Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Housing Authority of the City of Bellingham
(Bellingham Housing Authority)
Whatcom County

Audit Period
October 1, 2007 through September 30, 2008

Report No. 1001721

Issued **June 29, 2009**
Reissued **September 14, 2009**

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

September 14, 2009

Board of Commissioners
Bellingham Housing Authority
Bellingham, Washington

Report on Financial Statements and Federal Single Audit

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

We are issuing this report in order to provide information on the Housing Authority's financial condition.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Federal Summary

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The results of our audit of the Bellingham Housing Authority are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unqualified opinion was issued on the financial statements of the business-type activities and the aggregate discretely presented component units.

Internal Control Over Financial Reporting:

- **Significant Deficiencies:** We identified deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

- **Material Weaknesses:** We identified significant deficiencies that we consider to be material weaknesses.

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

FEDERAL AWARDS

Internal Control Over Major Programs:

- **Significant Deficiencies:** We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- **Material Weaknesses:** We identified significant deficiencies that we consider to be material weaknesses.

We issued an unqualified opinion on the Housing Authority’s compliance with requirements applicable to its major federal programs, with the exception of the Shelter Plus Care on which we issued a qualified opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed under OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
14.238	Shelter Plus Care
14.850	Public and Indian Housing
14.871	Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $400,567.

The Housing Authority qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Federal Audit Findings and Questioned Costs

Housing Authority of the City of Bellingham
Whatcom County
October 1, 2007 through September 30, 2008

1. The Housing Authority did not have adequate internal controls to ensure compliance with matching and reporting requirements for the Shelter Plus Care grant.

CFDA Number and Title:	14.238 Shelter Plus Care
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	WA01C601028 and WA01C601029
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	$0

Background

The Shelter Plus Care program is designed to link rental assistance to supportive services for hard-to-serve homeless persons with disabilities and their families if they are also homeless. In fiscal year 2008, the U.S. Department of Housing and Urban Development awarded the Housing Authority grant funds totalling $986,580 for this program. As a recipient of this federal grant, the Housing Authority was required to provide supportive services from non-federal resources that are at least equal in value to the aggregate amount of rental assistance funded by the Department. In fiscal year 2008, the Housing Authority spent $779,483 of the awarded federal funds; $704,647 for rental assistance.

The Housing Authority is also required to submit an Annual Progress Report detailing program and financial data related to program participants and the services they are provided.

Description of Condition

Matching

The Housing Authority works with three service organizations to provide supportive services and housing to program participants. We reviewed documentation provided to the Housing Authority by these organizations and found it was not adequate to demonstrate costs claimed as match were from an allowable source and properly valued. Subsequently, the Housing Authority obtained documentation from the service organizations demonstrating that support services were provided in excess of the required $704,647 from an allowable source. Therefore, we will not question costs.

Reporting

In its Annual Progress Report, the Housing Authority is required to include details about the number of participants entering, remaining on, and leaving the program and the services being provided. The Housing Authority submitted the required reports but it was unable to locate the source of its data or demonstate how it was compiled.

Cause of Condition

Matching

The Housing Authority was aware of the matching requirement, but it did not require the service providers to present support for the costs reported to it.

Reporting

Due to staff turnover, the Housing Authority was unable to determine the internal controls in place during the audit period or tie the reported data to supporting documentation to ensure the data was accurate and complete.

Effect of Condition

Matching

Without internal controls in place to ensure costs used to meet federal matching requirements are adequately supported and from allowable sources, the Housing Authority cannot ensure participants in the program are receiving all services needed, could jeopardize receiving future federal funding, and could be required to repay funds received.

Reporting

Without internal controls in place or documentation on file, the Housing Authority cannot ensure that the data it submits is reliable.

Recommendation

We recommend the Housing Authority:

- Establish and follow internal controls for obtaining and reviewing support from its service organizations for matching costs; and

- Retain the underlying support for its reports submitted to the Department.

Housing Authority's Response

The Housing Authority acknowledges that during the transition period between a retiring Director of Leased Housing and the current Director a thorough review of the documents supporting the matching services was not conducted.

We have taken steps to re-establish and follow internal controls to obtain adequate support from those service organizations providing services to our tenants. Those steps are further detailed in our required plan of correction.

During the State Auditors audit, a number of Housing Authority staff conducted an on-site review of the two largest agencies to ensure they had documentation to support the dollar amount of services provided to our tenants. This review indicated the amount of those services provided exceeded the amount of the matching requirement.

We wish to thank the State Auditor's for their cooperation during this review.

Auditor's Remarks

The Housing Authority was very helpful during our audit, and we appreciate its commitment to strengthening internal controls. We are committed to providing any help we can to ensure strong control systems are in place.

