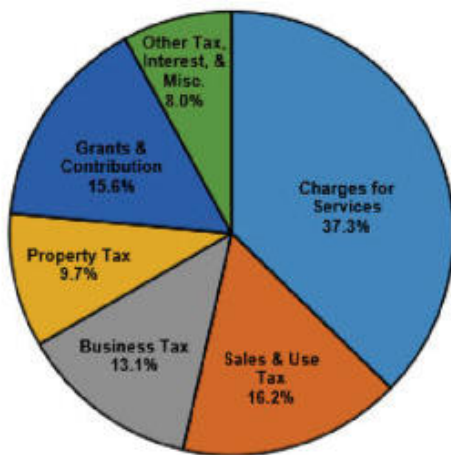
Government-wide revenues and expenses

Government-wide revenues including both governmental and business-type activities increased \$41.98 million in 2024, from \$301 million in 2023, to \$343 million in 2024. General revenues consisting of taxes, investment and miscellaneous earnings increased \$8.4 million in 2024, with a \$6.8 million increase in taxes and \$1.1 million increase in miscellaneous, which was the current year opioid settlement payment.

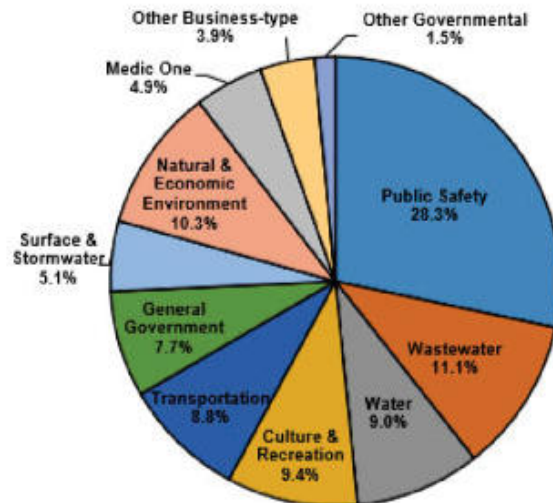
Government wide program revenues consisting of charges for services, operating grants and contributions, and capital grants and contributions increased \$33.6 million in 2024, from \$148.26 million in 2023, to \$181.8 million in 2024. The \$33.6 million increase in government-wide program revenues consisted of a \$9 million increase in charges for services and a \$24.4 million increase in grants and contributions.

Overall government-wide expenses increased by \$30 million in 2024, from \$271 million in 2023, to \$301 million in 2024. Of this \$30 million increase in government-wide expenses, \$19.6 million were derived from governmental activities and \$10 million from business-type activities.

Government-wide revenues 2024
\$343,630,423



Government-wide expenses 2024
\$301,488,178



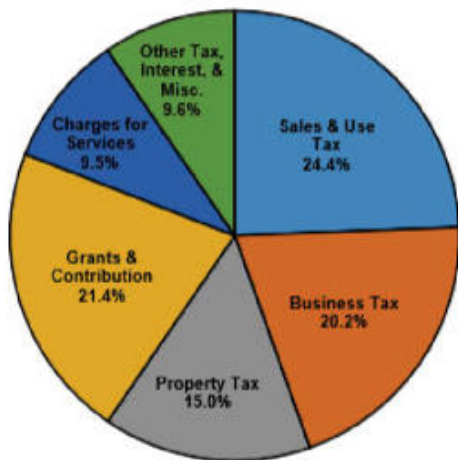
Government-wide governmental activities

Government-wide governmental activities total general revenues increased by \$8.4 million, from \$146.4 million in 2023, to \$154.7 million in 2024. The most notable increases were \$3.9 million in property tax, \$2.7 million in business tax, and \$1.2 million in miscellaneous revenue. Taxes make up the bulk of general revenues with retail sales and use tax at 35.3%, business tax at 29.2%, and property tax at 21.6% of total governmental activities general revenues.

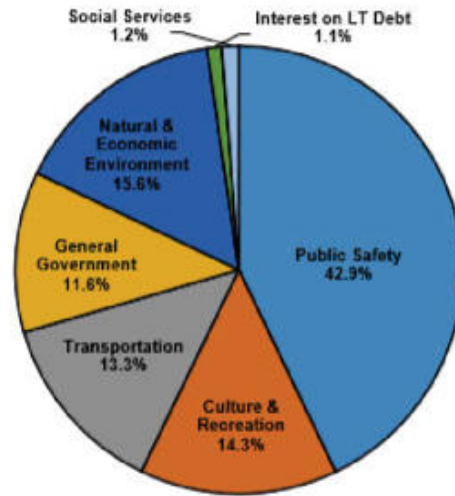
Government-wide governmental activities total program revenues increased by \$24.6 million, from \$44.5 million in 2023, to \$69.1 million in 2024. The most noteworthy governmental activities program revenue increases were \$12.8 million in operating grant contributions and \$10.7 million in capital grant contributions. The increase in capital grant contributions was predominantly awarded by federal government agencies and the Washington State department of transportation for street projects in 2024.

Government-wide governmental activities total expenses increased \$19.6 million, from \$179.3 million in 2023, to \$198.9 million in 2024. There was an increase in general government expenses of \$6 million, public safety expenses of \$5 million, natural and economic environment of \$3.3 million, transportation of \$2.8 million, social services expenses of \$2 million, and interest and long-term debt expenses of \$704 thousand in 2024.

Government-wide governmental revenues 2024
\$223,841,733



Government-wide governmental expenses 2024
\$198,937,574

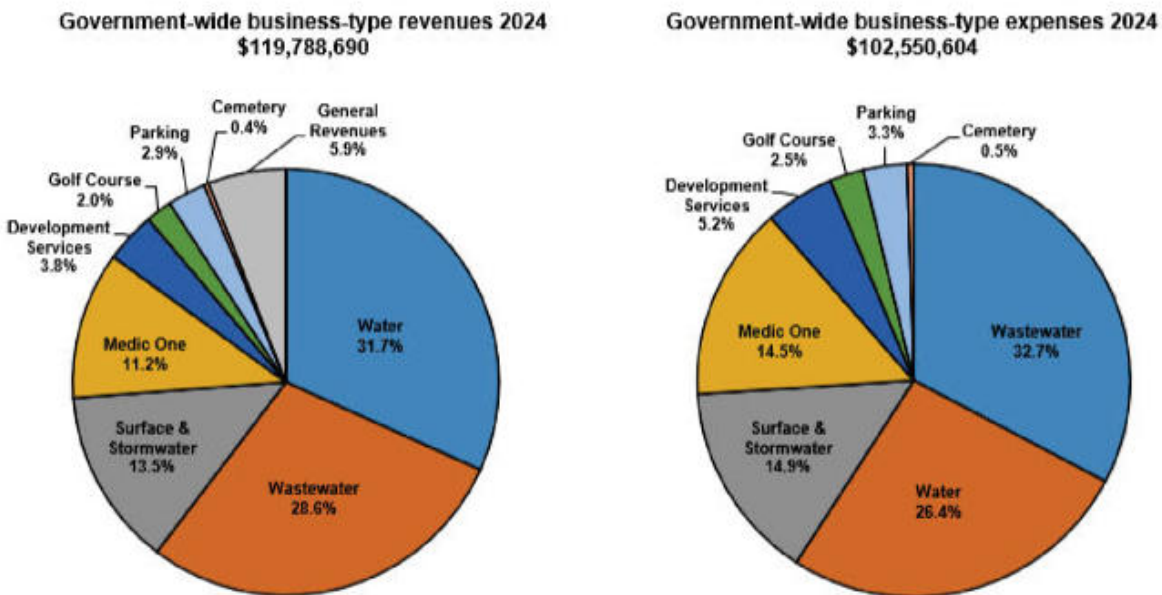


Government-wide business-type activities

Government-wide business-type activities total general revenues increased by \$27 thousand, from \$7.05 million in 2023, to \$7.08 million in 2024.

Government-wide business-type activities total program revenues experienced a \$9 million increase from \$103.7 million in 2023, to \$112.7 million in 2024. This increase in total program revenue was mainly from an increase in charges for services of \$8.1 million, from \$98.8 million in 2023 to \$106.8 million in 2024. There was a small increase in operating grants and contributions of \$640 thousand in surface and stormwater, from \$1.6 million in 2023 to \$2.1 million in 2024. In capital grants and contributions there was a small increase of \$253 thousand, from \$1.1 million in 2023 to \$1.3 million in 2024 in the water fund.

Government-wide business-type activities total expenses increased by \$10.6 million, from \$91.9 million in 2023, to \$102.6 million in 2024. This majority of the increase is in wastewater with expenses increasing from \$27.4 million in 2023 to \$33.6 million in 2024. Smaller increases were seen in medic one expenses from \$13.1 million in 2023 to \$14.9 million in 2024, and development services expenses from \$4.2 million in 2023 to \$5.3 million in 2024.



Fund level financial analysis

Governmental Funds

Governmental fund balances

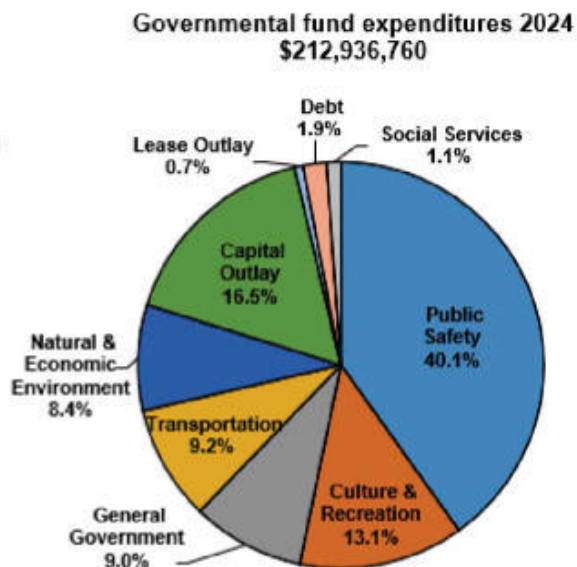
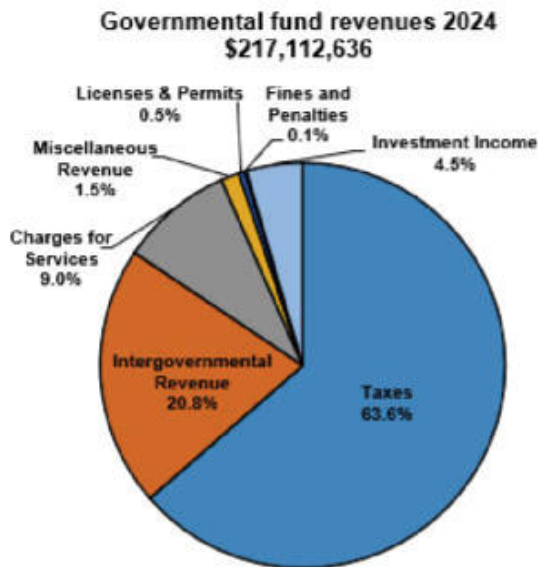
Governmental funds total fund balance increased by \$6 million, from \$267 million in 2023, to \$273 million in 2024. The largest increase was a gain of \$10.2 million in restricted fund balance with significant fund increases in capital improvements. To offset the increase there was a decrease in assigned fund balance of \$2.5 million, from \$23.6 million in 2023, to \$21 million in 2024, and a decrease in unassigned fund balance of \$1.9 million, from \$39 million in 2023, to \$37 million in 2024.

Governmental fund revenues

Governmental fund revenues increased by \$34.5 million, from \$182.6 million in 2023, to \$217.1 million in 2024. Tax revenue is the City’s most significant source of governmental revenue, representing 63.6% of total governmental revenue. Tax revenue supports services that are basic to the City’s mission such as streets, fire, police, and parks. The major tax categories are retail sales and use, business and occupation, property, and utility tax. Tax collections increased by \$6.9 million from 2023 to 2024, generating a total of \$138 million in revenue. The noteworthy increase is reflected in the intergovernmental revenues increase of \$25.5 million, from \$19.5 million in 2023, to \$45 million in 2024.

Governmental fund expenditures

Governmental fund expenditures increased by \$34 million, from \$178.7 million in 2023, to \$212.9 million in 2024. Public safety consisting of fire, police, and municipal court accounts for 40.1% of governmental fund expenditures and experienced a \$5.8 million increase in spending in 2024. Contributors to the increase in spending were factors such as labor COLA adjustments, increased personnel, and overtime. Capital outlay represents the largest functional area of spending at 16.5% of total governmental fund expenditures. Capital outlay experienced a \$19 million increase from \$15 million in 2023 to \$35 million in 2024.



Proprietary funds

Proprietary fund net position

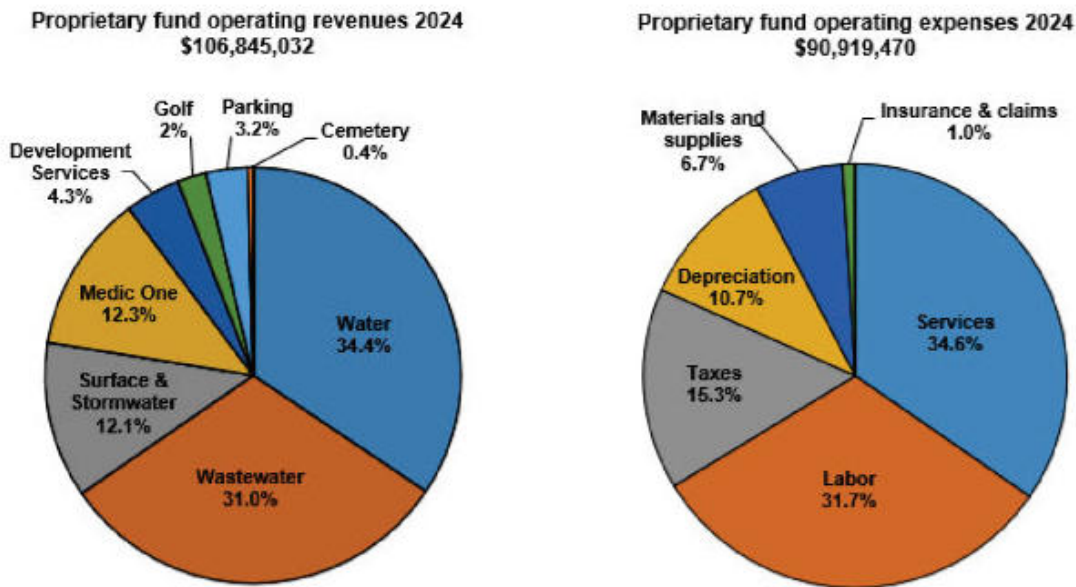
Proprietary funds total net position increased by \$15.6 million, from \$415.5 million in 2023, to \$431.1 million in 2024. The largest fund increase in net position was a gain of \$12.8 million in the water fund. The largest functional net position increase was in *net investments in capital assets* at \$18.6 million, with the largest fund increase in the wastewater from \$101.2 million in 2023 to \$116 million in 2024. While the wastewater fund’s net investments in capital assets increased \$14.8 million, the total net position only increased \$2.6 million due to a decrease in unrestricted net position of \$12.1 million.

Proprietary fund operating revenues

Proprietary fund operating revenues increased by \$8.1 million, from \$98.8 million in 2023, to \$106.8 million in 2024. The wastewater fund had the largest increase at \$2.7 million, the combined non-major proprietary funds at \$2.6 million, and the water fund increased \$2.3 million. Within the non-major proprietary funds, charges for services is increased of \$2.6 million, from \$20.8 million in 2023, to \$23.4 million in 2024.

Proprietary fund operating expenses

Proprietary fund operating expenses increased by \$12.1 million, from \$78.8 million in 2023, to \$90.9 million in 2024. The wastewater fund experienced the largest increase in expense at \$6.1 million, from \$25.7 million in 2023, to \$31.9 million in 2024, from which the largest increase was in services of \$5.3 million, from \$9.5 million in 2023 to \$14.8 million in 2024.



General fund budgetary highlights

The budget is legally adopted at the fund level, including the General fund budget. GASB 34 requires the legally adopted budget of the General fund to be presented as required supplementary information (RSI). Accordingly, the General fund in its originally adopted form along with a reconciliation of the General fund presented in the GAAP basis basic financial statements is presented as RSI. The General fund presented in the basic financial statements in accordance with GAAP includes eight other funds with legally adopted budgets that do not meet the requirements of a special revenue fund per GASB 54 and have accordingly been combined with the General fund. To see comparisons of the original General fund and the General fund combined per GASB 54, see the reconciliation schedule in the RSI section of the financial statements. The City of Bellingham budgets on a biennial basis. 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.
- Increases and decreases in appropriations to recognize actual program costs.
- New appropriations to acknowledge unanticipated revenues and corresponding expenditures.

Original General Fund 2023-2024 original versus amended budgetary comparison—legal budgetary basis

	Original Budget	Final Budget	Change
Total revenues	\$ 208,865,111	\$ 214,980,347	\$ 6,115,236
Total expenditures	\$ 224,462,678	\$ 257,588,945	\$ 33,126,267

2024 was the second year of a two-year budget cycle. The 2023-2024 adopted General fund budget for revenues (pre-GASB 54 rollup) was \$208.9 million, the final budget after amendments is \$215 million. The 2023-2024 total actual revenues are \$225.1 million or 104.7% of the final revenue two-year budgeted amount. The 2023-2024 adopted General fund budget for expenditures (pre-GASB 54 rollup) was \$224.5 million, the final budget after all amendments is \$257.6 million. The 2023-2024 total actual expenditures are \$236.9 million or 92% of the final two-year budgeted amount.

Tax revenue including property, sales and use, business, leasehold, and admissions tax finished 2023-2024 strong at 94.9-101.8% of the final two-year budget. Likewise, licenses and permits revenue came in at 93%, and miscellaneous revenue at 114.9%. Intergovernmental revenue and interest income came in very strong at 275.3% and 224.6% respectively, of the final two-year budget. Sales, business, and utility taxes have been strong in 2023-2024, due to increased business activity from the stronger local economy. A significant offset to total revenue were charges for services at only 62.8% and fines & penalties at 55.1% of the total two-year budget.

Actual expenditures for 2023-2024 are 92% of the final two-year budgeted amount. This is mainly due to general government expenditures coming in at only 68.5% of two-year budget.

The General fund actual ending fund balance of \$37.7 million is above the projected final ending balance of \$8.4 million, a \$29.5 million difference. The General fund ending fund balance is above budget due to actual revenues coming in higher than budgeted and actual expenditures being less than budgeted amounts.

Debt administration

Long-term debt

On December 31, 2024, the City’s total outstanding debt was \$119.4 million, an increase of \$17.2 million from 2023.

Outstanding debt (in thousands)							
	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>		<u>Increase (Decrease)</u>
	2024	2023	2024	2023	2024	2023	2024-2023
General obligation bonds	\$ 56,013	\$ 35,696	\$ -	\$ -	\$ 56,013	\$ 35,696	\$ 20,317
Revenue bonds	-	-	52,535	54,375	52,535	54,375	(1,840)
Government loans	1,054	1,490	9,790	10,679	10,844	12,169	(1,325)
Total	<u>\$ 57,067</u>	<u>\$ 37,186</u>	<u>\$ 62,325</u>	<u>\$ 65,054</u>	<u>\$ 119,392</u>	<u>\$ 102,240</u>	<u>\$ 17,152</u>

The City’s bond rating as assigned by Standard & Poor's Ratings Services (S&P) is 'AA+' and the rating is a long-term rating to the City's series 2024 limited-tax general obligation (GO) refunding bonds.

State law limits the amount of general obligation debt the City can issue to a percentage of the total assessed value of the taxable property. The limits are 1.5% non-voted, 2.5% voted and non-voted total, an additional 2.5% voted for utilities, and an additional 2.5% voted for open space, parks, and economic development facilities.

More detailed information about long-term debt is presented in Note 10.

Capital assets

On December 31, 2024, the City has invested \$868.9 million in a wide range of capital assets throughout governmental and business-type activities, an increase of \$53.1 million from the previous year. This was due to increases in Land of \$9 million, Construction in progress (CIP) of \$18.3 million, Improvements/Infrastructure of \$27.1 million, Machinery & Equipment of \$2.4 million, offset by a decrease to Buildings of \$3.9 million. The increases are primarily due to the following projects:

Land:

- Northwoods property purchase totaled 1.2 million
- Parks department property purchases totaled \$3.8 million
- Watershed property purchases totaled \$3.3 million
- Donated property valued at \$680,000 thousand

Completed projects:

- Cordata Park Phase 2 totaled \$5 million
- Valencia Street utility main replacement totaled \$5 million
- Woburn Street sewer main replacement totaled \$4 million
- Three Portland Loos installed totaled \$1.1 million
- Telegraph Road multimodal improvements totaled \$8.8 million
- Parkview Safe Routes to School totaled \$5.3 million
- W. Illinois multimodal improvements totaled \$4.5 million

Construction in progress (CIP):

- Pacific Street Operation Building Phase 2 increased CIP \$7.4 million
- Roeder Lift Station increased CIP of \$9.5 million
- Meridian Street sewer I5 to Kellogg increased CIP of \$4.5 million

Capital assets (net of depreciation, in thousands)							
	Governmental activities		Business-type activities		Total		Increase
	2024	2023	2024	2023	2024	2023	(Decrease)
							2024-2023
Capital assets, non depreciable:							
Land	\$ 97,879	\$ 92,191	\$ 61,893	\$ 58,564	\$ 159,772	\$ 150,755	\$ 9,017
Improvements/infrastructure	17,615	17,615	-	-	17,615	17,615	-
Construction in progress	23,712	14,029	24,016	15,422	47,728	29,451	18,277
Intangible - right of ways	60,272	60,169	356	356	60,628	60,525	103
Capital assets, net of depreciation:							
Buildings	38,474	39,707	80,324	83,020	118,798	122,727	(3,929)
Improvements/infrastructure	226,640	206,420	209,397	202,554	436,037	408,974	27,063
Machinery and equipment	22,660	20,358	1,098	987	23,758	21,345	2,413
Intangible - software	533	832	-	-	533	832	(299)
Intangible - leases	3,220	2,455	299	391	3,519	2,846	673
Intangible - IT subscriptions	485	711	-	-	485	711	(226)
Total	\$ 491,490	\$ 454,487	\$ 377,383	\$ 361,294	\$ 868,873	\$ 815,781	\$ 53,092

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

In addition to the capital assets shown above, the City also has made commitments to fund several water, wastewater, surface and stormwater, parks, street and facilities projects. Of the current capital commitments, \$63.3 million has been spent to date with \$50.4 million remaining.