Applicable laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, states:

> Section 300 Auditee responsibilities.
>
> > The auditee shall:
> >
> > (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Title 24 Code of Federal Regulations, Section 582.110, Shelter Plus Care matching Requirements, states:

> (a) Matching rental assistance with supportive services. To qualify for rental assistance grants, an applicant must certify that it will provide or ensure the provision of supportive services, including funding the services itself if the planned resources do not become available for any reason, appropriate to the needs of the population being served and at least equal in value to the aggregate amount of rental assistance funded by HUD. The supportive services may be newly created for the program or already in operation, and may be provided or funded by other Federal, State, local, or private programs. Only services that are provided after the execution of the grant agreement may count toward the match.

> (b) Availability to participants. Recipients must give reasonable assurances that supportive services will be available to participants for the entire term of the rental assistance. The value of the services provided to a participant, however, does not have to equal the amount of rental assistance provided that participant, nor does the value have to be equal to the amount of rental assistance on a year-to-year basis.
>
> (c) Calculating the value of supportive services. In calculating the amount of the matching supportive services, applicants may count:
>
> > (1) Salaries paid to staff of the recipient to provide supportive services to S+C participants;
> >
> > (2) The value of supportive services provided by other persons or organizations to S+C participants;
> >
> > (3) The value of time and services contributed by volunteers at the rate of $10.00 an hour, except for donated professional services which may be counted at the customary charge for the service provided (professional services are services ordinarily performed by donors for payment, such as the services of health professionals, that are equivalent to the services they provide in their occupations);
> >
> > (4) The value of any lease on a building used for the provision of supportive services, provided the value included in the match is no more than the prorated share used for the program; and
> >
> > (5) The cost of outreach activities, as described in Sec. 582.325(a) of this part.

Title 24 Code of Federal Regulations, Section 582.325, Shelter Plus Care outreach activities, states:

> Recipients must use their best efforts to ensure that eligible hard-to-reach persons are served by S+C. Recipients are expected to make sustained efforts to engage eligible persons so that they may be brought into the program. Outreach should be primarily directed toward eligible persons who have a nighttime residence that is an emergency shelter or a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings (e.g., persons living in cars, streets, and parks). Outreach activities are considered to be a supportive service, and the value of such activities that occur after the execution of the grant agreement may be included in meeting the matching requirement.

Title 24 Code of Federal Regulations, Section 85.24 Shelter Plus Care matching or cost sharing, states in part:

> (6) Records. Costs and third party in-kind contributions counting towards satisfying a cost sharing or matching requirement must be verifiable from

> the records of grantees and subgrantee or cost-type contractors. These records must show how the value placed on third party in-kind contributions was derived. To the extent feasible, volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

Title 24 Code of Federal Regulations, Section 582.300, Shelter Plus Care general operation, states in part:

> (d) Records and reports. (1) Each recipient must keep any records and, within the timeframe required, make any reports (including those pertaining to race, ethnicity, gender, and disability status data) that HUD may require.
>
> > (2) Each recipient must keep on file, and make available to the public on request, a description of the procedures used to select sponsors under the SRA component and buildings under the SRO, SRA, and PRA components.
> >
> > (3) Each recipient must develop, and make available to the public upon request, its procedures for managing the rental housing assistance funds provided by HUD. At a minimum, such procedures must describe how units will be identified and selected; how the responsibility for inspections will be handled; the process for deciding which unit a participant will occupy; how participants will be placed in, or assisted in finding appropriate housing; how rent calculations will be made and the amount of rental assistance payments determined; and what safeguards will be used to prevent the misuse of funds.

Schedule of Audit Findings and Responses

Bellingham Housing Authority
Whatcom County
October 1, 2007 through September 30, 2008

1. The Housing Authority's internal controls are inadequate to ensure accurate financial reporting.

Background

Housing Authority management, taxpayers, bondholders, creditors, banks, the state Legislature, and state and federal agencies rely on information in financial statements and reports to make decisions. It is the responsibility of Housing Authority management to design and follow effective internal controls to provide reasonable assurance regarding the reliability of financial reporting. Our audit, and the audit reports of the tax credit partnerships prepared by other auditors, identified a material weakness in controls that adversely affects the Housing Authority's ability to produce reliable financial statements.

Government Auditing Standards, prescribed by the Comptroller General of the United States, require the auditor to communicate a material weakness, as defined below in the Applicable Laws and Regulations section, as a finding. Auditing standards also require the auditor to report material weaknesses identified by other auditors. Therefore, these findings have been included in our report.