Economic factors and Next Year’s Budget

2025 is the first year the City of Bellingham switched from biennial budgeting to an annual basis. The budget was initially developed in 2024, including an updated revenue forecast. The total budget for 2025 is \$549 million, supported by \$432 million in revenues. Expenditures exceeding revenues are primarily capital and other one-time spending.

The current budget was developed to maintain levels of core services in a growing community. Investments were made in public safety, infrastructure, and public services, with a focus on existing assets and programs.

The current revenue forecast acknowledges potential economic slowdown through 2025 and 2026. The forecast anticipates economic-based revenues, such as sales tax and business and occupation taxes to remain relatively flat, while growth of utility fees and associated taxes increase at a faster pace due to rate increases tied to the consumer price index, as well as a bump in the solid waste utility tax to pay for remediation efforts. The City is carefully monitoring the macro-economic situation as economic uncertainty, persistent inflation, and resulting federal fiscal policy suggest future financial headwinds for the economy and economic-based revenues. If the economic environment continues to slow, the City’s cash reserves position it well to weather crisis and ensure continued fiscal health.

Contacting the City’s financial management

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

CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total Primary Government	Public Facilities District
ASSETS				
Cash and cash equivalents	\$ 59,286,185	\$ 24,438,012	\$ 83,724,197	\$ 310,877
Investments	172,899,169	77,523,853	250,423,022	988,863
Receivables, net	22,939,468	4,472,763	27,412,231	395,392
Restricted assets:				
Cash and cash equivalents	3,973,530	2,265,274	6,238,804	216,711
Investments	12,639,324	7,205,562	19,844,886	689,331
Due from other governments	10,332,577	751,400	11,083,977	913
Due from component units	6,550,067	-	6,550,067	-
Inventory	996,217	38,635	1,034,852	-
Prepaid items	157,970	-	157,970	-
Lease receivable	4,165,943	4,461,971	8,627,914	-
Notes and contracts receivable	50,758,570	-	50,758,570	-
Net pension asset - State	29,845,586	7,443,309	37,288,895	-
Capital assets, nondepreciable:				
Land	97,879,347	61,892,995	159,772,342	1,329,860
Improvements	17,614,900	-	17,614,900	-
Construction in progress	23,711,886	24,015,901	47,727,787	-
Intangible assets - right of ways	60,271,995	356,111	60,628,106	-
Capital assets, net of depreciation:				
Buildings	38,473,455	80,323,858	118,797,313	11,259,492
Improvements	226,639,624	209,397,252	436,036,876	4,527,124
Machinery and equipment	22,660,180	1,097,899	23,758,079	-
Intangible Assets:				
Software	533,255	-	533,255	-
Leases	3,220,406	298,944	3,519,350	-
IT Subscriptions	485,437	-	485,437	-
Total assets	866,035,091	505,983,739	1,372,018,830	19,718,563
DEFERRED OUTFLOWS OF RESOURCES				
Loss on bond refunding	506,858	1,644,698	2,151,556	201,652
Related to Leases	-	-	-	-
Related to OPEB	-	-	-	-
Related to pensions	29,858,857	7,764,020	37,622,877	-
Total deferred outflows of resources	30,365,715	9,408,718	39,774,433	201,652

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

CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total Primary Government	Public Facilities District
LIABILITIES				
Accounts payable	13,950,920	6,611,065	20,561,985	16,555
Accrued wages and benefits	5,004,360	1,366,429	6,370,789	-
Deposits	3,448,477	227,193	3,675,670	-
Internal balances	(496,030)	496,030	-	-
Due to other governments	815,822	22,954	838,776	255
Unearned revenue - other	142,835	48,960	191,795	-
Unearned revenue - grant funding	195	-	195	-
Noncurrent liabilities:				
Due within one year	39,714,134	5,784,580	45,498,714	2,115,214
Bonds payable, net	45,224,877	50,655,099	95,879,976	-
Leases	2,791,839	228,396	3,020,235	-
IT Subscriptions	271,028	-	271,028	-
Compensated absences	3,645,377	582,363	4,227,740	-
Intergovernmental loans	717,052	8,897,352	9,614,404	4,434,853
Claims and judgments payable	85,000	-	85,000	-
Cell tower revenue in advance	155,000	-	155,000	-
Pollution remediation obligation	54,955,154	-	54,955,154	-
OPEB	20,287,678	-	20,287,678	-
Net pension liability	7,245,332	1,157,960	8,403,292	-
Total liabilities	197,959,051	76,078,381	274,037,432	6,566,877
DEFERRED INFLOWS OF RESOURCES				
Gain on bond refunding	-	1,247,070	1,247,070	-
Related to Leases	4,111,523	4,450,975	8,562,498	-
Related to OPEB	950,538	-	950,538	-
Related to pensions	9,713,937	2,509,742	12,223,679	-
Total deferred inflows of resources	14,775,998	8,207,787	22,983,785	-

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

CITY OF BELLINGHAM
Government-Wide
Statement of Net Position
December 31, 2024

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total Primary Government	Public Facilities District
NET POSITION				
Net investment in capital assets	456,060,638	316,357,002	772,417,640	10,768,061
Restricted:				
<i>Expendable</i>				
Affordable housing	64,587,667	-	64,587,667	-
Capital improvements	31,864,555	1,978,858	33,843,413	-
Cemetery services	-	433,822	433,822	-
Debt service	13,332,085	1,924,515	15,256,600	906,041
Environmental remediation	10,146,236	-	10,146,236	-
Firefighter's OPEB	18,758,561	-	18,758,561	-
Firefighter's pension	6,713,464	-	6,713,464	-
Government access TV	948,679	-	948,679	-
Library projects	323,117	-	323,117	-
Net pension asset - State	29,845,586	7,443,309	37,288,895	-
Opioid settlement	2,672,636	-	2,672,636	-
Park maintenance and improvements	22,169,285	-	22,169,285	-
Public safety dispatch	-	-	-	-
Public safety special purpose	3,778,680	-	3,778,680	-
Rental property inspections	-	987,990	987,990	-
Tourism	5,807,088	-	5,807,088	-
Transportation improvements	16,822,535	-	16,822,535	-
<i>Nonexpendable</i>				
Permanent funds principal	9,926,109	-	9,926,109	-
Unrestricted	(10,091,164)	101,980,793	91,889,629	1,679,236
Total net position	\$ 683,665,757	\$ 431,106,289	\$ 1,114,772,046	\$ 13,353,338

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, 2024

Function/Program Activities	Program Revenues						Net (Expense) Revenue and Changes in Net Position				Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Governmental Activities	Primary Government			Public Facilities District		
			Operating Grants and Contributions	Capital Grants and Contributions			Business-Type Activities	Total Primary Government				
Governmental Activities												
General Government	\$ 23,067,328	\$ 2,395,896	\$ 13,708,409	\$ 6,578	\$ (6,956,445)	\$ -	\$ -	\$ (6,956,445)	\$ -			
Public Safety	85,311,586	13,418,966	10,882,602	84,238	(60,925,780)	-	-	(60,925,780)	-			
Transportation	26,509,604	1,227,933	464,801	19,689,036	(5,127,834)	-	-	(5,127,834)	-			
Natural and Economic Environment	31,095,183	1,888,343	2,565,503	-	(26,621,337)	-	-	(26,621,337)	-			
Social Services	2,411,373	-	373,020	-	(2,038,353)	-	-	(2,038,353)	-			
Culture and Recreation	28,440,584	2,362,089	20,079	-	(26,058,416)	-	-	(26,058,416)	-			
Interest on long-term debt	2,101,916	-	-	(2,101,916)	-	-	-	(2,101,916)	-			
Total governmental activities	198,937,574	21,293,227	28,034,414	19,779,852	(129,830,081)			(129,830,081)				
Business-Type Activities												
Water	27,082,830	36,774,714	-	1,255,230	-	10,947,114	-	10,947,114	-			
Wastewater	33,558,614	33,106,275	125,435	1,030,624	-	703,720	-	703,720	-			
Surface and Stormwater	15,249,809	12,960,755	2,053,539	1,125,732	-	890,217	-	890,217	-			
Cemetery	499,016	438,556	-	-	-	(60,460)	-	(60,460)	-			
Golf Course	2,604,623	2,389,758	-	-	-	(214,865)	-	(214,865)	-			
Parking	3,354,060	3,468,733	-	-	-	114,673	-	114,673	-			
Medic One	14,889,869	13,110,783	270,871	-	-	(1,508,215)	-	(1,508,215)	-			
Development Services	5,311,783	4,595,458	4,502	-	-	(711,823)	-	(711,823)	-			
Total business-type activities	102,550,604	106,845,032	2,454,347	3,411,586		10,160,361		10,160,361				
Total primary government	\$ 301,488,178	\$ 128,138,259	\$ 30,488,761	\$ 23,191,438	\$ (129,830,081)			\$ (119,669,720)				
Component Unit												
Public Facilities District	\$ 1,002,377	\$ 17,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (985,087)
General revenues												
Taxes:												
Property						33,497,985		33,497,985				
Sales and use						54,626,934	1,152,237	55,779,171	2,253,614			
Business						45,170,654		45,170,654				
Real estate excise						4,539,908		4,539,908				
Leasehold						666,304		666,304				
Admissions						483,434		483,434				
Investment income						11,360,384	5,332,996	16,693,380	117,386			
Miscellaneous						4,388,637	592,492	4,981,129				
Transfers						1,646,369	(1,646,369)	-				
Total general revenues and transfers						156,380,609	5,431,356	161,811,965	2,371,000			
Change in net position						26,550,528	15,591,717	42,142,245	1,385,913			
Net position - beginning						657,115,229	415,514,572	1,072,629,801	11,967,425			
Net position - ending						\$ 683,665,757	\$ 431,106,289	\$ 1,114,772,046	\$ 13,353,338			

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

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2024

	General	Transportation	Nonmajor Governmental Fund Totals	Governmental Funds Total
ASSETS				
Cash and cash equivalents	\$ 29,058,398	\$ 3,273,477	\$ 20,055,085	\$ 52,386,960
Investments	92,535,265	10,412,539	48,432,954	151,380,758
Receivables, net	18,039,010	1,336,907	4,652,748	24,028,665
Due from other funds	1,997	362	60,824	63,183
Due from other governments	5,170,561	2,249,033	2,912,800	10,332,394
Due from component units	-	-	6,550,067	6,550,067
Interfund loans receivable	687,415	-	375,096	1,062,511
Prepaid items	48,380	-	-	48,380
Notes and contracts receivable	4,126,843	-	46,631,727	50,758,570
Total assets	149,667,869	17,272,318	129,671,301	296,611,488
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	-	-	-	-
LIABILITIES				
Accounts payable	5,524,317	958,063	2,101,736	8,584,116
Accrued wages and benefits	3,616,556	16,701	362,811	3,996,068
Deposits	2,100,945	373,692	-	2,474,637
Due to other funds	-	-	60,740	60,740
Interfund loans payable	-	-	375,097	375,097
Due to other governments	394,119	-	-	394,119
Unearned revenue - other	106,915	-	-	106,915
Unearned revenue - grant funding	195	-	-	195
Total liabilities	11,743,047	1,348,456	2,900,384	15,991,887
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - aid fees	1,637,128	-	-	1,637,128
Unavailable revenue - fines	458,628	-	-	458,628
Unavailable revenue - impact fees	41,619	-	-	41,619
Unavailable revenue - property taxes	266,852	-	49,793	316,645
Unavailable revenue - settlement	-	-	2,672,636	2,672,636
Unavailable revenue - Leases	2,298,988	-	-	2,298,988
Total deferred inflows of resources	4,703,215	-	2,722,429	7,425,644

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

CITY OF BELLINGHAM
Balance Sheet
Governmental Funds
December 31, 2024

	General	Transportation	Nonmajor Governmental Fund Totals	Governmental Funds Total
FUND BALANCES				
<i>Nonspendable:</i>				
Permanent funds principal	-	-	9,926,109	9,926,109
Prepaid items	48,380	-	-	48,380
<i>Restricted:</i>				
Affordable housing	326,843	-	64,212,248	64,539,091
Capital improvements	18,426,426	-	13,436,912	31,863,338
Debt service	-	-	12,901,627	12,901,627
Environmental remediation	-	-	10,146,236	10,146,236
Firefighter's OPEB	18,724,631	-	-	18,724,631
Firefighter's pension	6,713,464	-	-	6,713,464
Government access TV	-	-	948,679	948,679
Library projects	-	-	323,117	323,117
Park maintenance and improvements	21,849,157	-	283,160	22,132,317
Public safety dispatch	-	-	1,386,331	1,386,331
Public safety special purpose	-	-	3,778,680	3,778,680
Tourism	-	-	5,807,088	5,807,088
Transportation improvements	881,626	15,923,862	-	16,805,488
<i>Committed:</i>				
What-Comm Dispatch Facility Construction	-	-	898,301	898,301
Police officer's OPEB	3,364,678	-	-	3,364,678
Police officer's pension	4,439,230	-	-	4,439,230
<i>Assigned:</i>				
Public safety donations	4,342	-	-	4,342
Streets	21,096,731	-	-	21,096,731
<i>Unassigned</i>	37,346,099	-	-	37,346,099
Total fund balances	\$ 133,221,607	\$ 15,923,862	\$ 124,048,488	\$ 273,193,957
Total liabilities, deferred inflows of resources and fund balances	\$ 149,667,869	\$ 17,272,318	\$ 129,671,301	\$ 296,611,488

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, 2024

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

Total fund balance of governmental funds		\$ 273,193,957
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		432,669,506
The following long-term assets and deferred outflows of resources are not available to pay for current period expenditures, and, therefore, are not reported in the funds:		
Accrued investment interest	756,569	
Deferred loss on bond refunding	506,858	
Deferred pension outflows	26,103,575	
Net pension asset - State	27,070,287	
Unavailable revenue	5,126,656	59,563,945
Internal service funds are used by management to charge the cost of certain internal functions, goods, and services to other funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.		45,200,510
The following long-term liabilities and deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest payable on long-term debt	(24,807)	
Compensated absences	(11,631,171)	
Deferred OPEB inflows	(950,538)	
Deferred pension inflows	(8,520,703)	
General obligation bonds, loans, and notes payable	(8,755,000)	
Net Pension Liability - State	(2,380,069)	
Pollution remediation costs	(68,253,099)	
Premiums on long-term debt	(662,135)	
Total OPEB liability	(21,492,837)	
Total pension liability - City	(4,291,802)	(126,962,161)
Net position of governmental activities		\$ 683,665,757

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, 2024

	General	Transportation	Nonmajor Governmental Funds	Governmental Funds Total
REVENUES				
Taxes:				
Property	\$ 29,417,226	\$ -	\$ 4,068,038	\$ 33,485,264
Sales and use	36,022,050	7,851,231	9,923,061	53,796,342
Business	42,716,874	-	2,453,780	45,170,654
Real estate excise	4,539,908	-	-	4,539,908
Leasehold	666,304	-	-	666,304
Admissions	483,434	-	-	483,434
Licenses and permits	822,960	-	253,502	1,076,462
Intergovernmental	30,331,470	9,382,821	5,375,228	45,089,519
Charges for services	10,244,233	-	9,337,643	19,581,876
Fines and penalties	278,802	-	-	278,802
Investment income	6,369,543	877,418	2,507,906	9,754,867
Miscellaneous	1,085,967	4,810	2,098,427	3,189,204
Total revenues	162,978,771	18,116,280	36,017,585	217,112,636
EXPENDITURES				
Current:				
General government	19,053,626	-	60,153	19,113,779
Public safety	75,920,821	-	9,525,553	85,446,374
Transportation	14,789,731	4,698,967	-	19,488,698
Natural and economic environment	7,834,456	-	10,080,325	17,914,781
Social services	850,865	-	1,558,786	2,409,651
Cultural and recreation	27,880,664	-	85,195	27,965,859
Debt service:				
Principal	444,346	-	3,039,920	3,484,266
Interest and related charges	66,997	-	418,882	485,879
Capital outlay	16,513,068	16,757,277	1,919,392	35,189,737
Lease SBITA PPP outlay	1,437,736	-	-	1,437,736
Total expenditures	164,792,310	21,456,244	26,688,206	212,936,760
Revenues over (under) expenditures	(1,813,539)	(3,339,964)	9,329,379	4,175,876
OTHER FINANCING SOURCES (USES)				
Lease SBITA PPP proceeds	1,437,736	-	-	1,437,736
Transfers in	250,000	-	3,203,381	3,453,381
Transfers out	(3,113,623)	(250,000)	(657,739)	(4,021,362)
Total other financing sources and (uses)	(1,425,887)	(250,000)	2,545,642	869,755
Net change in fund balances	(3,239,426)	(3,589,964)	11,875,021	5,045,631
Fund balances - beginning	136,461,033	19,513,826	112,173,467	268,148,326
Fund balances - ending	\$ 133,221,607	\$ 15,923,862	\$ 124,048,488	\$ 273,193,957

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, 2024

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

Net change in fund balances - total governmental funds	\$	5,045,631
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives. The following capital asset activities are not financial resources and, therefore, are not reported in the funds:</p>		
Purchases and construction	35,189,736	
Contractor contributions and donations	2,504,134	
Abandonments and retirements	(235,794)	
Depreciation	<u>(11,030,565)</u>	
		26,427,511
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Accrued investment interest	111,494	
Deferred loss on bond refunding	(165,461)	
Unavailable revenue	<u>1,360,426</u>	
		1,306,459
<p>Internal service funds are used by management to charge the cost of certain internal functions, goods, and services to individual funds. The net revenue, or the change in net position, of internal service funds is reported with governmental activities.</p>		
		(420,330)
<p>Some expenses reported in the statement of activities do not require the use current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest on long-term debt	9,184	
Changes in OPEB liabilities and related deferred outflows and inflows of resources	2,773,835	
Changes in pension liabilities and related deferred outflows and inflows of resources	674,641	
Changes in net pension assets and related deferred outflows and inflows of resources	5,776,149	
Changes in compensated absences	(4,707,268)	
Changes in pollution remediation costs	(13,567,590)	
Changes in general obligation bonds, loans, notes and leases payable	3,005,705	
Amortization of bond premiums and discounts and deferred amounts of refunding	<u>226,601</u>	
		(5,808,742)
Change in net position of governmental activities	\$	<u>26,550,529</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, 2024

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Surface and Stormwater	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 12,462,515	\$ 7,856,875	\$ 2,079,379	\$ 2,039,243	\$ 24,438,012	\$ 6,899,225
Investments	39,641,775	24,991,781	6,614,256	6,276,041	77,523,853	21,518,411
Receivables, net	1,621,605	1,589,562	553,302	708,294	4,472,763	421,281
Due from other funds	4,760	1,320	5,278	27	11,385	301
Due from other governments	1,775	35,409	709,341	4,875	751,400	183
Inventory	-	-	-	38,635	38,635	996,217
Prepaid items	-	-	-	-	-	109,590
Restricted cash and cash equivalents	364,627	497,225	-	-	861,852	3,973,530
Restricted investments	1,159,836	1,581,614	-	-	2,741,450	12,639,324
Total current assets	55,256,893	36,553,786	9,961,556	9,067,115	110,839,350	46,558,062
Noncurrent assets:						
Restricted cash and cash equivalents	301,813	986,135	-	115,474	1,403,422	-
Restricted investments	960,029	3,136,774	-	367,309	4,464,112	-
Lease receivable	379,823	-	-	4,082,148	4,461,971	1,898,896
Net pension asset - State	736,903	808,073	501,938	5,396,395	7,443,309	2,775,299
Capital assets, nondepreciable:						
Land	51,566,655	3,925,297	4,879,408	1,521,635	61,892,995	40,102
Construction in progress	449,508	23,443,359	123,034	-	24,015,901	8,715,781
Intangibles - right of ways	-	268,769	87,342	-	356,111	-
Capital assets, net of depreciation:						
Buildings	4,363,212	74,084,806	-	1,875,840	80,323,858	18,985,280
Improvements	98,181,345	64,177,024	46,589,590	449,293	209,397,252	6,616,303
Machinery and equipment	223,283	778,936	53,484	42,196	1,097,899	20,429,863
Intangible Assets:						
Software	-	-	-	-	-	267,165
Leases	95,247	98,117	94,075	11,505	298,944	262,096
IT Subscriptions	-	-	-	-	-	479,722
Total noncurrent assets	157,257,818	171,707,290	52,328,871	13,861,795	395,155,774	60,470,507
Total assets	212,514,711	208,261,076	62,290,427	22,928,910	505,995,124	107,028,569
DEFERRED OUTFLOWS OF RESOURCES						
Loss on bond refunding	102,043	1,542,655	-	-	1,644,698	-
Related to pensions	997,110	1,093,411	679,176	4,994,323	7,764,020	3,755,282
Total deferred outflows of resources	1,099,153	2,636,066	679,176	4,994,323	9,408,718	3,755,282

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

CITY OF BELLINGHAM
Statement of Net Position
Proprietary Funds
December 31, 2024

	Business-Type Activities - Enterprise Funds				Governmental Activities	
	Water	Wastewater	Surface and Stormwater	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable	838,551	4,110,743	1,143,196	518,575	6,611,065	5,366,804
Accrued wages and benefits	228,351	274,946	181,694	681,438	1,366,429	1,008,292
Deposits	63	40,846	53,818	132,466	227,193	949,033
Due to other funds	-	-	-	507,415	507,415	194,128
Due to other governments	-	-	-	22,954	22,954	421,703
Unearned revenue	-	-	-	48,960	48,960	35,920
Current portion of noncurrent liabilities:						
Bonds payable, net	427,000	1,453,324	-	-	1,880,324	7,754,739
Leases	28,441	28,404	27,218	3,223	87,286	114,743
IT Subscriptions	-	-	-	-	-	234,666
Compensated absences	380,037	458,646	253,836	1,831,549	2,924,068	1,374,960
Intergovernmental loans	714,807	20,993	157,102	-	892,902	-
Claims and judgments payable	-	-	-	-	-	2,696,376
Cell tower revenue in advance	-	-	-	-	-	30,000
Total current liabilities	2,617,250	6,387,902	1,816,864	3,746,580	14,568,596	20,181,364
Noncurrent liabilities:						
Bonds payable, net	437,000	50,218,099	-	-	50,655,099	39,895,292
Leases	72,243	75,238	72,243	8,672	228,396	160,459
IT Subscriptions	-	-	-	-	-	267,217
Compensated absences	88,858	79,592	80,843	333,070	582,363	677,484
Intergovernmental loans	6,433,260	372,737	2,091,355	-	8,897,352	-
Claims and judgments payable	-	-	-	-	-	85,000
Cell tower revenue in advance	-	-	-	-	-	155,000
Net pension liability	306,878	336,517	209,029	305,536	1,157,960	1,155,756
Total noncurrent liabilities	7,338,239	51,082,183	2,453,470	647,278	61,521,170	42,396,208
Total liabilities	9,955,489	57,470,085	4,270,334	4,393,858	76,089,766	62,577,572
DEFERRED INFLOWS OF RESOURCES						
Gain on bond refunding	-	1,247,070	-	-	1,247,070	-
Related to Leases SBITAs PPPs	418,322	-	-	4,032,653	4,450,975	1,812,535
Related to pensions	316,830	347,430	215,806	1,629,676	2,509,742	1,193,234
Total deferred inflows of resources	735,152	1,594,500	215,806	5,662,329	8,207,787	3,005,769
NET POSITION						
Net investment in capital assets	146,743,985	116,078,446	49,645,998	3,888,573	316,357,002	26,459,154
Restricted:						
Capital improvements	989,429	989,429	-	-	1,978,858	-
Cemetery endowment / preneed	-	-	-	433,822	433,822	-
Debt service	456,179	1,468,336	-	-	1,924,515	430,458
Net pension asset - State	736,903	808,073	501,938	5,396,395	7,443,309	2,775,299
Rental property inspections	-	-	-	987,990	987,990	-
Unrestricted	53,996,727	32,488,273	8,335,527	7,160,266	101,980,793	15,535,599
Total net position	\$ 202,923,223	\$ 151,832,557	\$ 58,483,463	\$ 17,867,046	\$ 431,106,289	\$ 45,200,510

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

CITY OF BELLINGHAM
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2024

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Surface and Stormwater	Nonmajor Enterprise Fund		Internal Service Funds
				Enterprise Fund Totals	Enterprise Fund Totals	
Operating revenues:						
Sales of merchandise	\$ -	\$ -	\$ -	\$ 580,473	\$ 580,473	\$ 6,779,286
Charges for services	36,774,714	33,106,275	12,960,755	23,422,815	106,264,559	44,400,575
Total operating revenues	<u>36,774,714</u>	<u>33,106,275</u>	<u>12,960,755</u>	<u>24,003,288</u>	<u>106,845,032</u>	<u>51,179,861</u>
Operating expenses:						
Labor	4,176,057	5,704,978	2,127,485	16,790,926	28,799,446	17,519,801
Materials and supplies	2,163,073	2,258,467	553,495	1,140,821	6,115,856	4,642,831
Services	6,837,721	14,806,333	2,657,442	7,191,435	31,492,931	14,170,621
Depreciation	3,574,059	4,474,653	1,496,003	157,135	9,701,850	4,550,878
Taxes	7,781,465	4,467,002	1,670,006	20,630	13,939,103	5,684
Insurance	390,386	165,362	111,675	151,676	819,099	2,287,205
Claims	-	-	-	51,185	51,185	11,685,063
Total operating expenses	<u>24,922,761</u>	<u>31,876,795</u>	<u>8,616,106</u>	<u>25,503,808</u>	<u>90,919,470</u>	<u>54,862,083</u>
Operating income (loss)	11,851,953	1,229,480	4,344,649	(1,500,520)	15,925,562	(3,682,222)
Nonoperating revenues (expenses):						
External grants and subsidies	-	125,435	2,053,539	275,373	2,454,347	220,613
Assessments and tax levies	-	-	-	1,152,237	1,152,237	830,592
Investment interest	1,372,257	1,166,723	227,577	222,258	2,988,815	1,068,989
Net incr (decr) in fair value of investments	833,407	1,162,797	165,672	182,305	2,344,181	425,034
Interest expense and related charges	(167,522)	(1,563,913)	(64,256)	(15,329)	(1,811,020)	(1,625,221)
Gain (loss) on sale of capital assets	-	-	-	-	-	(112,109)
Other nonoperating revenues	181,171	126,367	27,111	257,849	592,498	239,644
Other nonoperating expenses	(1,992,547)	(117,906)	(6,569,447)	(1,140,214)	(9,820,114)	-
Total nonoperating revenues (expenses)	<u>226,766</u>	<u>899,503</u>	<u>(4,159,804)</u>	<u>934,479</u>	<u>(2,099,056)</u>	<u>1,047,542</u>
Income (loss) before contributions and transfers	12,078,719	2,128,983	184,845	(566,041)	13,826,506	(2,634,680)
Capital grants and contributions	1,255,230	1,030,624	1,125,732	-	3,411,586	-
Transfers in	-	-	-	44,000	44,000	2,308,092
Transfers out	(555,969)	(554,167)	(550,078)	(30,161)	(1,690,375)	(93,742)
Change in net position	12,777,980	2,605,440	760,499	(552,202)	15,591,717	(420,330)
Total net position - beginning	190,145,243	149,227,117	57,722,964	18,419,248	415,514,572	45,620,840
Total net position - ending	<u>\$ 202,923,223</u>	<u>\$ 151,832,557</u>	<u>\$ 58,483,463</u>	<u>\$ 17,867,046</u>	<u>\$ 431,106,289</u>	<u>\$ 45,200,510</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, 2024

	Business-Type Activities - Enterprise Funds					Governmental
	Water	Wastewater	Surface and Stormwater	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from outside customers	\$ 37,207,264	\$ 33,471,636	\$ 12,621,560	\$ 24,140,378	\$ 107,440,838	\$ 178,031
Receipts from interfund services provided	-	-	-	(27)	(27)	51,493,571
Payments to employees	(4,379,895)	(5,902,332)	(2,124,427)	(16,443,390)	(28,850,044)	(18,390,307)
Payments to suppliers and service providers	(14,166,840)	(18,025,406)	(3,515,791)	(6,113,036)	(41,821,073)	(12,437,926)
Payments to claimants	-	-	-	(51,185)	(51,185)	(11,845,888)
Payments for interfund services used	(4,649,788)	(3,938,175)	(1,631,879)	(2,690,549)	(12,910,391)	(5,248,848)
Other receipts	181,171	126,367	27,111	257,849	592,498	239,644
Other payments	(1,992,547)	(117,906)	(6,569,447)	-	(8,679,900)	-
Net cash from operating activities	12,199,365	5,614,184	(1,192,873)	(899,960)	15,720,716	3,988,277
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in from other funds	-	-	-	44,000	44,000	2,308,092
Transfers out to other funds	(555,969)	(554,167)	(550,078)	(30,161)	(1,690,375)	(93,742)
Operating grants and loans	-	125,435	2,053,539	275,375	2,454,349	220,613
Interest payments on operating debt	-	-	-	(14,625)	(14,625)	-
Excise tax receipts	-	-	-	1,152,237	1,152,237	830,592
Taxes passed on to other governments	-	-	-	(1,140,214)	(1,140,214)	-
Net cash from noncapital financing activities	(555,969)	(428,732)	1,503,461	286,612	805,372	3,265,555
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES						
Proceeds from issuance of capital bonds	-	-	-	-	-	24,154,946
Principal payments on capital debt	-	-	-	-	-	(1,010,000)
Interest payments on capital debt	(167,522)	(1,563,913)	(64,256)	(704)	(1,796,395)	(1,625,221)
Purchases of capital assets	(4,385,611)	(17,738,736)	(254,620)	-	(22,378,967)	(14,638,364)
Sale of capital assets	-	-	-	-	-	358,484
Net cash from capital financing activities	(4,553,133)	(19,302,649)	(318,876)	(704)	(24,175,362)	7,239,845
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturity of investments	6,808,261	14,008,792	1,978,156	2,411,854	25,207,063	4,774,277
Purchase of investments	(11,215,614)	(1,916,021)	(1,776,339)	(1,784,155)	(16,692,129)	(15,236,520)
Interest and dividends received	1,283,938	1,169,138	217,444	213,901	2,884,421	967,368
Net cash from investment activities	(3,123,415)	13,261,909	419,261	841,600	11,399,355	(9,494,875)
Net increase (decrease) in cash and equivalents	3,966,848	(855,288)	410,973	227,548	3,750,081	4,998,802
Cash and cash equivalents - beginning of year	9,162,107	10,195,523	1,668,406	1,927,169	22,953,205	5,873,953
Cash and cash equivalents - end of year	\$ 13,128,955	\$ 9,340,235	\$ 2,079,379	\$ 2,154,717	\$ 26,703,286	\$ 10,872,755

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, 2024

	Business-Type Activities - Enterprise Funds					Governmental Activities
	Water	Wastewater	Surface and Stormwater	Nonmajor Enterprise Fund Totals	Enterprise Fund Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 11,851,953	\$ 1,229,480	\$ 4,344,649	\$ (1,500,520)	\$ 15,925,562	\$ (3,682,222)
<i>Adjustments to reconcile operating income (loss) to net cash from operating activities:</i>						
Depreciation	3,574,059	4,474,653	1,496,003	157,136	9,701,851	4,550,878
Pension expense - proportionate share	(353,738)	(355,155)	(301,805)	(387,566)	(1,398,264)	(1,588,238)
Miscellaneous income	181,171	126,367	27,111	257,849	592,498	239,644
Miscellaneous expense	(1,992,547)	(117,906)	(6,569,447)	-	(8,679,900)	-
(Increase) decrease in accounts receivable	210,110	402,090	70,886	(15,187)	667,899	177,709
(Increase) decrease in due from other funds	(4,760)	(1,320)	(5,278)	(27)	(11,385)	(301)
(Increase) decrease in due from other governments	227,200	(35,409)	(404,803)	152,277	(60,735)	120,205
(Increase) decrease in inventories	-	-	-	9,504	9,504	112,158
(Increase) decrease in prepaid items	-	-	-	-	-	(8,382)
Increase (decrease) in accounts payable	(108,175)	742,720	102,350	(47,550)	689,345	3,236,114
Increase (decrease) in wages and benefits payable	149,900	157,801	159,084	735,102	1,201,887	717,732
Increase (decrease) in due to other funds	-	-	-	(497,973)	(497,973)	194,128
Increase (decrease) in due to other governments	-	-	-	14,062	14,062	105,968
Increase (decrease) in other current liabilities	(426,303)	448,501	11,454	13,844	47,496	(110,867)
Increase (decrease) in other long-term liabilities	(1,109,505)	(1,457,638)	(123,077)	209,089	(2,481,131)	(76,249)
Total Adjustments	347,412	4,384,704	(5,537,522)	600,560	(204,846)	7,670,499
Net cash from operating activities	\$ 12,199,365	\$ 5,614,184	\$ (1,192,873)	\$ (899,960)	\$ 15,720,716	\$ 3,988,277
Schedule of noncash activities:						
Net change in fair value of investments	833,407	1,162,797	165,672	182,305	2,344,181	425,034
Lease / SBITA purchases	-	-	-	-	-	59,945
Contributions from developers	1,255,230	1,030,624	1,125,732	-	3,411,586	-

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

CITY OF BELLINGHAM
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2024

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 273,186
Leasehold tax receivable	12,554
Total assets	285,740
LIABILITIES	
Due to other governments	285,740
Total liabilities	285,740
NET POSITION	
Restricted for other governments	-
Total net position	\$ -

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

CITY OF BELLINGHAM
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2024

	Custodial Fund
ADDITIONS	
Court shared revenue collections	\$ 288,091
Leasehold tax collections	130,873
Total additions	418,964
DEDUCTIONS	
Court shared revenue remittances	288,091
Leasehold tax remittances	130,873
Total deductions	418,964
Change in net position	-
Net position - beginning	-
Net position - ending	\$ -

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

1. Summary of significant accounting policies

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

A. Reporting entity

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

As required by the generally accepted accounting principles the financial statements present the City and its component unit. The component unit discussed below is included in the City reporting entity because of the significance of its financial relationships with the City.

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

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

Discretely presented component unit

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

As a discrete component unit, the PFD is reported in its own column in the government-wide basic financial statements. Separately issued financial statements may be obtained by writing to:

City of Bellingham
Finance Director
210 Lottie St.
Bellingham, WA 98225
adasbjornsen@cob.org

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a

significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for services that are also offered to the general public. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. These charges are included in direct program expense.

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

The City reports the following major governmental funds:

The *General fund* is the City's operating fund. It accounts for all financial resources of the general government, except those required or elected to be accounted for in another fund. To comply with GASB Statement No. 54 and GASB Statement No. 84 several former special revenue funds and two former fiduciary funds are reported in the *General fund*. There are a total of eight funds in addition to the originally budgeted *General fund* that roll up as part of the combined *General fund* presented in the ACFR. These additional former special revenue and fiduciary funds, now referred to as *General fund subsidiaries*, are budgeted separately from the *General fund* and have individual budget and actual statements included in the combining and individual fund statements. See RSI for the composition of the *General fund*.

The City reports the following three major proprietary funds:

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

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

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

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

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

Fiduciary 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. The City reports the *Guaranty Deposit* fund as a custodial fund.

C. Measurement focus, basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cashflows. 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.

The 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

The custodial fund uses the economic resources measurement focus and utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balances***Deposits and investments***

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

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

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

- Library Gift
- CDBG Grant
- Governmental Debt Service
- Guaranty Deposit
- Accounts Payable
- Payroll Clearing

Receivables

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

- 1) Interest receivable consists of amounts earned, but not received, on investments.
- 2) Notes and contracts receivable consists of principal amounts owed on open accounts from private individuals or organizations for goods and services rendered.
- 3) Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.
- 4) During the year, property tax revenues are recognized when received. There is no allowance for uncollectible taxes. The City considers delinquent taxes fully collectible.

Interfund activity

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

Inventories and prepaid items

Inventories in governmental funds consist of expendable supplies held for consumption. The cost is recorded as expenditures at the time individual inventory items are purchased. Inventories in proprietary funds are valued on a cost basis using the weighted average method. The cost is recorded as expenses when consumed rather than when purchased.

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

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

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

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

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

Capital assets are defined by the City as assets with an estimated useful life of more than one year and an individual cost for each asset category in excess of the following amounts. All depreciable assets are depreciated using the straight-line method.

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

The City has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. These assets are identified in the asset system as partially grant funded for tracking purposes in the event of a sale or surplus of the item.

Leases

Lessee: The City is a lessee for noncancelable leases. The City recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The City recognizes all lease liabilities.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The City is a lessor for noncancelable leases. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to future periods and so will not be recognized as an expenditure until consumed.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future periods and so will *not* be recognized as a revenue until acquired.

Compensated absences

City policy permits employees to accumulate unused vacation leave. Vacation leave is earned at rates established in individual bargaining unit agreements. Each employee may accumulate up to double their established annual accrual rate. Unused vacation is payable upon termination of employment. Upon retiring, contractual limitations have been imposed on PERS I employees to limit vacation payout to a maximum of 240 hours. Currently, certain bargaining groups (by individual contracts) are also eligible for an annual vacation leave cash out program. Employees with accumulated banks of at least 88 hours on October 15 of each of year, have the option of cashing out a minimum of 8 hours to a maximum of 40 hours of vacation leave accumulated. Employee banks will be reduced by the number of hours cashed out and balance of at least 80 hours of accrued vacation leave must remain in the bank when the transaction is complete. Vacation liabilities are recorded at year-end in full accrual funds and in the government-wide statements.

City policy permits employees to accumulate unused sick leave. Sick leave is earned at rates established in individual bargaining unit agreements. The maximum amount each employee may accumulate varies based upon which union you are in. Unused sick leave is payable upon termination only to LEOFF II employees. LEOFF II employees may cash out up to 150-300 hours of their accumulated sick leave balance upon retirement depending upon whether they are fire or police employees. Some of the bargaining groups are also eligible for an annual optional sick leave cash out program. The City maintains a liability in the proprietary funds for future sick leave cash-out payments.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The operating revenues of the proprietary funds are charges to customers for sales and services and sales of merchandise both of which are directly related to the fund's principal operations. Operating expenses for enterprise and internal service funds include labor, materials and supplies, services, depreciation, taxes, insurance, and claims all of which are directly related to the fund's principal operations. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Pensions

The net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the net position of the City of Bellingham Firefighters' (FFP), City of Bellingham Police Officers' (POP), and the Washington State Department of Retirement Systems (DRS) pension plans', and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by each plan. For this purpose, plan contributions (if applicable) are recognized in the period that compensation is reported for the employee, which is when

contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For purposes of calculating the restricted net position related to the net pension asset, the City includes the net pension asset only.

Other post-employment benefits (OPEB)

The total liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the net position of the City of Bellingham Firefighters' (FHC), City of Bellingham Police Officers' (PHC) healthcare plans', and additions to/deductions from the plans' net position have been determined on the same basis as they are reported by each plan. For this purpose, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not they are 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 *Wastewater funds'* revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position in compliance with applicable bond covenants. The amount of these restricted assets is reported in the long-term debt note.

Contributions of capital

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

Estimates

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

Fund balance

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

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

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

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

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

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

Spending prioritization in using available resources

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

Fund reserve goals

The City has Financial Management Guidelines that sets reserve minimums for the *General fund*, *Fleet*, *Computer Replacement*, *Claims and Litigation*, *Unemployment*, *Worker's Compensation*, *Health Benefits*, and *Permanent* funds. This document is available on the City's website at: <https://cob.org/wp-content/uploads/Financial-Management-Guidelines.pdf>

When Reserves are projected to fall below its minimum reserve at year-end, the Finance Director shall present to Council a financial plan to restore the fund reserve balance to the minimum standard within the shortest period feasible or in no case longer than three budget years.

Meeting the minimum reserve goal is integral to the budget process and is reported in the Adopted Budget document. The budget department tracks the reserve amounts throughout the year. At year end the actual ending reserves are reviewed and adjustments are made if required.

Net position

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

2. Stewardship, compliance and accountability

A. Budgetary information

Biennial appropriated budgets are adopted for the general, special revenue and debt service funds on a basis consistent with generally accepted accounting principles (GAAP). Capital project funds adopt budgets on an individual project basis. Proprietary and fiduciary funds are budgeted for management purposes only. National Council on Governmental Accounting Statement No. 1 requires financial statements presenting budgetary comparisons for governmental fund types only.

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

The City's budget procedures were created in accordance with RCW 35.34. On or before November 1, every even number year, the Mayor submits a proposed budget to the City Council for the following odd and even number years. This budget is based on priorities established by the Council and estimates provided by City departments during the preceding months. The budget is balanced with revenue estimates made by the Finance Director. Council conducts public hearings on the proposed budget on or before the first Monday in December. The Council makes its adjustments to the proposed budget and adopts, by ordinance, a final balanced budget by fund, no later than December 31. Within 30 days of adoption, the final budget is available to the public.

The Finance Director, designated by the Mayor, authorizes transfers of budgeted amounts between accounts. However, any revisions that alter the total expenditures of a fund must be approved by the City Council. The City Council may determine that it is in the best interest of the City to increase or decrease the appropriation for a particular fund. It must do so by ordinance approved by simple majority.

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

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

B. Excess of expenditures over appropriations

As of December 31, 2024, there has been no material violation of finance related legal or contractual provisions in any City governmental fund.

3. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the City would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The City's deposits are mostly covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The City does not have a deposit policy for custodial credit risk.