Description of Condition

Tax Credit Partnerships

As it relates to public housing authorities, a tax credit partnership is a separate legal entity created as a limited liability partnership or limited liability company as a vehicle for obtaining private funding for low-income housing projects. The Housing Authority is the general (or managing) partner and the investor is the limited partner. The Housing Authority has ten such partnerships. Because of the significance of the operational or financial relationship with the Housing Authority, they are included in the Housing Authority's financial reporting. As private companies, the partnerships are audited by auditors other than those at the State Auditor's Office. Its audited financial statements are combined and presented in the Housing Authority's financial statements.

The other auditors identified deficiencies in internal controls that constituted a material weakness. The errors in the financial statements of the tax credit partnerships that were caused by these weaknesses were corrected and the other auditors issued unqualified opinions on those financial statements.

A description of the deficiencies identified by the other auditors can be obtained by contacting the Housing Authority.

Housing Authority Financial Statements

In our audit of the Housing Authority, we also identified the following weaknesses in internal controls that, when taken together, represent a material weakness in controls over financial reporting:

- The Housing Authority did not perform a sufficiently detailed review and reconciliation of the financial statements to ensure they were accurate, complete and adequately supported.
- There is a risk that the journal voucher approval process can be circumvented as all accountants have access to prepare and post journal vouchers to the general ledger. The Housing Authority does not have a control in place to detect journal voucher entries that are made outside the normal approval process.

Cause of Condition

The other auditors noted the primary cause of the findings was a lack of communication. In three cases, the lack of communication was between the management agent's property management staff and the management agent's accounting staff; in one case, a lack of communication between the general partner and developer was noted.

The Housing Authority did not have adequate controls to detect errors and ensure the accuracy and reasonableness of the financial reporting.

The Housing Authority does not have adequate procedures in place ensure all journal vouchers are correct, complete, supported and for a valid purpose.

Effect of Condition

The Housing Authority's financial statements contained more than 40 errors that were not detected by management. The types of errors included:

- Several numbers did not add up correctly.
- Several numbers did not reconcile with numbers in the general ledger or to each other in corresponding statements, schedules or notes.
- The statement of cash flows had been revised since the original was provided to the auditors.
- Several items were not recorded in accordance with Generally Accepted Accounting Principles.

The majority of the errors were subsequently corrected by the Housing Authority.

Recommendation

We recommend the Housing Authority:

- Establish and follow an internal control process that includes a detailed review by an independent and knowledgeable person to ensure accurate preparation of the financial statements and related schedules, including the tax credit partnership financial statements.

- Establish and follow an internal control process that includes a detail review by an independent and knowledgeable person to ensure that all journal vouchers posted are accounted for.

Housing Authority's Response

We appreciate the effort and cooperation of the State Auditor's Office (SAO) in conducting our annual audit.

Although the finding describes an internal control weakness, it is important to note that SAO presented the Bellingham Housing Authority (BHA) with a "clean" unqualified audit opinion. An unqualified opinion on our financial statements is an assertion by the State Auditor that the financial statements present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units, and that their audit was conducted using Generally Accepted Auditing Standards as well in accordance with Government Auditing Standards.

BHA acknowledges the internal control weaknesses identified.

- *During calendar year 2007 the property management company hired by BHA failed to provide our contracted CPA firm with adjustment reporting of new debt issues on four of the eleven tax credit properties they managed for us. Throughout the year, BHA ensured they were aware of these new issues; however, due to close deadlines we could not provide a complete review of their trial balances prior to being given to our CPA firm for audit. That property management company is no longer employed by BHA. BHA had taken preliminary steps during calendar year 2008 to help strengthen internal controls over the new property management company. In fact the contracted CPA recently completed the tax credit audit for calendar year 2008. Their audit reports indicated no findings or issues with internal controls over financial reporting.*

  We will be taking additional steps in the near future to implement a review process of the draft financial statements created by the property management company. We also have taken steps to ensure all material transactions affecting the tax credit financials are forwarded to the contracted CPA firm as well as the management company. Regular weekly meetings with the management company allow us to discuss current issues and to ensure they are aware of their obligations.

- *Due to HUD implementing a new method for reporting financial accounting activity a significant amount of additional time was required to complete new*

HUD schedules. HUD deadlines were extended almost five months beyond their normal cut off to help Housing Authorities prepare the new financial schedules. HUD's deadline which was always three months prior to SAO's, was six weeks later than SAO's this year, causing a severe curtailing of our internal review process. BHA normally has the opportunity to perform a detailed review for six to eight weeks prior to submitting our financial statements, notes and other year end reports to SAO.

Steps will be taken to ensure a sufficient, detailed review and reconciliation of the financial statements is done by an independent and knowledgeable person prior to submission. Accounting staff will be trained by the Accounting Manager on the review process and assigned responsibility to review the financial statements as they are produced.