Investments

The City invests excess and inactive funds, in accordance with City Investment Policy and Washington State statute, RCW 35A.40.060. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investments are valued at fair value as of December 31, 2024.

Investments are subject to the following risks.

Interest Rate Risk

Interest rate risk is the risk the City may face should interest rate variances affect the fair value of investments. To minimize risk of loss arising from interest rate fluctuations, the City manages its exposure to declines in fair values by limiting the maximum maturity length of investments to five years.

Credit risk

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

Custodial credit risk

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

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Per the City's Investment Policy, the City diversifies its investments by security type and institution with no more than 50% of the City's total investment portfolio invested in a single security type or with a single financial institution.

Investments in Local Government Investment Pool (LGIP)

The City is a voluntary participant in the Washington State Local Government Investment Pool (LGIP), an external investment vehicle operated by the Washington State Treasurer. The pool is neither rated nor registered with the SEC. Oversight is provided by the State Finance Committee in accordance with RCW 43.250. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Fair value of investments as of December 31, 2024

Investment type / issuer	Fair value	Maturity period			% of total	Moody's rating
		≥ 3 months	4-12 months	1-5 years		
U.S. Treasury Securities (explicitly guaranteed):						
U.S. Treasury Notes	\$ 19,416,066	\$ 4,987,355	\$ -	\$ 14,428,711	7.14%	
U.S. Agency Securities (implicitly guaranteed):						
Federal Farm Credit Bank (FFCB)	85,198,903	-	22,678,913	62,519,989	31.33%	Aaa
Federal Home Loan Bank (FHLB)	65,958,677	-	-	65,958,677	24.25%	Aaa
Federal National Mortgage Association (FNMA)	33,218,735	-	23,460,529	9,758,206	12.22%	Aaa
Federal Home Loan Mortgage Corp. (FHLMC)	23,292,532	4,954,451	8,648,944	9,689,137	8.57%	Aaa
Farmer MAC (FMAC)	24,868,277	-	4,929,876	19,938,401	9.14%	Aaa
Municipal Bonds:						
Cupertino CA ISD GO	995,028	-	-	995,028	0.37%	Aa2
Ecorse Township ISD GO	4,767,850	-	-	4,767,850	1.75%	Aa1
Houston	4,337,235	-	-	4,337,235	1.59%	Aaa
Midlothian TX ISD GO	3,362,722	3,362,722	-	-	1.24%	Aaa
Stratford CT GO	3,206,441	-	-	3,206,441	1.18%	Aaa
University of WA GO	3,323,635	-	-	3,323,635	1.22%	Aa3
Total investments at fair value	\$ 271,946,100	\$ 13,304,527	\$ 59,718,262	\$ 198,923,311	100%	

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

Bellingham-Whatcom Public Facilities District	
Cash and cash equivalents	
Local Government Investment Pool	\$ 390,489
Deposits	137,099
Total cash and cash equivalents	527,588
Investments at fair value	
U.S. Treasury Securities	119,818
U.S. Agency Securities	1,434,999
Municipal Bonds	123,377
Total investments	1,678,194
Total deposits and investments	\$ 2,205,782
Reconciliation to basic financial statements	
Total investments at fair value	\$ 271,946,100
Cash and cash equivalents	
Local Government Investment Pool	67,177,975
Deposits with bank	23,585,796
Total cash and cash equivalents	90,763,771
<i>Less:</i>	
Fiduciary fund cash and investments	(273,186)
Government-wide SNP cash and investments	\$ 362,436,685

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than those in Level 1; and

Level 3: Unobservable inputs.

Debt securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued based on price data obtained from observed transactions and market price quotations from broker dealers. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

Fair value measurement as of December 31, 2024

Investments by fair value level	Level 1	Level 2	Level 3	Totals
U.S. Treasury Securities	\$ 19,416,066	\$ -	\$ -	\$ 19,416,066
U.S. Agency Securities	-	232,537,124	-	232,537,124
Municipal Bonds	-	19,992,911	-	19,992,911
Total investments by fair value level	\$ 19,416,066	\$ 252,530,034	\$ -	\$ 271,946,100

4. Receivables

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

Receivables as of December 31, 2024

Governmental funds	General	Transportation	Nonmajor governmental		
Taxes	\$ 6,770,527	\$ 1,336,907	\$ 1,607,857		
Accounts	20,918,884	3,044,896			
Gross receivables	27,689,411	1,336,907	4,652,748		
Less: allowance for uncollectible	(9,650,400)	-			
Total governmental	\$ 18,039,010	\$ 1,336,907	\$ 4,652,748		

Proprietary funds	Water	Waste water	Surface & stormwater	Nonmajor enterprise	Internal service
Interest	\$ 250,882	\$ 178,483	\$ 39,735	\$ 39,910	\$ 205,202
Taxes	-	-	-	197,728	-
Accounts	1,370,723	1,411,078	513,567	1,466,167	216,079
Gross receivables	1,621,605	1,589,561	553,302	1,703,805	421,281
Less: allowance for uncollectible	-	-	-	(995,511)	-
Total business-type	\$ 1,621,605	\$ 1,589,562	\$ 553,302	\$ 708,294	\$ 421,281

Fiduciary funds	Guaranty Deposit
Tax Accounts	\$ 12,553
Total fiduciary	\$ 12,553

5. Property taxes

The Whatcom County Treasurer collects property taxes levied in the County for all taxing authorities.

Property tax calendar	
January 1	Tax is levied and becomes an enforceable lien against properties.
February 14	Tax bills are mailed.
April 30	First of two equal installment payments is due.
May 31	Assessed value of property is established for the following year’s levy at 100 percent of market value.
October 31	Second of two equal installment payments is due.

Property tax is recorded as a receivable and revenue when levied. Property tax collected in advance of the fiscal year to which it applies is recorded as a deferred inflow and recognized as revenue of the period to which it applies. No allowance for uncollectible tax is established because delinquent taxes are considered fully collectible. Prior year tax levies were recorded using the same principal, and delinquent taxes are evaluated annually.

Washington State Constitution and Washington State law, RCW 84.52.043, limit the regular levy rate to 1% of the total fair market value within the district and a combined \$5.90/\$1,000 of other local regular levies. If the \$5.90 limit is exceeded, then levies will be prorated in a prearranged order per RCW 84.52.010.

State law authorizes the City to levy up to \$3.60/\$1,000 of assessed value for general governmental services, plus an additional \$.225/\$1,000 for the fire fighter’s pension fund.

The total assessed valuation of the City of Bellingham for 2024 was \$22,732,091,382. The City’s regular levy rate was \$0.898/\$1,000, for a total regular levy of \$20,416,221.

Special levies approved by the voters are not subject to the same statutory limitations. For 2024, voters authorized an additional special levy rate of \$0.5897/\$1,000, totaling \$13,405,093.

Property tax levies 2024			
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Purpose of Levy	Type	Rate/\$1,000	Tax
General fund	regular levy	0.7697721242	\$ 17,498,530
Fire pension	regular levy	0.1251023693	2,843,838
New What RDA LIFT	regular levy	0.0032488278	73,853
Total regular levy		0.8981233213	20,416,221
Affordable Housing	special levy	0.1775077195	4,035,122
Greenways IV - parks	special levy	0.0014478540	32,913
Greenways V	special levy	0.4107434711	9,337,058
Total special levy		0.5896990446	13,405,093
Total Levy		1.4878223659	\$ 33,821,314

6. Capital assets

Capital asset activity for the year ended December 31, 2024, is summarized as follows:

Primary government				
Governmental activities	Beginning balance 1/1/2024	Additions	Reductions	Ending balance 12/31/2024
Capital assets not being depreciated:				
Land	\$ 92,190,876	\$ 5,688,471	\$ -	\$ 97,879,347
Improvements	17,614,900	-	-	17,614,900
Construction in progress	14,028,666	19,648,319	(9,965,099)	23,711,886
Intangibles - right of ways	60,168,657	103,338	-	60,271,995
Total capital assets, not being depreciated/amortized	184,003,099	25,440,128	(9,965,099)	199,478,128
Capital assets being depreciated/amortized:				
Buildings	66,439,302	-	-	66,439,302
Improvements other than buildings	388,425,022	30,292,065	-	418,717,087
Machinery and equipment	45,664,970	6,493,934	(2,042,886)	50,116,018
Intangibles - software	3,747,058	-	-	3,747,058
Intangibles - leases	2,992,163	1,922,307	(432,247)	4,482,223
Intangibles - IT subscription	942,346	7,621	-	949,967
Total capital assets being depreciated/amortized	508,210,861	38,715,927	(2,475,133)	544,451,655
Less accumulated depreciation/amortization for:				
Buildings	(26,732,272)	(1,233,575)	-	(27,965,847)
Improvements other than buildings	(182,004,871)	(10,072,592)	-	(192,077,463)
Machinery and equipment	(25,307,319)	(3,754,632)	1,606,113	(27,455,838)
Intangibles - software	(2,914,591)	(299,212)	-	(3,213,803)
Intangibles - leases	(536,687)	(1,138,755)	413,625	(1,261,817)
Intangibles - IT subscription	(231,312)	(233,218)	-	(464,530)
Total accumulated depreciation/amortization	(237,727,052)	(16,731,984)	2,019,738	(252,439,298)
Total capital assets, being depreciated/amortized, net	270,483,809	21,983,943	(455,395)	292,012,357
Governmental activities capital assets, net	\$ 454,486,908	\$ 47,424,071	\$ (10,420,494)	\$ 491,490,485

Business-type activities	Beginning balance 1/1/2024	Additions	Reductions	Ending balance 12/31/2024
Capital assets not depreciated/amortized:				
Land	\$ 58,563,891	\$ 3,329,104	\$ -	\$ 61,892,995
Construction in progress	15,421,773	16,190,199	(7,596,071)	24,015,901
Intangibles - right of ways	356,111	-	-	356,111
Total capital assets, not being depreciated/amortized	74,341,775	19,519,303	(7,596,071)	86,265,007
Capital assets depreciated/amortized:				
Buildings	143,989,791	-	-	143,989,791
Improvements other than buildings	344,682,594	13,578,424	(39,342)	358,221,676
Machinery and equipment	5,033,980	288,896	(186,593)	5,136,283
Intangibles - software	284,325	-	-	284,325
Intangibles - leases	453,072	5,997	(5,997)	453,072
Total capital assets, being depreciated/amortized	494,443,762	13,873,317	(231,932)	508,085,147
Less accumulated depreciation/amortization for:				
Buildings	(60,969,982)	(2,695,951)	-	(63,665,933)
Improvements other than buildings	(142,128,293)	(6,735,473)	39,342	(148,824,424)
Machinery and equipment	(4,046,702)	(178,275)	186,593	(4,038,384)
Intangibles - software	(284,325)	-	-	(284,325)
Intangibles - leases	(61,975)	(96,766)	4,613	(154,128)
Total accumulated depreciation/amortization	(207,491,277)	(9,706,465)	230,548	(216,967,194)
Total capital assets, being depreciated/amortized, net	286,952,485	4,166,852	(1,384)	291,117,953
Business-type activities capital assets, net	\$ 361,294,260	\$ 23,686,155	\$ (7,597,455)	\$ 377,382,960

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

Governmental activities	
General governmental	\$ 311,729
Public safety	1,107,869
Transportation	7,854,348
Cultural and recreational	2,400,657
Natural and economic environment	92,881
Internal service fund capital assets are charged to various functions based on the usage of the assets	4,550,878
Total depreciation expense - governmental activities	\$ 16,318,362
Business-type activities	
Cemetery	\$ 4,153
Water	3,574,059
Wastewater	4,474,653
Storm and surface water	1,496,003
Golf	32,407
Parking	101,235
Medic one	19,340
Total depreciation expense - business-type activities	\$ 9,701,850

Capital asset activity for the year ended December 31, 2024, is summarized as follows:

Discretely presented component unit				
Bellingham-Whatcom Public Facility District	Beginning balance 1/1/2024	Additions	Reductions	Ending balance 12/31/2024
Capital assets not depreciated:				
Land	\$ 1,329,860	\$ -	\$ -	\$ 1,329,860
Total capital assets, not being depreciated/amortized	1,329,860	-	-	1,329,860
Capital assets depreciated:				
Buildings	19,094,610	-	-	19,094,610
Improvements other than buildings	9,070,078	-	-	9,070,078
Total capital assets being depreciated/amortized	28,164,688	-	-	28,164,688
Less accumulated depreciation for:				
Buildings	(7,511,103)	(324,015)	-	(7,835,118)
Improvements other than buildings	(4,266,100)	(276,854)	-	(4,542,954)
Total accumulated depreciation/amortization	(11,777,203)	(600,869)	-	(12,378,072)
Total capital assets, being depreciated/amortized, net	16,387,485	(600,869)	-	15,786,616
Public Facilities District capital assets, net	<u>\$ 17,717,345</u>	<u>\$ (600,869)</u>	<u>\$ -</u>	<u>\$ 17,116,476</u>

7. Leasing Activities

Lessee Activities

The City's leasing portfolio encompasses a diverse array of properties and equipment essential to its operations. Among these assets are an emergency response center that facilitates rapid and effective emergency management, police evidence storage locations designed to ensure the secure handling of materials, and office and building spaces that accommodate city staff and administrative functions. Lease agreements generally span a duration of three to five years. When renewal options are expected to be exercised with reasonable certainty, they are incorporated into the original lease term, ensuring continuity and minimizing disruptions to city operations.

As of the fiscal year ending December 31, 2024, the City maintained 57 active leases. Two of these leases operate on a variable payment structure based on a consumer price index, with a total amount paid during the year amounting to \$5,753.

Right-to-use lease assets as of December 31, 2024

No. of Leases	Governmental Activities	Beginning Balance 01/01/2024	Increases	Decreases	Ending Balance 12/31/2024
Lease Assets					
10	Leased Buildings	2,395,352	387,820	(327,875)	2,455,297
37	Leased Equipment	596,812	1,534,487	(104,372)	2,026,927
	Total Lease Assets	2,992,163	1,922,307	(432,247)	4,482,223
Accumulated Amortization					
10	Accum. Amor Buildings	(326,842)	(666,483)	327,875	(665,451)
37	Accum. Amor Equipment	(209,845)	(472,272)	85,750	(596,366)
	Total Accumulated Amortization	(536,687)	(1,138,755)	413,625	(1,261,817)
	Governmental activities lease assets, net	2,455,476	783,552	(18,622)	3,220,406

No. of Leases	Business-Type Activities	Beginning Balance 01/01/2024	Increases	Decreases	Ending Balance 12/31/2024
Lease Assets					
3	Leased Buildings	423,337.40	-	-	423,337
7	Leased Equipment	29,734.13	5,997	(5,997)	29,734
	Total Lease Assets	453,071.54	5,997	(5,997)	453,072
Accumulated Amortization					
3	Accum. Amor Buildings	(56,445)	(84,667)		(141,112)
7	Accum. Amor Equipment	(5,530)	(12,099)	4,613	(13,016)
	Total Accumulated Amortization	(61,975)	(96,766)	4,613	(154,128)
	Business-type activates lease assets, net	391,097	(90,769)	(1,384)	298,944
57	Lessee Arrangement Total	2,846,573	692,783	(20,006)	3,519,350

As of December 31, 2024, the lease principal and interest requirements to maturity are as follows:

Year ended December 31, 2024	Governmental Activities		
	Principal	Interest	Total
2025	\$ 502,325	\$ 72,462	\$ 574,787
2026	458,320	58,251	516,571
2027	437,284	44,564	481,848
2028	260,810	34,604	295,414
2029	208,169	31,964	240,133
2030 - 2034	750,354	127,250	877,603
2035 - 2039	313,209	79,803	393,011
2040 - 2044	363,693	29,318	393,011
Total	3,294,163	478,217	3,772,380

Year ended December 31, 2024	Business-Type Activities		
	Principal	Interest	Total
2025	\$ 87,285.78	\$ 12,865	\$ 100,150
2026	92,874	8,696	101,570
2027	100,226	4,212	104,438
2028	35,295	356	35,652
Total	\$ 315,682	\$ 26,129	\$ 341,811

Grand Total	\$ 3,609,845	\$ 504,345	\$ 4,114,190
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Lessor Activities

The City manages a range of leasing agreements that include land, facilities, communications radio towers, office spaces, and storage areas. Each lease is governed by specific terms and conditions tailored to the agreement. When an implicit rate of return is unavailable, the City establishes an incremental borrowing rate based on a comparable term from the Daily Treasury Par Yield Curve Rate index, with an additional 1% credit spread. This rate is determined at the lease commencement date to ensure consistency and financial accuracy. Additionally, variable payments, such as adjustments linked to the Consumer Price Index, are recognized as revenue in the period they are earned.

Year ended December 31, 2024	Lease Revenue	Lease Interest	Variable payments	Total
Governmental Activities	271,665	137,720	-	409,385
Business-Type Activities	266,495	99,103	10,252	375,850
Total	538,159	236,823	10,252	785,235

As of December 31, 2024, future lease receivable principal and interest payments are as follows:

Year ended December 31, 2024	Governmental Activities		Total
	Principal	Interest	
2025	266,284	\$ 136,102	\$ 402,386
2026	281,274	127,561	408,835
2027	294,909	118,525	413,434
2028	308,690	109,049	417,738
2029	310,356	99,306	409,662
2030 - 2034	1,370,639	351,142	1,721,782
2035 - 2039	1,003,473	166,258	1,169,731
2040 - 2044	474,682	50,602	525,284
2045 - 2049	47,247	15,193	62,440
2050 - 2054	27,957	9,543	37,500
2055 - 2059	24,414	5,586	30,000
2060 - 2064	22,303	1,697	24,000
Total	4,432,227	1,190,565	5,622,792

Year ended December 31, 2024	Business-Type Activities		Total
	Principal	Interest	
2025	233,299	\$ 93,690	\$ 326,989
2026	208,448	84,671	293,119
2027	189,942	76,488	266,430
2028	189,088	68,661	257,749
2029	154,912	61,139	216,051
2030 - 2034	478,392	240,590	718,982
2035 - 2039	166,789	186,062	352,851
2040 - 2044	219,062	166,885	385,947
2045 - 2049	306,926	140,503	447,429
2050 - 2054	357,907	104,781	462,688
2055 - 2059	223,828	85,483	309,311
2060 - 2064	283,439	75,137	358,576
2065 - 2069	353,547	62,141	415,688
2070 - 2074	435,866	46,030	481,896
2075 - 2079	532,385	26,265	558,650
2080 - 2084	361,440	4,520	365,960
Total	\$ 4,695,270	\$ 1,523,045	\$ 6,218,315

Grand Total	\$ 9,127,497	\$ 2,713,610	\$ 11,841,107
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8. Interfund receivables, payables and transfers

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

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

The following schedule shows the interfund loans receivables and loans payables as well as the due to and due from other funds balances. All interfund loans and due to and from balances are expected to be repaid within a year unless other terms are specifically established as noted below.

Interfund balances at December 31, 2024				
	Interfund loans receivable	Interfund loans payable	Due from other funds	Due to other funds
General	\$ 687,415	\$ -	\$ 1,997	\$ -
Nonmajor governmental	375,095	375,095	60,824	60,740
Transportation	-	-	362	-
Water	-	-	4,133	-
Watershed	-	-	627	-
Wastewater	-	-	1,320	-
Surface and stormwater	-	-	5,278	-
Nonmajor enterprise	-	-	27	-
Medic One	-	507,415	-	-
Internal service	-	180,000	302	14,128
Total government-wide	<u>\$ 1,062,510</u>	<u>\$ 1,062,510</u>	<u>\$ 74,869</u>	<u>\$ 74,869</u>

Internal balances between governmental activities and business type activities \$ 496,030

Greenways Maintenance Endowment fund made a \$1,465,993 loan in 2021, authorized by Ordinance No. 2020-12-043, to the Public Safety Dispatch fund for the purchase of equipment. The term of the loan is five years. There is \$375,095 principal balance remaining on this loan at year-end, and of that amount \$75,755 will not be repaid in 2025.

General fund made a \$180,000 loan in 2024, authorized by Ordinance No. 2024-12-034, to the Workers Compensation fund to cover a cash shortfall. The term of the loan is three years. There is \$180,000 principal balance remaining on this loan at year-end, and of that amount \$121,290 will not be repaid in 2025.

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, 2024

	Transfers In	Transfers Out						Internal Service
		General	Nonmajor Governmental	Water	Wastewater	Surface & Stormwater	Nonmajor Enterprise	
General	\$ 250,000	\$ (1,717,556)	\$ (250,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Nonmajor Governmental	3,203,381	(721,949)	(657,035)	(6,004)	(4,626)	(1,501)	(23,056)	(71,660)
Nonmajor Enterprise	44,000	(44,000)	-	-	-	-	-	-
Internal Service	2,308,092	(630,118)	(704)	(549,965)	(549,541)	(548,577)	(7,105)	(22,082)
Total	\$ 5,805,473	\$ (3,113,623)	\$ (907,739)	\$ (555,969)	\$ (554,167)	\$ (550,078)	\$ (30,161)	\$ (93,742)

9. Capital construction commitments

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

Construction commitments as of December 31, 2024

	Spent to date	Remaining commitment
Street projects	\$ 11,043,522	\$ 11,399,373
Parks projects	11,708,150	2,671,376
Water projects	3,120,366	691,925
Wastewater projects	27,889,654	19,587,437
Stormwater projects	2,151,840	894,885
Facilities projects	7,377,326	15,194,734
	<u>\$ 63,290,858</u>	<u>\$ 50,439,730</u>

Street projects are financed through sales tax revenue, transportation impact fees, REET revenue and grants. Parks projects are financed through REET revenue, greenway levies, park impact fees and grants. Water, wastewater and stormwater projects are financed through utility revenues, bonds, loans (EDI, DOE) and grants. Facilities projects are financed through the funds using the facilities.

10. Long-term debt

General obligation bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The City has issued general obligation bonds to finance improvements in over 20 City buildings to reduce energy consumption, acquisition of the Sportsplex building, improvements to the Civic Field Stadium, construction of the Whatcom Art and Children’s Museum, renovations to Mount Baker Theater, pollution remediation activities, construction of new administration buildings at the Pacific Street complex and refunding of previously issued bonds. General obligation bonds have been issued for both governmental activities and are being repaid from the applicable resources. The 2011 QEC bond is being repaid by the *Facilities Administration fund*. The City’s portion of the 2012 LTGO Refunding bond is being repaid by general governmental revenue sources and the *PFD* is repaying its portion of the bond, per the Financing Agreement. The *PFD* is also repaying the 2016 LTGO Refunding bonds. The 2014 LTGO bonds will be repaid by the *Environmental Remediation fund*. The 2021 and 2024 LTGO bonds will be paid for by the *General fund, Water fund, Wastewater fund, and Surface & Stormwater fund*.

General obligation bonds outstanding December 31, 2024					
Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
11 LTGO QEC Energy Conservation Improv	\$ 6,480,000	04/27/11	12/01/25	5.43%	\$ 6,100,000
12 LTGO Rfdg of 04 Civic Fld/Sportsplex/PFD	14,370,000	03/29/12	12/01/28	2.00 - 4.00%	2,770,000
14 LTGO Solid Waste Rfdg A Pollution Remediation	3,170,000	12/17/14	12/01/25	3.00 - 4.00%	630,000
16 LTGO Rfdg of 07 PFD bond A Museum/Theater	8,815,000	04/20/16	12/01/27	.60 - 4.00%	4,380,000
21 LTGO Pacific St Complex Buildings	17,705,000	06/23/21	12/01/40	2.00 - 5.00%	15,520,000
24 LTGO Pacific St Complex Buildings	22,580,000	06/12/24	12/01/43	4.00 - 5.00%	22,245,000
Total general obligation bonds outstanding	<u>\$73,120,000</u>				<u>\$51,645,000</u>

General obligation bond annual debt service requirements to maturity

Year ending December 31	Governmental activities		
	Principal	Interest	Total requirements
2025	\$ 10,375,000	\$ 2,148,530	\$ 12,523,530
2026	3,900,000	1,631,950	5,531,950
2027	3,840,000	1,484,850	5,324,850
2028	1,950,000	1,337,950	3,287,950
2029	1,750,000	1,246,250	2,996,250
2030-2034	10,050,000	4,911,550	14,961,550
2035-2039	12,115,000	2,845,700	14,960,700
2040-2043	7,665,000	701,450	8,366,450
Total	<u>\$ 51,645,000</u>	<u>\$16,308,230</u>	<u>\$ 67,953,230</u>

As of December 31, 2024, the City has \$6,746,418 available in debt service funds and \$258,426 in the *Facilities Administration fund* to service the general bonded debt.

Revenue bonds

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

Revenue bonds outstanding December 31, 2024

Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Business-type activities					
15 Water/Sewer Rfdg bond system imprvmts	4,035,000	11/10/15	08/01/26	2.17%	864,000
20 Water/Sewer Rfdg bond system imprvmts	18,935,000	09/09/20	08/01/43	.56 - 2.68%	15,470,000
21 Water/Sewer Rfdg bond system imprvmts	29,455,000	05/04/21	08/01/41	5.00%	28,705,000
Total revenue bonds outstanding	<u>\$ 52,425,000</u>				<u>\$ 45,039,000</u>

Revenue bond annual debt service requirements to maturity

Year ending	Business-type activities		
	Principal	Interest	Total requirements
December 31			
2025	\$ 1,592,000	\$ 1,814,986	\$ 3,406,986
2026	1,642,000	1,765,670	3,407,670
2027	1,725,000	1,713,233	3,438,233
2028	1,795,000	1,644,002	3,439,002
2029	1,865,000	1,570,514	3,435,514
2030-2034	10,595,000	6,609,355	17,204,355
2035-2039	13,105,000	4,092,249	17,197,249
2040-2043	12,720,000	1,040,072	13,760,072
Total	<u>\$ 45,039,000</u>	<u>\$ 20,250,080</u>	<u>\$ 65,289,080</u>

The revenue bonds listed above will be repaid solely from water/wastewater system net income and are payable through 2043. The total principal and interest remaining to be paid on the bonds is \$65,289,080. Principal and interest expense for the current year and total net available income were \$3,389,357 and \$30,822,233, respectively.

To service revenue bond debt, \$3,442,282 is available in the reserve accounts of the *Water* and *Wastewater* enterprise funds as of December 31, 2024, in compliance with applicable bond covenants.

Water and Sewer revenue bond covenants require that revenue available for debt service (defined as operating and nonoperating revenues less expenses requiring payment to outside entities) exceed the annual debt payment of both principal and interest by a ratio of 1.25 times the maximum annual debt service (see statistical section). The City complies with bond covenants, with a current ratio coverage of 9.09%. There are numerous limitations and restrictions contained in the various bond indentures. The City is in compliance with all debt covenants.

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of discount.

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

Notes payable

The City is liable for a contract that was entered into with Cingular Wireless, who made a capital contribution of \$450,000 as partial funding for the construction of the new Sehome cell tower. Per the contract, Cingular receives a rent credit in an amount equal to the capital contribution. In the event of a termination of the agreement, Cingular is entitled to a refund of the remaining rent credit. This liability is considered an obligation of the general government and would be repaid from general governmental revenue sources.

Notes payable debt outstanding December 31, 2024

Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
Cell tower advance revenue	\$ 450,000	2/11/16	02/28/31	0.00%	\$ 185,000
Total notes payable outstanding	<u>\$ 450,000</u>				<u>\$ 185,000</u>

Notes payable annual debt service requirements to maturity

Year ending December 31	Governmental activities		
	Principal	Interest	Total requirement
2025	\$ 30,000	\$ -	\$ 30,000
2026	30,000	-	30,000
2027	30,000	-	30,000
2028	30,000	-	30,000
2029	30,000	-	30,000
2030-2031	35,000	-	35,000
Total	<u>\$ 185,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>

Government loans

The City has received government loans to provide for construction of capital projects. The City's current loan agreements are with the Washington State Water Pollution Control Revolving Fund through the Department of Ecology (DOE), Office of Safe Drinking Water through the Department of Health (DOH) and the Washington State Certificate of Participation (COP) program.

The governmental activity loans are obligations of the general government and will be paid with general governmental revenue sources. The business-type activity loans will be paid from the applicable proprietary fund. The business-type DOH loan is being repaid from the *Water fund*. The *Surface and Stormwater fund* is repaying five DOE loans. The *Wastewater fund* is repaying one DOE loan.

Government loan debt outstanding December 31, 2024

Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
Governmental activities					
2015 WA State COP - LED Lights	3,205,000	09/24/15	12/01/27	2.70%	975,000
Total governmental activities	3,205,000				975,000
Business-type activities					
DOH Water Pre-treatment Plant	11,998,800	05/27/15	10/01/34	1.50%	7,148,066
DOE L1200033 Padden Creek Daylighting	1,426,000	05/10/13	12/15/35	2.60%	893,652
DOE L1300017 Squalicum Crk Reroute Ph I	528,632	07/01/15	05/30/36	2.70%	348,191
DOE L1400010 Squalicum Crk Reroute Ph II	543,536	07/01/15	12/31/36	2.30%	360,029
DOE EL160594 Squalicum Crk Reroute Ph III	528,813	11/09/16	01/31/42	2.40%	476,509
DOE EL190008 Roeder Lift Station Imprv	458,350	12/31/18	11/30/41	1.50%	393,731
DOE EL180465 Squalicum Crk Reroute Ph IV	195,824	10/31/20	12/30/41	1.50%	170,075
Total business-type activities	15,679,955				9,790,253
Total governmental loans outstanding	<u>\$ 18,884,955</u>				<u>\$ 10,765,253</u>

Government loan annual debt service requirements to maturity

Year ending December 31	Governmental activities			Business-type activities		
	Principal	Interest	Total	Principal	Interest	Total requirements
2025	\$ 310,000	\$ 35,869	\$ 345,869	\$ 892,902	\$ 168,379	\$ 1,061,281
2026	330,000	20,369	350,369	897,148	153,411	1,050,559
2027	335,000	10,469	345,469	901,499	138,338	1,039,837
2028	-	-	-	905,956	123,158	1,029,114
2029	-	-	-	910,523	107,869	1,018,392
2030-2034	-	-	-	4,625,154	305,976	4,931,130
2035-2039	-	-	-	527,862	58,361	586,223
2040-2042	-	-	-	129,209	34,897	164,106
Total	<u>\$ 975,000</u>	<u>\$ 66,706</u>	<u>\$ 1,041,706</u>	<u>\$ 9,790,253</u>	<u>\$ 1,090,389</u>	<u>\$ 10,880,642</u>

The following table is a summary of the changes in long-term liabilities for the year ended December 31, 2024. The portion of the long-term debt due within one year is noted in the table on the far right and is broken out on the Statement of Net Position from the rest of the long-term debt balance. The City of Bellingham did not enter any short-term debt activity during the year, nor does it have any short-term debt outstanding at year-end.

Summary of changes in long-term liabilities for the year ended December 31, 2024						
Debt type	Beginning balance	Additions	Reductions	Ending balance	Due in ≤ 1 year	Due in ≥ 1 year
Governmental activities						
Bonds payable						
General obligation bonds - govt	\$ 10,415,000	\$ -	\$ (2,635,000)	\$ 7,780,000	\$ 2,840,000	\$ 4,940,000
Premium - govt	776,265	-	(193,340)	582,925	193,340	389,585
Taxable energy conservation bonds	6,100,000	-	-	6,100,000	6,100,000	-
General obligation bonds - Int srvc	16,195,000	22,580,000	(1,010,000)	37,765,000	1,435,000	36,330,000
Premium - Int srvc	2,210,085	1,748,668	(173,722)	3,785,031	219,739	3,565,292
Total bonds payable	<u>35,696,350</u>	<u>24,328,668</u>	<u>(4,012,062)</u>	<u>56,012,956</u>	<u>10,788,079</u>	<u>45,224,877</u>
Government loans	1,377,532	-	(402,532)	975,000	310,000	665,000
Premium	112,471	-	(33,261)	79,210	27,158	52,052
Total government loans	<u>1,490,003</u>	<u>-</u>	<u>(435,793)</u>	<u>1,054,210</u>	<u>337,158</u>	<u>717,052</u>
Claims and litigation	3,090,829	11,368,701	(11,678,154)	2,781,376	2,696,376	85,000
Pollution remediation obligation	54,685,509	13,568,800	(1,210)	68,253,099	13,297,945	54,955,154
Net pension liability, state	4,542,888	-	(1,007,063)	3,535,825	-	3,535,825
Total OPEB liability	23,877,231	-	(2,384,394)	21,492,837	1,205,159	20,287,678
Total pension liability, local	4,893,865	-	(602,063)	4,291,802	582,295	3,709,507
Cell tower revenue in advance	215,000	-	(30,000)	185,000	30,000	155,000
Leases	2,492,824	1,490,060	(688,720)	3,294,164	502,325	2,791,839
IT Subscriptions	728,412	7,621	(228,443)	507,590	236,562	271,028
Compensated absences	8,130,769	5,553,218	(370)	13,683,617	10,038,240	3,645,377
Governmental activities long-term liabilities	<u>\$ 139,843,680</u>	<u>\$ 56,317,068</u>	<u>\$ (21,068,272)</u>	<u>\$ 175,092,476</u>	<u>\$ 39,714,139</u>	<u>\$ 135,378,337</u>
Business-type activities						
Bonds payable						
Revenue bonds	\$ 46,590,000	\$ -	\$ (1,551,000)	\$ 45,039,000	\$ 1,592,000	\$ 43,447,000
Premium	7,784,747	-	(288,324)	7,496,423	288,324	7,208,099
Total revenue bonds	<u>54,374,747</u>	<u>-</u>	<u>(1,839,324)</u>	<u>52,535,423</u>	<u>1,880,324</u>	<u>50,655,099</u>
Government loans	10,679,012	-	(888,758)	9,790,254	892,902	8,897,352
Net pension liability, state	1,451,362	-	(293,402)	1,157,960	-	1,157,960
Leases	398,611	-	(82,929)	315,682	87,286	228,396
Compensated absences	2,009,135	1,497,296	-	3,506,431	2,924,068	582,363
Total business-type activities long-term liabilities	<u>\$ 68,912,867</u>	<u>\$ 1,497,296</u>	<u>\$ (3,104,413)</u>	<u>\$ 67,305,750</u>	<u>\$ 5,784,580</u>	<u>\$ 61,521,170</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term and short-term liabilities are included as part of the above totals for governmental activities. At year-end, long-term liabilities of \$677,484 and short-term liabilities of \$1,374,960 for internal service fund compensated absences are included in the above amounts. For governmental activities, compensated absences, pension and OPEB liabilities, claims and litigation, pollution remediation, leases and IT subscriptions are generally liquidated by the *General fund*.

Discretely presented component units

Bellingham-Whatcom Public Facilities District

The *PFD* entered into an agreement with the City of Bellingham to borrow funds from the City’s 2004 LTGO *PFD/Civic/Aquatic* refunding bond. Of the total \$16,375,000 bond issue, \$9,370,000 was for the *PFD* to fund the construction of the Whatcom Art and Children’s Museum. In 2012 the City of Bellingham advanced refunded the 2004 LTGO bond with the issuance of the 2012 LTGO Refunding bond. The *PFD* pays the debt service costs on its portion of the bond. The *PFD* portion of the bond matures in 2026. The City made a contingent loan commitment for these bonds per contract 2007-0552. The contingent loan commitment established in contract 2007-0552 was superseded by the interlocal financing agreement 2016-0268 between the City and the *PFD* in 2016.

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

The *PFD* issued a limited sales tax obligation bond in the amount of \$9,995,000 on December 20, 2007. The issue funded a portion of the construction cost of the Whatcom Art and Children’s Museum, a portion of the cost of phase II renovations to the Mount Baker Theatre as part of the regional center owned and operated by the *PFD*, and issue costs of the bonds. On April 20, 2016, these bonds were refunded by the City of Bellingham and reissued as LTGO debt of the City of Bellingham in the amount of \$9,640,000 with a new interlocal bond agreement between the City and the *PFD* establishing new repayment terms. These bonds are financed by state sales tax rebate revenue and will mature in 2027.

Bonds outstanding December 31, 2024					
Name of issuance/purpose	Original issue amount	Issue date	Maturity date	Interest rates	Debt outstanding
12 LTGO Rfdg Museum/Theater	\$ 9,370,000	11/9/04	12/01/28	2.00 - 4.00%	\$ 1,712,734
08 Museum Construction	2,800,000	12/31/08	12/31/27	3.25%	457,333
16 LTGO Rfdg Museum/Theater	9,640,000	04/20/16	12/01/27	.60 - 4.00%	4,380,000
Total bonds outstanding	<u>\$ 21,810,000</u>				<u>\$ 6,550,067</u>

Limited sales tax annual debt service requirements to maturity

Year ending December 31	Discretely presented component unit		
	Principal	Interest	Total requirements
2025	\$ 2,115,214	\$ 201,339	\$ 2,316,553
2026	2,302,435	110,918	2,413,353
2027	2,132,418	62,035	2,194,453
Total	<u>\$ 6,550,067</u>	<u>\$ 374,292</u>	<u>\$ 6,924,359</u>

Summary of changes in long-term liabilities for the year ended December 31, 2024

Debt type	Beginning balance	Additions	Reductions	Ending balance	Due in ≤ 1 year	Due in > 1 year
Bonds	\$ 8,473,026	\$ -	\$ (1,922,959)	\$ 6,550,067	\$ 2,115,214	\$ 4,434,853
Total long-term liabilities	\$ 8,473,026	\$ -	\$ (1,922,959)	\$ 6,550,067	\$ 2,115,214	\$ 4,434,853

11. Restricted component of net position

The government-wide statement of net position reports \$250,464,777 of restricted component of net position, of which \$180,967,572 is restricted by enabling legislation.

12. Risk management

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

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

The *Claims, Litigation and Property Loss fund* is the source for payment of third-party claims and judgments, excess liability insurance premiums, and property insurance premiums. Currently the City maintains commercial property insurance for fire and other hazards on City properties. During the current and preceding two years, no City property losses exceeded the City's insurance coverage.

The City purchases excess liability insurance with a \$2 million retained self-insurance limit and \$15 million in policy limits. The City Council has established by Ordinance No. 2002-03-018 a goal of \$5 million as the minimum amount to be made available to cover losses.

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

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

The *Worker's Compensation fund* is the source for collecting contributions and making payments towards employee injury claims and other related costs. The City's workers compensation program is self-insured and follows specific guidelines established by the State of Washington. Claims are administered by a third party and the program has reinsurance with a \$750,000 per occurrence deductible. Premiums are assessed to City departments based upon the number of hours worked by covered employees. Rates are based on an internal formula derived from Washington State standard rates and are revised annually to generate revenues sufficient to cover anticipated expenditures and provide a reserve for incurred but unreported future expenses.

The Health Benefits fund is the source for collecting contributions and making payments towards insurance premiums and employee claims for medical, dental, and vision benefits. Both the City and employee contribute to the cost for either medical insurance or the City's self-insured medical plan. The City alone contributes towards the cost of dental and vision insurance or the City's self-insured dental and vision plans, for full time employees. City departments are charged composite rates to cover the cost of plan contributions for each employee. Most City employees' benefit coverage is provided by the City's self-insured medical, dental, and vision plans administered by HUB International. Police and Fire employees receive purchased insurance, administered by the Association of Washington Cities, the Whatcom Fire Trust, or the Bellingham Police Guild Trust.

Health and Welfare

The City is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2024, 268 cities/towns/non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2024, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$2 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on

December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer’s termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

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

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor’s office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (“GASB”). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor’s office.

Changes in estimated claims liabilities

NOTE 12 - RISK MANAGEMENT		Changes in estimated claims liabilities			
	Beginning				
	Liability	Claims Incurred	Claims Paid	Ending Liability	
Claims and Litigation					
2024	970,000	261,351	(306,351)	925,000	
2023	1,514,094	7,939	(552,033)	970,000	
Unemployment Comp					
2024	27,089	142,211	(135,330)	33,970	
2023	29,897	18,891	(21,699)	27,089	
Workers' Comp					
2024	170,495	1,071,921	(1,036,416)	206,000	
2023	116,588	1,507,501	(1,453,594)	170,495	
Health Benefits					
2024	1,923,245	9,893,218	(10,200,057)	1,616,406	
2023	1,284,158	9,385,184	(8,746,097)	1,923,245	

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

13. Contingencies

Cleanup contingencies - The City of Bellingham (the City) has been named as a potentially liable person (PLP) (as that term is defined in the Model Toxics Control Act) by the Washington State Department of Ecology (DOE) with respect to several cleanup sites. Cleanup at these sites is in a variety of stages, from investigation to post-construction monitoring and maintenance. For most of these sites, the City is eligible for, and has received or hopes to receive, 50% matching funds from DOE for the cleanups. At several of the sites, the City is not the only PLP and is in, or plans to be in, negotiation with the other PLPs as to each party's responsibility to fund the remedial actions. The City issued two general obligation bonds for the City's share of remediation costs being repaid primarily by net revenues from the *Environmental Remediation fund*. These revenues are generated principally by tax revenues paid by the City's solid waste contractor. The *Environmental Remediation fund's* projected cash flow indicates sufficient net revenue to repay the principal and interest costs on the outstanding bonds, which mature in 2025. See Note 14 for additional detail about the current estimated costs.

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

14. Pollution remediation obligations

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

As projects move from the feasibility stage to the cleanup action plan phase and on to design phase and/or when the City receives updated cost-forecast estimates from consultants for remediation sites, the estimated pollution remediation obligation balances are updated to reflect the revised estimates. The pollution remediation obligation is an estimate subject to changes resulting from price increases or reductions, technology, and changes in applicable laws and regulations.

Estimated pollution remediation obligations as of December 31, 2024

Site	Governmental activities
South State Street Manufacturing Gas Plant (f.k.a Boulevard Park)	\$ 9,330,000
Cornwall Avenue Landfill Site	22,402,412
RG Haley Site	27,210,053
Eldridge Avenue Municipal Landfill	111,819
Central Waterfront	9,198,815
Total	<u>\$ 68,253,099</u>

South State Street Manufactured Gas Plant site (SSMGP) – Remediation is required to clean up contamination from the use of this site for the manufacturing of gas from coal. The current estimated cost of remediation is \$9.3 million based on a draft feasibility study prepared by GeoEngineers. The City is negotiating for financial contributions from other potentially liable persons. A final RI/FS was issued in January 2019.

Cornwall Avenue Landfill site – Remediation is required to clean up contamination from the use of this site as a landfill for solid waste. In 2005, the City and the Port of Bellingham entered into an agreement to clean up this site. A RI/FS was prepared and issued for the Cornwall Avenue Landfill Site in December 2013. The Consent Decree for the Cornwall Avenue Landfill Site was signed in December 2014 and dictates the cleanup that will be constructed. Anchor QEA consulting provided the City (and the Port, another PLP) with a revised report of the estimated cost-forecasts as of December 31, 2024. The engineering estimate of the City's pollution remediation obligation related to the Cornwall Avenue Landfill site is \$22.4 million.

RG Haley site – Remediation is required to clean up contamination from the use of this site as a wood treatment facility and from cross contamination from garbage landfill activities on the adjacent property, which is part of the Cornwall Avenue Landfill Site. A final RI/FS was prepared and issued for RG Haley on February 1, 2016, and a final Cleanup Action Plan was issued in April 2018. The estimated pollution remediation obligation for the RG Haley site is \$27.2 million.

Eldridge Avenue Municipal Landfill – Remediation was required to clean up contamination from the use of this site as a landfill for garbage. Construction of the cleanup is complete. Monitoring and maintenance activities pursuant to the Consent Decree are the remaining remediation obligations. The year-end estimate for those activities as of December 31, 2024, is \$111,819.

Central Waterfront – Remediation is required to clean up contamination from the use of this area as a landfill for solid waste, as well as other contaminants from adjoining sites, which were consolidated with the City's Roeder Avenue Landfill Site by Ecology. The identified preferred alternative selected in the RI/FS for site cleanup in the upland region was issued in 2018. Updated cost estimates are based on forecasts prepared by Anchor QEA consulting as of December 31, 2024. The pollution remediation obligation estimate is \$9.2 million for Central Waterfront.

15. Interlocal agreements

Whatcom Medic One

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

What-Comm/Prospect Communications Center

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

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

The City operates and manages the communications centers under advisement of an administrative board composed of eight voting members and one nonvoting member. The administrative board has the authority to establish broad policy guidelines and establishes the annual financial contributions to be made by the member jurisdictions. In 2024, the City contributed \$2,171,155 to the Public Safety Dispatch fund as its share of operations, approximately 22% of total revenues. On January 1, 2021 pursuant to ordinance 2020-12-043 the City also provided funding through an interfund loan from the Greenways Maintenance Endowment Fund, in the amount of \$1,465,933. The term of the loan is five years. The Public Safety Dispatch fund made principal payments of \$293,799 in 2024. As of December 31, 2024, the loan balance is \$375,095.

Waterfront redevelopment

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

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

The City of Bellingham, Whatcom County, and the Lake Whatcom Water and Sewer District (LWWSO) came together in 1998 to formalize, by interlocal agreement, the Lake Whatcom Management Program. The goal of the program is to improve lake water quality by jointly implementing programs affecting the Lake Whatcom Watershed. In 2010 the LWMP 2010-2014 work plan was adopted which included several capital projects all three entities committed to completing. In this timeframe the Aquatic Invasive Species

(AIS) Prevention Program was also launched as a joint program funded by LWWSD, Whatcom County, the City, and program fees. The City, County, and LWWSD have all agreed through the interlocal agreement to commit funds towards land preservation, stormwater management, land use, education and engagement, monitoring and data, hazardous materials mitigation, recreation, AIS, utilities and transportation, and administration. The 2020-2024 work plan cost estimates for the LWMP included contributions totaling \$60.2 million between the City, County, and LWWSD over the five-year period.

In 2024 the City contributed \$445,316 towards the AIS program, LWWSD contributed \$69,441, the County contributed \$170,825 and programs revenues were \$175,872.

Fire District No. 8

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

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

In 2024, Fire District No. 8 paid the City \$1,830,896 for providing these services.

16. Endowments

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

On May 16, 2006, the voters passed a ballot authorizing the City to increase its regular property tax levy in 2007 to \$2.49 per thousand (which included \$0.057 per thousand from the beyond greenways levy) of assessed valuation on all taxable property within the City. The ballot specified increases in 2008 and each of the nine succeeding years as allowed by RCW 84.55 to be used for the costs of parks, greenways, trails, and open space property acquisition, development, and maintenance. The City created the *Greenways III fund* with ordinance 2007-01-004 to account for the property tax levy receipts. These receipts are to be used for acquisition and development/improvement of property.

Ordinance 2007-04-034 changed the name of the *Beyond Greenways Endowment fund* to *Greenways Maintenance Endowment fund* and expanded the scope of the fund to include maintenance activities for properties acquired or developed with any greenway levy funding. This ordinance also set aside 9% of the Greenways III levy to the Endowment fund.

The interest earned within the *Greenways Maintenance Endowment fund* is transferred when needed. It helps pay for parks and recreation department maintenance of properties acquired and developed with Greenway levy funding.

As of December 31, 2024, a total of \$5,926,109 in property taxes and donations has been receipted into the endowment fund and is nonspendable. Interest in the amount of \$283,160 remains unspent.

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

According to the terms of the agreement, the corpus (or original lump payment received) cannot be expended for 50 years. Only the interest earned by that corpus or any other outside revenues received (such as donations) may be expended for (a) or (b) as defined above. As of December 31, 2024, \$677,366 is available to spend.

The fund balance of the Endowment fund is reflected in the governmental portion of the statement of net position and the statement of activities. Washington State authorizes the spending of an endowment fund for the uses, benefits, purpose, and duration for which the fund was established, RCW 24.55.025. Investments for the endowment funds meet the same criteria as other City funds. The City's investment risk is described in Note 3.

17. Pension plans**Aggregate pension amounts for state and local pension plans for the year 2024**

Pension assets	\$	37,288,895
Deferred outflows of resources	\$	37,622,875
Pension liabilities	\$	8,985,586
Deferred inflows of resources	\$	12,223,681
Pension expense/expenditures	\$	289,580

A. State Sponsored Pension Plans

Substantially all City full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is composed of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

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

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of

service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The PERS 1 employer and PERS 2/3 employer and employee contribution rates are developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS **Plan 2/3** employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plans defined benefit required contribution rates for 2024 were as follows:

Employer Contribution Rates				
	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January – June	6.36%	2.97%	.20%	9.53%
July – August	6.36%	2.47%	.20%	9.03%
September – December	6.36%	2.55%	.20%	9.11%

Plan	Employee Contribution Rate
PERS 1	6.00%
PERS 2	6.36%
PERS 3	Varies 5% - 15%

Judicial Benefit Multiplier (JBM) Program: The JBM Program provides judicial members of the Public Employees’ Retirement System (PERS) with an increased retirement benefit multiplier. It also requires employees to pay a higher contribution rate.

Plan	JBM Employee Contribution Rate
PERS 1	12.26%
PERS 2	15.90%
PERS 3	7.5% minimum

The City’s actual PERS plan contributions were \$1,530,543 to PERS Plan 1 and \$3,520,788 to PERS Plan 2/3 for the year ended December 31, 2024.

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006.

PSERS membership includes certain public employees whose jobs contain a high degree of physical risk to their own personal safety. In addition to meeting strict statutory work requirements, membership is further restricted to specific employers including:

Washington State Counties,

Washington State Cities (except for Seattle, Spokane, and Tacoma),

Correctional entities formed by PSERS employers under the Interlocal Cooperation Act

A limited number of state agencies

PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the AFC times the member’s years of service. The AFC is based on the member’s 60 consecutive highest creditable months of service. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Benefits are actuarially reduced for each year that the member’s age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Retirement before age 60 is considered an early retirement. PSERS members who retire before turning 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3% per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other benefits include a COLA, capped at 3% annually. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions

The **PSERS Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the Pension Funding Council and are subject to change by the Legislature. The Plan 2 employer rates include components to address the PERS Plan 1 UAAL.

The PSERS Plan 2 required contribution rates for 2024 were as follows:

Employer Contribution Rates				
	Contribution Rate	PERS 1 UAAL	Admin Fee	Total Employer
January – June	6.73%	2.97%	.20%	9.90%
July – August	6.73%	2.47%	.20%	9.40%
September – December	6.76%	2.55%	.20%	9.51%

The employee contribution rate was 6.73%.

The City’s actual plan contributions were \$41,729 to PSERS Plan 2 and \$1,530,543 to PERS Plan 1 for the year ended December 31, 2024.

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

LEOFF was established in 1970, and its retirement benefit provisions are contained in Chapter 41.26 RCW. LEOFF membership includes all of the state's full-time, fully compensated, local law enforcement commissioned officers, fire fighters and, as of July 24, 2005, emergency medical technicians.

LEOFF is a cost-sharing, multiple-employer retirement system composed of two separate pension plans for both membership and accounting purposes. Both LEOFF plans are defined benefit plans.

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

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

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include a COLA. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

Starting on July 1, 2000, **LEOFF Plan 1** employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan I had no required employer or employee contributions for fiscal year 2024. Employers paid only the administrative expense of 0.20 percent of covered payroll.

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50-52, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include a COLA (based on the CPI), capped at 3% annually. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The rates are adopted by the LEOFF Plan 2 Retirement Board and are subject to change by the Legislature.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41%.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2024 were as follows:

	Employer	Contribution	Rates	
Employer Type	Timeframe	Contribution Rate	Admin Fee	Total Employer
State & Local Governments	January - December	5.12%	0.20%	5.32%
Ports & Universities	January - December	8.53%	0.20%	8.73%

The employee contribution rate was 8.53%.

The City's actual contributions to the plan were \$2,442,297 for the year ended December 31, 2024.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Office of the State Actuary LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2024, the state contributed \$96,422,231 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$1,536,502.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2024 with a valuation date of June 30, 2023. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2024 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2024. Plan liabilities were rolled forward from June 30, 2023, to June 30, 2024, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

Assumptions did not change from the prior contribution rate setting June 30, 2022 Actuarial Valuation Report (AVR). OSA adjusted their methods for calculating UAAL contribution rates in PERS 1 to reflect the

delay between the measurement date of calculated Plan 1 rates and when the rates are collected. OSA made an adjustment to their model to reflect past inflation experience when modeling future COLAs for current annuitants in all plans except PERS1.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0%.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2024. The inflation component used to create the table is 2.5% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	19%	2.1%
Tangible Assets	8%	4.5%
Real Estate	18%	4.8%
Global Equity	30%	5.6%
Private Equity	25%	8.6%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City’s proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate.

Plan	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
PERS 1	\$ 6,904,438	\$ 4,693,784	\$ 2,754,987
PERS 2/3	\$ 20,318,336	\$ (11,271,115)	\$ (37,214,873)
PSERS 2	\$ 7,377	\$ (1,139)	\$ (7,877)
LEOFF 1	\$ (6,969,102)	\$ (7,918,752)	\$ (8,746,895)
LEOFF 2	\$ 11,990,097	\$ (18,097,889)	\$ (42,708,958)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2024, the City reported a proportionate share of net pension liabilities and assets as follows:

Plan	Liability (Asset)
PERS 1	\$ 4,693,784
TOTAL LIABILITY	\$ 4,693,784
PERS 2/3	(11,271,115)
PSERS 2	(1,139)
LEOFF 1	(7,918,752)
LEOFF 2	(18,097,889)
TOTAL ASSET	\$ (37,288,895)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension liability asset, the related State support, and the total portion of the net pension liability/(asset) that was associated with the City were as follows:

	LEOFF Plan 1 Asset	LEOFF Plan 2 Asset
Employer's proportionate share	\$ 7,918,752	18,097,889
State's proportionate share associated with the City	53,562,242	11,744,569
TOTAL	\$ 61,480,994	29,842,458

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

Plan	Proportionate Share 6/30/2023	Proportionate Share 6/30/2024	Change in Proportion
PERS 1	0.262591%	0.264165%	0.001574%
PERS 2/3	0.338696%	0.341904%	0.003208%
PSERS 2	0.000000%	0.002671%	0.002671%
LEOFF 1	0.274762%	0.278448%	0.003686%
LEOFF 2	0.926697%	0.966383%	0.039686%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2024 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2022. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2024, the state of Washington contributed 39% of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61% of employer contributions.

Pension Expense

For the year ended December 31, 2024, the City's recognized pension expense as follows:

Plan	Pension Expense
PERS 1	\$ (19,710)
PERS 2/3	(627,683)
PSERS 2	762
LEOFF 1	(5,195)
LEOFF 2	961,034
TOTAL	\$ 309,208

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 375,584
Contributions subsequent to the measurement date	724,932	-
TOTAL	\$ 724,932	\$ 375,584
PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,404,488	\$ 26,096
Net difference between projected and actual investment earning on pension plan investments	-	3,229,980
Changes of Assumptions	6,223,931	714,136
Changes in proportion and differences between contributions and proportionate share of contributions	99,673	500,198
Contributions subsequent to the measurement date	1,798,020	-
Total	\$ 14,526,112	\$ 4,470,410
PSERS Plans 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,953	\$ 652
Net difference between projected and actual investment earnings on pension plan investments	-	551
Changes of assumptions	1,137	426
Changes in proportion and differences between contributions and proportionate share of contributions	-	2,710
Contributions subsequent to the measurement date	40,077	-
TOTAL	\$ 44,167	\$ 4,339
LEOFF Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 299,307
Total	\$ -	\$ 299,307
LEOFF Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,319,705	\$ 137,731
Net difference between projected and actual investment earnings on pension plan investments	-	2,977,573
Changes of assumptions	7,450,205	1,521,227
Changes in proportion and differences between contributions and proportionate share of contributions	323,555	2,397,213
Contributions subsequent to the measurement date	1,234,199	-
Total	\$ 22,327,665	\$ 7,033,744

TOTAL ALL STATE PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,727,146	\$ 164,478
Net difference between projected and actual investment earnings on pension plan investments	-	6,882,997
Changes of assumptions	13,675,274	2,235,789
Changes in proportion and differences between contributions and proportionate share of contributions	423,228	2,900,121
Contributions subsequent to the measurement date	3,797,227	-
Total	\$ 37,622,875	\$ 12,183,384

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent of the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PERS Plan 1	PERS Plans 2/3	PSERS Plan 2	LEOFF Plan 1	LEOFF Plan 2	TOTAL PLANS
2025	(621,565)	(2,551,951)	(718)	(503,252)	(2,561,154)	(6,238,640)
2026	319,330	4,824,820	424	260,726	4,418,265	9,823,566
2027	(33,811)	2,082,742	(55)	(25,022)	1,737,261	3,761,115
2028	(39,538)	2,064,812	(48)	(31,758)	1,892,488	3,885,956
2029	-	976,964	40	-	2,328,882	3,305,887
Thereafter	-	860,295	107	-	6,243,978	7,104,381
TOTAL	(375,584)	8,257,683	(249)	(299,307)	14,059,721	21,642,265

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

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

Board membership

The FFP is administered by a fire pension board comprised of the city council finance committee chairperson, the mayor, the finance director, two active members of the plan, and an alternate firefighter.

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

Summary of significant accounting and funding policies

Both plans are closed to new participants, no longer have any active employees and are no longer receiving employee contributions. Both FFP and POP benefits have been pre-funded with employer contributions which have included general fund transfers for both plans and a special dedicated property tax levy for the FFP. The accumulated assets do not meet the irrevocable, dedicated, and legally protected requirements provided for under GASB 72, and are therefore reported under GASB 73.

Plan benefits

The City's obligation under the plans consists of paying full benefits, including payment to beneficiaries, for members who retired prior to March 1, 1970, and partial or excess benefits over LEOFF Plan I benefits for those members who retired or will retire after March 1, 1970. Pension benefits are tied to the current employee pay rates including cost of living adjustments. Benefits are calculated at 2% per year of service and on the average final compensation for the last two years of credited service. Each member in service on March 1, 1970, receives the greater of benefit payable under the DRS LEOFF Plan I system or the benefits available under the old law. Where benefits under the old law exceed those under LEOFF Plan I, the excess benefits are paid by the pension fund of the City employing them on March 1, 1970. There were no changes in benefit provisions in the current year.

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

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

Plan Membership

	FFP <u>12/31/2023</u>	POP <u>12/31/2023</u>
Active employees	0	0
Total number retirees	11	9
Total number beneficiaries	14	0
Total number participants	<u>25</u>	<u>9</u>
Average retiree age	83	83.6
Average beneficiary age	86.1	0.0
Average retiree monthly benefit	\$1,517	\$701
Average beneficiary monthly benefit	\$1,398	\$0

* As of last valuation date.

Actuarial methods and assumptions

Actuarial valuations and projections of benefits for financial reporting purposes are made using estimates, methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility. The actuarial calculations of the plans reflect a long-term perspective about the probability of events far into the future and the amounts are subject to continual revision. Both the measurement date and reporting date of the pension liability is December 31, 2024. A full actuarial valuation is performed every two years, with the most recent valuation being performed December 31, 2023.

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

Pension actuarial methods and assumptions for FFP and POP

Actuarial valuation date	12/31/2023
Actuarial measurement date	12/31/2024
Fiscal year end date	12/31/2024
Actuarial cost method	entry age normal, level % of salary
Interest rate for discounting future liabilities	4.0% per yr., based on all yrs. discounted at municipal bond rate (bond buyer 20-bond GO index as of the measurement date).
General inflation	2.5%
Mortality rates - healthy participants	RP-2014, with scale MP-2014, projected to 2024.
Mortality rates - disabled participants without LTC costs	RP-2014, with scale MP-2014, projected to 2024, set forward 3 yrs.
Mortality rates - disabled participants with LTC costs	3 times the rates described above for other disabled participants.
Future COLA for city benefits	3.0%
Future COLA for LEOFF benefits	2.5%
Changes since prior valuation	The interest rate for discounting future liabilities was changed to reflect current municipal bond rates.

Pension expense

Pension expense for year ending 12/31/2024

	FFP	POP
Change in total pension liability	\$ (513,242)	\$ (88,821)
(Increase)/decrease in deferred outflows	41,166	2,163
Increase/(decrease) in deferred inflows	(40,300)	(75,607)
Benefit payments	460,942	194,071
Total pension expense	\$ (51,434)	\$ 31,806
Interest	\$ 129,258	\$ 19,149
Recognition of assumption changes	(162,104)	(25,155)
Recognition of experience gains and losses	(18,588)	37,812
Total pension expense	\$ (51,434)	\$ 31,806

Changes in total Pension liability

Changes in total Pension liability

	FFP	POP
Total Pension liability, 1/1/2024	\$ 4,207,634	\$ 686,231
Changes for the year:		
Interest cost	129,258	19,149
Differences, expected and actual experience	5,708	113,419
Changes in actuarial assumptions	(187,266)	(27,318)
Benefit payments, net of refunds	(460,942)	(194,071)
Net changes	(513,242)	(88,821)
Total Pension liability, 12/31/2024	\$ 3,694,392	\$ 597,410

Rate sensitivity

The following schedule presents the total pension liability and its sensitivity to calculations using discount rates that are 1% higher and 1% lower than the current rate.

Total Pension liability discount rate sensitivity

Pension Plan	1% Decrease 3.00%	Current rate 4.00%	1% Increase 5.00%
FFP	\$ 3,948,135	\$ 3,694,392	\$ 3,469,275
POP	\$ 636,843	\$ 597,410	\$ 562,040

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2024, the City's reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
FFP		
Differences between expected and actual experience	\$ -	\$ 24,296
Changes of assumptions	-	16,001
TOTAL	\$ -	\$ 40,297
POP		
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
TOTAL	\$ -	\$ -
TOTAL		
Differences between expected and actual experience	\$ -	\$ 24,296
Changes of assumptions	-	16,001
TOTAL	\$ -	\$ 40,297

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

Year ended December 31:	FFP	POP	TOTAL
2025	\$ (40,297)	\$ -	\$ (40,297)
2026		-	-
2027	-		-
2028	-	-	-
2029	-	-	-
Thereafter	-	-	-
Total	\$ (40,297)	\$ -	\$ (40,297)

Pension Financial Statements

**City of Bellingham
Balance Sheet
December 31, 2024**

	Firefighters' <u>Pension</u>	Police Officers' <u>Pension</u>
ASSETS		
Cash and cash equivalents	\$ 1,566,618	1,020,908
Investments in government securities	5,146,844	3,418,323
Receivables, net	-	-
Prepaid items	-	-
Total assets	6,713,462	4,439,231
LIABILITIES		
Vouchers payable	-	-
Accrued benefit payments	-	-
Total liabilities	-	-
DEFERRED INFLOW OF RESOURCES		
Property tax	-	-
Total deferred inflows	-	-
FUND BALANCE	\$ 6,713,462	\$ 4,439,231

City of Bellingham
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2024

	Firefighters'	Police Officers'
	<u>Pension</u>	<u>Pension</u>
ADDITIONS		
Contributions:		
Property taxes	-	-
General fund	-	-
Auction proceeds	-	22,580
Fire insurance premium tax	267,831	-
Total trust contributions	267,831	22,580
Investment income:		
Interest	166,494	109,567
Net incr (decr) in fair value of investments	133,339	89,352
Net investment income	299,832	198,920
Total additions	567,663	221,500
DEDUCTIONS		
Benefit payments	460,942	194,071
Medical insurance	-	-
Participant reimbursements	-	-
Total benefit payments	460,942	194,071
Administrative expense	-	1,650
Total deductions	460,942	195,721
Net change in fund balances	106,721	25,779
Fund Balance - Beginning	6,606,741	4,413,452
Fund Balance - Ending	\$ 6,713,462	\$ 4,439,231

18. Other post-employment benefits (OPEB)

Aggregate OPEB amounts for all plans subject to GASB 75 for the year 2024

Total OPEB liabilities	\$ 21,492,837
Deferred outflows of resources	\$ -
Deferred inflows of resources	\$ 950,538
OPEB expense	\$ (1,321,979)

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

Plan description

The City provides two closed single-employer defined benefit healthcare plans for firefighters' and police officers' employed prior to October 1, 1977, in accordance with the Revised Code of Washington (RCW) 41.26. The FHC and PHC plans provide LEOFF Plan 1 retired employees with lifetime medical and long-term care benefits. Dependent spouses and children are not covered. Financial reporting for both plans is contained within the general fund basic financial statements of this report and individually within this note.

Board membership

The FHC is administered by a fire pension board comprised of the city council finance committee chairperson, the mayor, the finance director, two active members of the plan, and an alternate firefighter. The PHC is administered by a police pension board comprised of the president of the city council, the mayor, the finance director, and three active members of the plan.

Summary of significant accounting and funding policies

Funding for LEOFF 1 retiree healthcare costs is required by the Revised Code of Washington (RCW) 41.26. Both plans are closed to new participants, no longer have any active employees and are no longer receiving employee contributions. A special dedicated FHC property tax levy is used towards covering FHC expenses.

Medical care benefits are funded on a pay-as-you-go basis as such there are no assets accumulating in a qualifying trust.

Long-term care benefits have been pre-funded with employer contributions however the accumulating assets do not meet the irrevocable, dedicated, and legally protected requirements provided for under GASB 74, and are therefore reported under GASB 75.

Plan benefits

The plan purchases two types of medical insurance for participants, a Medicare Advantage plan through Humana and a Regence plan for participants not eligible for Medicare. The plan also reimburses participants for out-of-pocket medical expenses (including Medicare premiums) and pays for long-term care costs.

Plan Membership

	FHC	PHC
	<u>12/31/23</u>	<u>12/31/23</u>
Active employees	0	0
Total number of participants	54	35
Average participant age	77.4	77.4

* As of last valuation date.

Actuarial methods and assumptions

Actuarial valuations and projections of benefits for financial reporting purposes are made using estimates, methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility. The actuarial calculations of the plans reflect a long-term perspective about the probability of events far into the future and the amounts are subject to continual revision. The measurement and reporting dates of the pension liability are December 31, 2023, and December 31, 2024, respectively. A full actuarial valuation is performed every two years, with the most recent valuation being performed December 31, 2023.

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

OPEB actuarial methods and assumptions for FHC and PHC

Actuarial valuation date	12/31/2023
Actuarial measurement date	12/31/2024
Fiscal year end report date	12/31/2024
Actuarial cost method	entry age normal, level % of salary
Interest rate for discounting future liabilities	3.25% per yr., based on all yrs. discounted at municipal bond rate (bond buyer 20-bond GO index as of the measurement date).
General inflation	2.5% per yr.
Annual premium increase rate	6.5% in 2024 decreasing .30% each yr. thereafter. LTC expenses are assumed to increase 4.5% annually.
Mortality rates - healthy participants	RP-2014, with scale MP-2014, projected to 2024.
Mortality rates - disabled participants without LTC costs	RP-2014, with scale MP-2014, projected to 2024, set forward 3 yrs.
Mortality rates - disabled participants with LTC costs	3 times the rates described above for other disabled participants.
Long-term care costs	For disabled members with current LTC costs, current costs were valued going forward. For all other retirees, costs were assumed at \$72,995 per yr. in 2024, with an average duration of 2.2 yrs. and were developed based on the Genworth Cost of Care Survey 2023, brought forward with trend. The LTC incidence table was based on data gathered by the American Association for LTC insurance and the USDHHS.
Health care reimbursements	Average of the prior 3 yrs. annual reimbursements by individual were valued, increased with health care trend to 2024.
Changes since prior valuation	The interest rate for discounting future liabilities was changed to reflect current municipal bond rates. Premium increase rates were modified to better reflect anticipated experience.

OPEB expense

OPEB expense for year ending 12/31/2024		
	<u>FHC</u>	<u>PHC</u>
Change in total OPEB liability	\$ (1,335,431)	\$ (1,048,963)
(Increase)/decrease in deferred outflows	-	-
Increase/(decrease) in deferred inflows	(217,775)	(171,666)
Benefit payments	739,560	712,296
Total OPEB expense	<u>\$ (813,646)</u>	<u>\$ (508,333)</u>
Interest	\$ 448,560	\$ 303,857
Expected return on assets	-	-
Changes		
Benefit changes	-	-
Recognition of assumption changes	(964,622)	(637,788)
Recognition of experience gains and losses	(297,585)	(174,402)
Total OPEB expense	<u>\$ (813,646)</u>	<u>\$ (508,333)</u>

Changes in total OPEB liability

Changes in total OPEB liability		
	<u>FHC</u>	<u>PHC</u>
Total OPEB liability, 1/1/2024	\$ 14,171,629	\$ 9,705,602
Changes for the year:		
Interest cost	448,560	303,857
Differences, expected and actual experience	(128,144)	(44,942)
Changes in actuarial assumptions	(916,288)	(595,582)
Benefit payments, net of refunds	(739,560)	(712,296)
Net changes	<u>(1,335,431)</u>	<u>(1,048,963)</u>
Total OPEB liability, 12/31/2024	<u>\$ 12,836,198</u>	<u>\$ 8,656,639</u>

Rate Sensitivity

The following schedule presents the total OPEB liability and its sensitivity to changes in the discount rate and healthcare cost trend rates.

Total OPEB liability discount rate sensitivity

OPEB Plan	1% Decrease 3.00%	Current rate 4.00%	1% Increase 5.00%
FHC	\$ 14,078,074	\$ 12,836,198	\$ 11,759,766
PHC	\$ 9,464,609	\$ 8,656,639	\$ 7,955,693

Total OPEB liability healthcare cost trend rate sensitivity

OPEB Plan	1% Decrease 5.5% graded down to 3.5%	Current rate 6.5% graded down to 4.5%	1% Increase 7.5% graded down to 5.5%
FHC	\$ 11,704,431	\$ 12,836,198	\$ 14,119,061
PHC	\$ 7,918,036	\$ 8,656,639	\$ 9,492,975

Deferred Outflows of Resources and Deferred Inflows of Resources

On December 31, 2024, the City's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

FHC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 338,882
Changes in actuarial assumptions	-	96,668
TOTAL	\$ -	\$ 435,550
PHC	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 388,375
Changes in actuarial assumptions	-	126,613
TOTAL	\$ -	\$ 514,988
TOTAL	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 727,257
Changes in actuarial assumptions	-	223,281
TOTAL	\$ -	\$ 950,538

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

Year ended December 31:	FHC	PHC	TOTAL
2025	(217,775)	(171,666)	(389,441)
2026	(217,775)	(171,666)	(389,441)
2027	-	(171,656)	(171,656)
2028	-	-	-
2029	-	-	-
Thereafter	-	-	-
Total	\$ (435,550)	\$ (514,988)	\$ (950,538)

OPEB Financial Statements

**City of Bellingham
Balance Sheet
OPEB Plans
December 31, 2024**

	<u>Firefighters' Healthcare</u>	<u>Police Officers' Healthcare</u>
ASSETS		
Cash and cash equivalents	\$ 4,496,867	\$ 849,162
Investments in government securities	14,298,806	2,579,008
Receivables, net	42,543	-
Total assets	<u>18,838,216</u>	<u>3,428,170</u>
LIABILITIES		
Vouchers payable	40,624	51,661
Accrued benefit payments	39,031	11,830
Total liabilities	<u>79,655</u>	<u>63,491</u>
DEFERRED INFLOW OF RESOURCES		
Property tax	33,930	-
Total deferred inflows	<u>33,930</u>	<u>-</u>
FUND BALANCE	<u>\$ 18,724,631</u>	<u>\$ 3,364,678</u>

OPEB Financial Statements

City of Bellingham
Statement of Revenues, Expenditures and Changes in Fund Balances
OPEB Plans
December 31, 2024

	<u>Firefighters'</u> <u>Healthcare</u>	<u>Police Officers'</u> <u>Healthcare</u>
ADDITIONS		
Contributions:		
Property taxes	\$ 2,820,081	-
General fund	-	-
Auction proceeds	-	-
Fire insurance premium tax	-	-
Total trust contributions	2,820,081	-
Investment income:		
Interest	426,964	92,770
Net incr (decr) in fair value of investments	297,491	87,170
Net investment income	724,455	179,940
Total additions	3,544,536	179,940
DEDUCTIONS		
Benefit payments	265,999	417,534
Medical insurance	455,585	291,723
Participant reimbursements	17,975	3,038
Total benefit payments	739,560	712,296
Administrative expense	48,256	49,065
Total deductions	787,816	761,361
Net change in fund balances	2,756,720	(581,421)
Fund Balance - Beginning	15,967,912	3,946,100
Fund Balance - Ending	\$ 18,724,631	\$ 3,364,678

Medical Expense Reimbursement Plan (MERP)

The City of Bellingham and the International Association of Fire Fighters (IAFF) Union provide for health insurance for eligible future retirees through a medical expense reimbursement plan (MERP). The City through negotiation with the union is obligated to make monthly contributions to the Washington State Council of Fire Fighters (WSCFF) Employee Benefits Trust Medical Expense Reimbursement Plan (MERP) in the amount of \$250 per month on behalf of each union member. This plan is sponsored by the IAFF and City involvement is limited to its contributions.

Plan description

The MERP is a Retiree Medicare Trust (RMT) started by the WSCFF to help active fire fighters save money while employed, tax-free, for medical costs they will incur in retirement. The MERP is a completely tax-sheltered plan – contributions to the fund are made pre-tax, investment earnings accrue tax-free, and benefits come back out to eligible retirees in the form of reimbursable covered expenses.

Board membership

The MERP is managed by a board of nine trustees, each representing a participating local. Five are elected, four are appointed.

Summary of significant accounting and funding policies

All administrative and reporting requirements are the responsibility of the IAFF and the WSCFF. The WSCFF board of trustees establishes plan rates with the ability to amend these rates primarily based on updated actuarial data.

Employee contributions

Effective August 1, 2023, for employees hired before December 31, 2010, the City shall withhold \$250 in additional contributions on a pre-tax basis from (and thereby reduce) the salary of each employee and combine with the City's contribution for a total of \$500 for these members.

Plan benefits

Post retirement, members receive a tax-free, lifetime benefit for the reimbursement of qualifying medical expenses. Eligible retirees are entitled to reimbursement toward the payment of covered expenses, generally consisting of insurance premiums and medical expenses incurred by the retired employee once eligible under MERP. For eligible retirees, the MERP provides a lifetime stream of benefit payments.

Plan Membership

All current and future IAFF represented employees are eligible and irrevocably required to participate in the union sponsored plan.

An employee becomes an eligible retiree entitled to monthly benefits under the MERP generally after the following criteria have been met:

- The employee earns five (5) years of active service in the Trust.
- Contributions are made to the Trust on behalf of the employee for all years of active service in the Trust.
- The employee reaches age 53.
- The employee ceases employment with a participating employer.

19. Tax abatements

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

The Multifamily Housing program was established under RCW 84.14 and municipal code chapter 17.82. The program is used to encourage increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers, and to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers. To be eligible for this program the housing project must be located within a targeted residential area, not displace existing residential tenants, include at least four units of multifamily housing and at least 50 percent of the space for multifamily housing must be provided for permanent residential occupancy. The program provides an exemption from ad valorem property taxation for 8 or 12 years for the value of new housing construction, conversion, and rehabilitation improvements that qualify under the program. To qualify for the 12 year exemption the applicant must commit to renting or selling at least 20 percent of the multi-unit housing units as affordable housing units. The owner must continue to comply with the requirements of the program and is subject to a compliance review annually. If it is determined the owner is not complying with the terms of the contract, the tax exemption will be cancelled. The City currently has agreements with twenty property owners that qualify under the program for a total property tax valuation of \$183,939,290 and an estimated tax abatement of \$273,669 for fiscal year 2024.

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

20. Asset Retirement Obligation (ARO)

The City has three underground storage tanks. WAC 173-360A-0810 outlines requirements for decommissioning underground storage tanks. The three tanks cannot be separately identified in capital asset records and individually do not meet the City's capital asset threshold. An approximate cost to remove the tanks, in compliance with the WAC, is estimated at \$46,000 based on an inquiry with an external supplier/contractor and staff evaluation. The City has no plans to decommission the storage tanks. The cost to decommission is below the City's capital asset threshold and has been determined to be immaterial for financial statement reporting purposes.

The City owns dams that are used to control the level of water in both Lakes Whatcom and Padden, and that are used for flood control purposes. The City continuously monitors and maintains these dams and plans to use these assets in perpetuity. Retirement of City Dams can't be reasonably estimated.

21. New Funds

Fund 120 – Public Safety Sales Tax – In 2024 the City created a new fund to account for the voter approved 0.2% sales tax that began in April of 2024. 60 percent of the tax is retained by Whatcom County and 40 percent is distributed to the cities on a per capita basis. The City and County entered into an interlocal Agreement which states that the City will transfer 75 percent of its tax proceeds to the County for the first 54 months to pay for a new Public Health, Safety and Justice Facility. The remaining funds will be used for Justice Project Implementation Plan projects. Established by Ordinance 2024-05-015.

22. COVID-19 pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

In 2020, the City was awarded approximately \$4 million in Coronavirus Relief Funds, which were used to cover unplanned expenses related to the public health emergency and to support local businesses, food security, homeless populations, and childcare services. The City was able to end 2020 without the need to draw upon reserves.

In 2021, the City was awarded approximately \$21 million in funding from the American Recovery Plan Act (ARPA), and experienced strong sales tax and business tax growth as the COVID restrictions eased.

As of the end of 2024, the City has expended all ARPA funds. Funds were primarily used for economic recovery, low-income housing, food security and homeless related services.

23. Subscription Based Information Technology Arrangement (SBITAs)

SBITA Activities

The City of Bellingham currently maintains 4 Subscription-Based Information Technology Arrangements (SBITAs). These agreements, which typically span three to five years, grant the city a non-cancelable right to use IT assets provided by external entities. The subscriptions include an asset management system, budget software, and a bundled software service designed to reduce the cost of software licenses.

Right-to-use SBITA assets as of December 31, 2024

No. of SBITAs	Governmental Activities	Beginning Balance 01/01/2024	Increases	Decreases	Ending Balance 12/31/2024
Subscription Based Information Technology Arrangement (SBITA) Assets					
4	IT Subscriptions	942,346	7,621	-	949,967
	Total SBITA Assets	942,346	7,621	-	949,967
Accumulated Amortization					
4	Accum. Amor IT Subscriptions	(231,312)	(233,218)	-	(464,530)
	Total Accumulated Amortization	(231,312)	(233,218)	-	(464,530)
	Governmental activities SBITA assets, net	711,034	(225,596)	-	485,438
4	Report Total	711,034	(225,596)	-	485,438

As of December 31, 2024, the SBITA principal and interest requirements to maturity are as follows:

Year ended December 31, 2024	Governmental Activities		
	Principal	Interest	Total
2025	\$ 236,562	\$ 1,655	\$ 238,217
2026	132,026	877	132,902
2027	139,002	450	139,452
Total	\$ 507,590	\$ 2,981	\$ 510,571
Grand Total	\$ 507,590	\$ 2,981	\$ 510,571

24. Accounting changes and error corrections

During fiscal year 2024, the City identified an error, the City loaned \$1,000,000 of APRA recoverable grant funds to Millworks Childcare, due to it being a loan there needed to be an accounts receivable recorded for the loan. The effect of that error is shown in Column Error Correction of the table below.

	12/31/2023 Net Position / Fund Balance as previously reported	Change in accounting principle	Change to or within the financial reporting entity	Error Correction	12/31/24 Net Position / Fund Balance as restated/adjusted
Government-Wide					
Governmental Activities	656,115,201			1,000,000	657,115,201
Business-type Activities					
Total primary government					
Governmental Funds					
Major Funds:					
General Fund	135,461,018			1,000,000	136,461,018
Nonmajor Funds					
Total Governmental Funds					



CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual Legal Basis
Original General Fund
For the Year Ended December 31, 2024

	2023-2024 Biennial Budgeted Amounts		2024 Actual Amounts Legal Basis	Total Amounts Legal Basis	Variance with Final Budget
	Original	Final			
REVENUES					
<i>Taxes:</i>					
Property	\$ 33,875,000	\$ 33,875,000	\$ 17,333,704	\$ 34,482,411	\$ 607,411
Sales and use	48,012,776	49,012,776	23,959,878	48,710,094	(302,682)
Business	86,497,258	87,497,258	42,716,874	83,016,803	(4,480,455)
Leasehold	1,332,000	1,332,000	666,304	1,316,296	(15,704)
Admissions	989,000	989,000	483,434	938,190	(50,810)
Licenses and permits	1,736,800	1,736,800	822,110	1,615,582	(121,218)
Intergovernmental	10,150,316	11,974,761	21,692,440	32,964,365	20,989,604
Charges for services	22,807,657	23,866,426	7,650,569	14,998,379	(8,868,047)
Fines and penalties	948,992	948,992	278,802	522,500	(426,492)
Investment income	1,233,974	2,033,974	2,023,824	4,568,341	2,534,367
Miscellaneous	1,281,338	1,713,360	813,916	1,968,759	255,399
Total revenues	208,865,111	214,980,347	118,441,855	225,101,720	10,121,373
EXPENDITURES					
<i>Current:</i>					
General government	34,794,675	46,967,874	16,009,259	32,170,768	(14,797,106)
Public safety	124,087,640	141,950,672	73,714,980	141,593,828	(356,844)
Transportation	-	706,727	-	622,562	(84,165)
Natural and economic environment	11,218,975	13,037,546	5,239,921	10,607,545	(2,430,001)
Social services	715,526	1,315,834	801,096	1,181,971	(133,863)
Cultural and recreation	53,645,862	52,772,177	22,771,725	45,495,814	(7,276,363)
<i>Debt service:</i>					
Principal	-	600,000	403,075	692,799	92,799
Interest and related charges	-	-	58,424	115,675	-
Capital outlay	-	238,115	141,098	852,375	614,260
Lease SBITA PPP outlay	-	-	1,437,736	3,547,233	3,547,233
Total expenditures	224,462,678	257,588,945	120,577,314	236,880,570	(20,824,050)
Revenues over (under) expenditures	(15,597,567)	(42,608,598)	(2,135,459)	(11,778,850)	30,945,423
OTHER FINANCING SOURCES (USES)					
General long-term debt proceeds	-	-	1,437,736	3,547,233	3,547,233
Transfers out	(2,262,462)	(4,033,077)	(2,209,498)	(3,677,868)	355,209
Total other financing sources and (uses)	(2,262,462)	(4,033,077)	(771,762)	(130,635)	3,902,442
Net change in fund balances	(17,860,029)	(46,641,675)	(2,907,221)	(11,909,485)	34,847,865
Fund balances - beginning	47,892,169	55,000,000	40,617,885	49,620,149	(5,379,851)
Fund balances - ending	\$ 30,032,140	\$ 8,358,325	\$ 37,710,664	\$ 37,710,664	\$ 29,468,014

CITY OF BELLINGHAM
Reconciliation of the Schedule of Revenues, Expenditures and Changes in Fund Balances
Differences in Actual Amounts for General Fund Legal Basis and General Fund GAAP Basis
For the Year Ended December 31, 2024

REVENUES

General Fund legal basis	\$118,441,855
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	
Street	22,834,296
First 1/4% Real Estate Excise Tax	2,627,014
Second 1/4% Real Estate Excise Tax	2,941,522
Greenway III Levy	9,930,379
Park Impact Fees	1,688,422
Sportsplex	1,644
Fire Pension	4,112,200
Police Pension	401,439
General Fund GAAP Basis	<u>162,978,771</u>

EXPENDITURES

General Fund legal basis	120,577,314
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	
Street	24,629,346
First 1/4% Real Estate Excise Tax	4,031,067
Second 1/4% Real Estate Excise Tax	3,018,621
Greenway III Levy	7,903,257
Park Impact Fees	2,426,864
Fire Pension	1,248,758
Police Pension	957,083
General Fund GAAP Basis	<u>164,792,310</u>

OTHER FINANCING SOURCES (USES)

General Fund legal basis	(771,762)
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	(654,125)
General Fund GAAP Basis	<u>(1,425,887)</u>

NET CHANGES IN FUND BALANCES

General Fund legal basis	(2,907,221)
<i>Budgeted separately and consolidated for GASB 54 reporting</i>	(332,205)
General Fund GAAP Basis	<u>\$ (3,239,426)</u>

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

CITY OF BELLINGHAM
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual GAAP Basis
Transportation Fund
For the Year Ended December 31, 2024

	2023-2024 Biennial		2023		2024		Variance with Final Budget
	Budgeted Amounts		Actual Amounts	Actual Amounts	Total Amounts		
	Original	Final	GAAP Basis	GAAP Basis	GAAP Basis		
REVENUES							
<i>Taxes:</i>							
Sales and use	\$ 16,194,500	\$ 16,194,500	8,261,055	\$ 7,851,231	\$ 16,112,286	\$	(82,214)
Intergovernmental	10,370,000	10,370,000	602,704	9,382,821	9,985,525		(384,475)
Investment income	336,539	336,539	683,582	877,418	1,561,000		1,224,461
Miscellaneous	-	-	-	4,810	4,810		4,810
Total revenues	26,901,039	26,901,039	9,547,341	18,116,280	27,663,621		762,582
EXPENDITURES							
<i>Current:</i>							
Transportation	11,954,152	16,755,187	4,282,557	4,698,967	8,981,524		(7,773,663)
Capital outlay	21,628,000	25,507,428	2,815,456	16,757,277	19,572,733		(5,934,695)
Total expenditures	33,582,152	42,262,615	7,098,013	21,456,244	28,554,257		(13,708,358)
Revenues over (under) expenditures	(6,681,113)	(15,361,576)	2,449,328	(3,339,964)	(890,636)		14,470,940
OTHER FINANCING SOURCES (USES)							
Transfers out	(450,000)	(450,000)	(200,000)	(250,000)	(450,000)		-
Total other financing sources and (uses)	(450,000)	(450,000)	(200,000)	(250,000)	(450,000)		-
Net change in fund balances	(7,131,113)	(15,811,576)	2,249,328	(3,589,964)	(1,340,636)		14,470,940
Fund balances - beginning	5,767,988	15,000,000	17,264,498	19,513,826	17,264,498		2,264,498
Fund balances - ending	\$ (1,363,125)	\$ (811,576)	\$ 19,513,826	\$ 15,923,862	\$ 15,923,862		\$ 16,735,438

Pension Plans

Washington State Department of Retirement Systems - PERS and LEOFF

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

	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
PERS 1										
Proportionate % of Net pension liability (NPL)	0.264165%	0.262591%	0.252220%	0.259443%	0.255879%	0.273189%	0.271961%	0.276119%	0.283775%	0.283816%
Proportionate share of NPL	\$ 4,693,784	\$ 5,994,249	\$ 7,022,730	\$ 3,168,406	\$ 9,033,910	\$ 10,505,087	\$ 12,145,871	\$ 13,102,062	\$ 15,240,054	\$ 14,846,216
Covered payroll	\$ 53,072,469	\$ 47,008,307	\$ 41,411,629	\$ 39,912,886	\$ 38,770,071	\$ 36,571,870	\$ 35,588,234	\$ 34,095,019	\$ 33,129,932	\$ 31,529,976
Proportionate share of NPL as a % of covered payroll	8.84%	12.75%	16.96%	7.94%	23.30%	28.72%	34.13%	38.43%	46.00%	47.09%
Fiduciary net position (FNP)	\$ 24,737,520	\$ 24,225,388	\$ 22,935,005	\$ 24,973,547	\$ 19,769,867	\$ 21,448,831	\$ 20,879,474	\$ 20,700,421	\$ 20,222,944	\$ 21,451,699
Total pension liability (TPL)	\$ 29,431,304	\$ 30,219,637	\$ 29,957,736	\$ 28,141,953	\$ 28,803,777	\$ 31,953,917	\$ 33,025,345	\$ 33,802,482	\$ 35,462,999	\$ 36,297,915
FNP as a % of TPL	84.05%	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%
PERS 2/3										
Proportionate % of Net pension asset (NPA)	0.341904%	0.338696%	0.329094%	0.333354%	0.331595%	0.348783%	0.338229%	0.340802%	0.346439%	0.345119%
Proportionate share of NPA(NPL)	\$ 11,271,115	\$ 13,882,075	\$ 12,205,376	\$ 33,207,422	\$ 4,240,911	\$ 3,387,869	\$ 5,774,959	\$ 11,841,240	\$ 17,442,930	\$ 12,331,299
Covered payroll	\$ 53,072,469	\$ 47,008,307	\$ 41,411,629	\$ 39,912,886	\$ 38,704,809	\$ 36,405,608	\$ 35,152,185	\$ 33,482,840	\$ 32,435,206	\$ 30,696,116
Proportionate share of NPA as a % of covered payroll	21.24%	29.53%	29.47%	83.20%	10.96%	9.31%	16.43%	35.37%	53.78%	40.17%
Fiduciary net position (FNP)	\$ 229,117,765	\$ 211,688,560	\$ 193,619,092	\$ 196,869,995	\$ 148,394,045	\$ 148,343,786	\$ 130,844,961	\$ 119,283,437	\$ 105,603,698	\$ 101,851,378
Total pension liability (TPL)	\$ 217,846,650	\$ 197,806,484	\$ 181,413,716	\$ 163,662,573	\$ 152,634,956	\$ 151,731,654	\$ 136,619,920	\$ 131,124,677	\$ 123,046,628	\$ 114,182,676
FNP as a % of TPL	105.17%	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%
PSERS										
Proportionate % of Net pension asset (NPA)	0.002671%									
Proportionate share of NPA(NPL)	\$ 1,139									
Covered payroll	\$ 24,540									
Proportionate share of NPA as a % of covered payroll	4.64%									
Fiduciary net position (FNP)	\$ 44,758									
Total pension liability (TPL)	\$ 43,619									
FNP as a % of TPL	102.61%									
LEOFF 1										
Proportionate % of Net pension asset (NPA)	0.278448%	0.274762%	0.274078%	0.268987%	0.270001%	0.264289%	0.261836%	0.264742%	0.263337%	0.259501%
Proportionate share of NPA	\$ 7,918,752	\$ 8,155,002	\$ 7,862,237	\$ 9,214,316	\$ 5,098,993	\$ 5,223,965	\$ 4,753,638	\$ 4,016,719	\$ 2,713,124	\$ 3,127,561
State proportionate share of NPA associated with City	\$ 53,562,242	\$ 55,160,232	\$ 53,179,977	\$ 62,325,408	\$ 34,489,463	\$ 35,334,772	\$ 32,153,488	\$ 27,168,985	\$ 18,351,505	\$ 21,154,742
Total proportionate share	\$ 61,480,994	\$ 63,315,234	\$ 61,042,214	\$ 71,539,724	\$ 39,588,456	\$ 40,558,738	\$ 36,907,126	\$ 31,185,703	\$ 21,064,629	\$ 24,282,302
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,700	\$ 67,074	\$ 120,974	\$ 132,029	\$ 144,697
Proportionate share of NPA as a % of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	6473.34%	7087.15%	3320.31%	2054.94%	2161.45%
Fiduciary net position (FNP)	\$ 19,481,690	\$ 18,887,046	\$ 19,156,005	\$ 19,751,449	\$ 15,976,397	\$ 15,933,553	\$ 15,455,480	\$ 15,186,917	\$ 14,143,483	\$ 14,558,393
Total pension liability (TPL)	\$ 11,562,937	\$ 10,732,044	\$ 11,293,768	\$ 10,537,133	\$ 10,877,403	\$ 10,709,588	\$ 10,701,842	\$ 11,170,198	\$ 11,430,358	\$ 11,430,832
FNP as a % of TPL	168.48%	175.99%	169.62%	187.45%	146.88%	148.78%	144.42%	135.96%	123.74%	127.36%
LEOFF 2										
Proportionate % of Net pension asset (NPA)	0.966383%	0.926697%	0.887442%	0.887241%	0.903138%	0.902086%	0.881963%	0.918952%	0.828452%	0.816862%
Proportionate share of NPA	\$ 18,097,889	\$ 22,227,736	\$ 24,117,993	\$ 51,534,630	\$ 18,422,697	\$ 20,898,563	\$ 17,905,772	\$ 12,752,076	\$ 4,818,525	\$ 8,395,708
State proportionate share of NPA associated with City	\$ 11,744,569	\$ 14,194,403	\$ 15,623,111	\$ 33,245,462	\$ 11,779,919	\$ 13,685,759	\$ 11,593,649	\$ 8,272,034	\$ 3,141,323	\$ 5,551,241
Total proportionate share	\$ 29,842,458	\$ 36,422,139	\$ 39,741,104	\$ 84,780,092	\$ 30,202,615	\$ 34,584,322	\$ 29,499,421	\$ 21,024,110	\$ 7,959,848	\$ 13,946,948
Covered payroll	\$ 46,386,531	\$ 41,189,900	\$ 35,829,901	\$ 34,446,012	\$ 34,319,549	\$ 31,668,870	\$ 29,121,105	\$ 28,930,093	\$ 25,125,355	\$ 23,723,220
Proportionate share of NPA as a % of covered payroll	39.02%	53.96%	67.31%	149.61%	53.68%	66.12%	61.49%	44.08%	19.18%	35.39%
Fiduciary net position (FNP)	\$ 213,385,030	\$ 191,059,131	\$ 174,047,033	\$ 174,224,907	\$ 134,804,247	\$ 128,443,199	\$ 114,704,157	\$ 108,216,955	\$ 84,590,086	\$ 80,319,337
Total pension liability (TPL)	\$ 195,287,141	\$ 168,831,396	\$ 149,929,040	\$ 122,690,276	\$ 116,381,551	\$ 107,544,636	\$ 96,798,385	\$ 95,464,878	\$ 79,771,560	\$ 71,923,629
FNP as a % of TPL	109.27%	113.17%	116.09%	142.00%	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%

* Information for this 10 year table is available. There are no active employees in DRS plans LEOFF 1 and PERS 1.

Pension Plans

Washington State Department of Retirement Systems - PERS and LEOFF

Schedule of contributions for the year ended December 31

Plan	Year	Statutorially required contributions	Actual contributions	Contribution deficiency (excess)	Covered Payroll	Contributions as a % of covered employee payroll
PERS 1	2015	1,435,640	1,435,640	-	31,814,277	4.51%
	2016	1,655,872	1,655,872	-	33,913,177	4.88%
	2017	1,853,370	1,853,370	-	37,248,276	4.98%
	2018	1,897,144	1,897,144	-	37,339,174	5.08%
	2019	1,899,391	1,899,391	-	38,780,875	4.90%
	2020	1,905,959	1,905,959	-	40,398,885	4.72%
	2021	1,711,673	1,711,673	-	39,544,338	4.33%
	2022	1,647,787	1,647,787	-	43,920,312	3.75%
	2023	1,709,920	1,709,920	-	50,089,950	3.41%
	2024	1,530,543	1,530,543	-	55,358,314	2.76%
PERS 2/3	2015	1,752,785	1,752,785	-	31,107,241	5.63%
	2016	2,065,838	2,065,838	-	33,206,141	6.22%
	2017	2,522,447	2,522,447	-	36,541,240	6.90%
	2018	2,747,129	2,747,129	-	36,632,138	7.50%
	2019	2,933,273	2,933,273	-	38,073,839	7.70%
	2020	3,143,590	3,143,590	-	39,691,849	7.92%
	2021	2,843,978	2,843,978	-	39,544,338	7.19%
	2022	2,793,380	2,793,380	-	43,920,312	6.36%
	2023	3,185,767	3,185,767	-	50,089,950	6.36%
	2024	3,520,788	3,520,788	-	55,358,314	6.36%
PSERS	2024	41,729	41,729	-	618,271	6.75%
LEOFF 1	2015	-	-	-	189,324	0.00%
	2016	-	-	-	83,296	0.00%
	2017	-	-	-	95,040	0.00%
	2018	-	-	-	76,487	0.00%
	2019	-	-	-	27,747	0.00%
	2020	-	-	-	-	0.00%
	2021	-	-	-	-	0.00%
	2022	-	-	-	-	0.00%
	2023	-	-	-	-	0.00%
	2024	-	-	-	-	0.00%
LEOFF 2	2015	1,248,036	1,248,036	-	24,713,647	5.05%
	2016	1,352,566	1,352,566	-	26,783,467	5.05%
	2017	1,494,326	1,494,326	-	28,975,221	5.16%
	2018	1,551,353	1,551,353	-	29,441,705	5.27%
	2019	1,712,186	1,712,186	-	32,828,388	5.22%
	2020	1,748,999	1,748,999	-	33,958,049	5.15%
	2021	1,806,863	1,806,863	-	35,180,242	5.14%
	2022	1,969,267	1,969,267	-	38,461,898	5.12%
	2023	2,199,977	2,199,977	-	42,968,226	5.12%
	2024	2,442,297	2,442,297	-	47,701,162	5.12%

* Information for this 10 year table is available beginning no earlier than 2014. There are no active employees in DRS plans LEOFF 1 and PERS 1.

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

The Firefighter's (FFP) and the Police Officer's (POP) pension plans have been funded and accumulating assets, however these plans do not meet the qualifying trust requirement that plan assets be legally protected from creditors. Therefore, reporting requirements dictate that the total liability be reported as opposed to the liability net of plan assets.

Schedule of Changes in Total Pension Liability and Related Ratios

Firefighters' Pension Plan	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension liability									
Interest cost	\$ 129,258	\$ 120,998	\$ 83,151	\$ 105,066	\$ 132,937	\$ 194,919	\$ 166,745	\$ 211,196	\$ 184,397
Differences, expected and actual experience	5,708	955,025	-	(260,303)	-	(124,920)	(194,368)	-	887,308
Changes in actuarial assumptions	(187,266)	141,390	(557,361)	75,115	144,296	420,578	(128,029)	329,349	(116,456)
Benefit payments, net of refunds	(460,942)	(472,798)	(440,594)	(423,307)	(460,113)	(598,816)	(460,310)	(768,196)	(415,501)
Net change in total Pension liability	(513,242)	744,615	(914,804)	(503,429)	(182,880)	(108,239)	(615,962)	(227,651)	539,748
Total Pension liability - beginning	4,207,634	3,463,019	4,377,823	4,881,252	5,064,132	5,172,371	5,788,333	6,015,984	5,476,236
Total Pension liability - ending	\$ 3,694,392	\$ 4,207,634	\$ 3,463,019	\$ 4,377,823	\$ 4,881,252	\$ 5,064,132	\$ 5,172,371	\$ 5,788,333	\$ 6,015,984
Covered employee payroll	-	-	-	-	-	-	-	-	132,470
Total Pension liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4541.39%
Police Officers' Pension Plan	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension liability									
Interest cost	\$ 19,149	\$ 37,013	\$ 24,788	\$ 27,293	\$ 33,908	\$ 39,621	\$ 47,003	\$ 57,571	\$ 41,693
Differences, expected and actual experience	113,419	(309,693)	-	144,266	-	193,532	(529,249)	-	491,536
Changes in actuarial assumptions	(27,318)	22,107	(154,508)	(17,394)	53,238	120,269	15,153	90,031	(31,736)
Benefit payments, net of refunds	(194,071)	(100,408)	(144,962)	(110,587)	(103,691)	(118,157)	(100,144)	(131,995)	(182,997)
Net change in total Pension liability	(88,821)	(350,981)	(274,682)	43,578	(16,545)	235,265	(567,237)	15,607	318,496
Total Pension liability - beginning	686,231	1,037,212	1,311,894	1,268,316	1,284,861	1,049,596	1,616,833	1,601,226	1,282,730
Total Pension liability - ending	\$ 597,410	\$ 686,231	\$ 1,037,212	\$ 1,311,894	\$ 1,268,316	\$ 1,284,861	\$ 1,049,596	\$ 1,616,833	\$ 1,601,226
Covered employee payroll	-	-	-	-	-	-	-	-	45,026
Total Pension liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3556.23%

* Information for this 10 year table is available beginning no earlier than 2016.

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

The Firefighter's (FHC) and the Police Officer's (PHC) OPEB plans have been funded and accumulating assets, however these plans do not meet the qualifying trust requirement that plan assets be legally protected from creditors. Therefore, reporting requirements dictate that the total OPEB liability be reported as opposed to the liability net of plan assets.

Schedule of Changes in Total OPEB Liability and Related Ratios

Firefighters' Healthcare Plan	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Interest cost	\$ 448,560	\$ 487,663	\$ 322,304	\$ 377,717	\$ 435,574	\$ 780,698	\$ 648,081
Differences, expected and actual experience	(128,144)	632,060	-	(940,875)	-	(1,916,676)	(1,524,971)
Changes in actuarial assumptions	(916,288)	417,042	(2,733,370)	531,316	1,077,270	(1,916,802)	(435,004)
Benefit payments, net of refunds	(739,560)	(738,955)	(660,615)	(620,198)	(508,704)	(742,516)	(804,209)
Net change in total OPEB liability	(1,335,431)	797,810	(3,071,681)	(652,040)	1,004,140	(3,795,296)	(2,116,103)
Total OPEB liability - beginning	14,171,629	13,373,819	16,445,500	17,097,540	16,093,400	19,888,696	22,004,799
Total OPEB liability - ending	\$ 12,836,198	\$ 14,171,629	\$ 13,373,819	\$ 16,445,500	\$ 17,097,540	\$ 16,093,400	\$ 19,888,696
Covered employee payroll	-	-	-	-	-	-	142,572
Total OPEB liability as a % of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	13949.93%
Police Officers' Healthcare Plan	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability							
Interest cost	\$ 303,857	\$ 339,087	\$ 225,187	\$ 286,866	\$ 331,408	\$ 493,707	\$ 423,336
Differences, expected and actual experience	(44,942)	166,239	-	(321,228)	-	(255,025)	(1,294,595)
Changes in actuarial assumptions	(595,582)	449,238	(1,877,139)	(946,008)	824,663	(49,254)	(422,055)
Benefit payments, net of refunds	(712,296)	(582,577)	(547,531)	(472,223)	(443,135)	(518,671)	(431,801)
Net change in total OPEB liability	(1,048,963)	371,987	(2,199,483)	(1,452,593)	712,936	(329,243)	(1,725,115)
Total OPEB liability - beginning	9,705,602	9,333,615	11,533,098	12,985,691	12,272,755	12,601,998	14,327,113
Total OPEB liability - ending	\$ 8,656,639	\$ 9,705,602	\$ 9,333,615	\$ 11,533,098	\$ 12,985,691	\$ 12,272,755	\$ 12,601,998
Covered employee payroll	-	-	-	-	-	-	-
Total OPEB liability as a % of covered payroll		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* Information for this 10 year table is available beginning no earlier than 2018.

City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CDBG - Entitlement/Special Purpose Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14,218	-	1,468,075	1,468,075	1,172,283	4	
Total CDBG - Entitlement/Special Purpose Grants Cluster:				1,468,075	1,468,075	1,172,283		
Home Investment Partnerships Program								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14,239	-	328,850	328,850	245,394	4	
COVID 19 - Home Investment Partnerships Program								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Home Investment Partnerships Program	14,239	-	233,604	233,604	212,973	4	
Total ALN 14.239:				562,454	562,454	458,367		
Violence Against Women Formula Grants								
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via WSDOC)	Violence Against Women Formula Grants	16,588	F23-31103-031	10,979	10,979	-		
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF (via WSDOC)	Violence Against Women Formula Grants	16,588	F23-31103-032	12,500	12,500	-		
Total ALN 16.588:				23,479	23,479	-		
Bulletproof Vest Partnership Program								
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Bulletproof Vest Partnership Program	16,607	-	17,838	17,838	-		

The accompanying notes are an integral part of this schedule.

City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	1,485	-	1,485	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	11,054	-	11,054	-	
			Total ALN 16.738:	12,539	-	12,539	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STBGUM- CRPUM-556 (001)	5,635,068	-	5,635,068	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	SRTS-9937 (015)/LA10620	1,112,008	-	1,112,008	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	BRM-5506 (002)/LA10886	7,347	-	7,347	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	BRM-5531 (001)/LA9991	2,490,066	-	2,490,066	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	BRM-5532 (001)/LA9992	3,474,709	-	3,474,709	-	

The accompanying notes are an integral part of this schedule.

City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	STBGUM-9937 (016)/LA10944	272,046	-	272,046	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	RAIL-5510 (007)/LA9470	6,578	-	6,578	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WSDOT)	Highway Planning and Construction	20.205	BRS-5501 (005)/LA9297	189,627	-	189,627	-	
			Total ALN 20.205:	13,187,449	-	13,187,449	-	
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WTSC)	State and Community Highway Safety	20.600	2024-HVE-5121 -Region 11 TZTF	3,943	-	3,943	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WTSC)	State and Community Highway Safety	20.600	2025-HVE-5439 -Region 11 TZTF	6,075	-	6,075	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASPC)	State and Community Highway Safety	20.600	FY2024 Traffic Safety Grant	3,748	-	3,748	-	
			Total Highway Safety Cluster:	13,766	-	13,766	-	

The accompanying notes are an integral part of this schedule.

City of Bellingham
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	11,439,584	11,439,584	207,765	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via WSMD)	Emergency Management Performance Grants	97.042	E23-140	50,864	-	50,864	-	
Total Federal Awards Expended:				13,275,558	13,500,490	26,776,048	1,838,415	

The accompanying notes are an integral part of this schedule.

City of Bellingham
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

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 - INDIRECT COST RATE

The City has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - HOUSING AND URBAN DEVELOPMENT (HUD) PROGRAMS

The City administers two HUD sponsored programs titled the Community Development Block Grant Program (CDBG) and the Home Investment Partnership Program. These programs are primarily used for funding low income housing, by granting awards and extending low interest loans that are used for local home and property acquisitions, development, renovation, rehabilitation, and tenant based rental assistance. The loan repayments of principal and interest received throughout the year are considered program income and are used in part for extending new loans thus creating a revolving loan program. Through the (CDBG) program, grants were awarded and loans were extended during the year in the amounts of \$224,207.86 and \$948,074.82 respectively. The amount of revolving loan repayments and HUD CDBG funding received during the year totaled \$198,702.68 and \$1,287,385.90 respectively. Through the (HOME) program, grants were awarded and loans were extended during the year in the amounts of \$378,366.89, and \$80,000.00 respectively. The amount of revolving loan repayments and HUD HOME funding received during the year were \$238,737.56 and \$370,256.35 respectively.

NOTE 4 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal assistance and associated program income funding, when applicable. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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