- *Due to software constraints, the journal voucher (JV) process can possibly be circumvented by staff having the ability to prepare and post a JV. During the past 2 years BHA has taken steps to strengthen the review process which has mitigated the risks of JV's being made outside of the normal review process. An independent review by a knowledgeable person is established and followed. The Accountant posts all JV's, which are then reviewed and approved by the Accounting Manager. The Accounting Managers JV's are reviewed by the CFO.*

  To help ensure all JV's are accounted for, BHA has contacted the company, HAB Inc., who developed our accounting software to determine if the posting of JV's can be restricted and monthly summary reports produced to assist in the review process and allow for detecting any potential unauthorized entries. At this time the company is reviewing our request.

We wish to thank the State Auditor's for their cooperation during this review.

Auditor's Remarks

We appreciate the Housing Authority's commitment to strengthening its policies and procedures. We are committed to providing any help we can to ensure strong control systems are in place.

Applicable Laws and Regulations

RCW 43.09.200 states:

> The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.
>
> The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.
>
> The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived there from; all sources of public

> income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budget Accounting and Reporting System (BARS) Manual – Part 3, Accounting Chapter 1, Accounting Principles and General Procedures, Section B, Internal control, states in part:

> Internal Control is a management process for keeping an entity on course in achieving its business objectives, as adopted by the governing body. This management control system should ensure that resources are guarded against waste, loss and misuse; that reliable data is obtained, maintained, and fairly disclosed in financial statement and other reports; and resource use is consistent with laws, regulations and policies.
>
> Each entity is responsible for establishing and maintaining an effective system of internal control throughout their government.

Government Auditing Standards, January 2007 Revision – Section 5.11, states in part:

> For all financial audits, auditors should report the following deficiencies in internal control:
>
> > a. Significant deficiency: a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.
> >
> > b. Material weakness: a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Bellingham Housing Authority
Whatcom County
October 1, 2007 through September 30, 2008

Board of Commissioners
Bellingham Housing Authority
Bellingham, Washington

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Bellingham Housing Authority, Whatcom County, Washington, as of and for the year ended September 30, 2008, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated June 24, 2009. Our report was modified to include a reference to other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Tax Credit Partnerships (aggregate discretely presented component units), as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal controls over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The finanacial statements of the Harborview, Deer Run Terrace, Creekside Meadows, Seabreeze Associates and Orleans Place Tax Credit Partnerships were not audited in accordance with *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and the other auditors identified certain deficiencies involving the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority's internal control over financial reporting. We consider the deficiency described in the accompanying Schedule of Audit Findings and Responses to be a significant deficiency in internal control over financial reporting, and is reported as Finding 2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2 to be a material weakness.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Housing Authority’s financial statements are free of material misstatement, we performed tests of the Housing Authority’s compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

The Housing Authority’s response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. We did not audit the Housing Authority’s response and, accordingly, we express no opinion on it.

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 24, 2009

Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

Bellingham Housing Authority
Whatcom County
October 1, 2007 through September 30, 2008

Board of Commissioners
Bellingham Housing Authority
Bellingham, Washington

COMPLIANCE

We have audited the compliance of the Bellingham Housing Authority, Whatcom County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2008. The Housing Authority's major federal programs are identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

As described in Finding 1 in the accompanying Schedule of Federal Audit Findings, the Housing Authority did not comply with requirements regarding matching and reporting that are applicable to the Shelter Plus Care program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with requirements applicable to the program.

In our opinion, except for the noncompliance described in the preceding paragraphs, the Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings as Finding 1 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Federal Audit Findings, we consider Finding 1 to be a material weakness.

The Housing Authority's response to the finding identified in our audit is described in the accompanying Schedule of Federal Audit Findings. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 24, 2009

Independent Auditor's Report on Financial Statements

Bellingham Housing Authority
Whatcom County
October 1, 2007 through September 30, 2008

Board of Commissioners
Bellingham Housing Authority
Bellingham, Washington

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Bellingham Housing Authority, Whatcom County, Washington, as of and for the year ended September 30, 2008, which collectively comprise the Housing Authority's basic financial statements as listed on page 20. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Harborview, Deer Run Terrace, Creekside Meadows, Seebreeze Associates, and Orleans Place Tax Credit Partnerships were not audited in accordance with *Government Auditing Standards.* An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Bellingham Housing Authority, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Housing Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 21 through 27 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and Actual Comprehensive Grant Cost Certificate are supplemental information required by HUD. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 24, 2009

Financial Section

Bellingham Housing Authority
Whatcom County
October 1, 2007 through September 30, 2008

REQUIRED SUPPLEMENTAL INFORMATION

BASIC FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

As management of the Housing Authority of the City of Bellingham (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

The assets of the Authority exceeded its liability at the close of the most recent fiscal year by $16.2 million (net assets).

As of the close of the current fiscal year, the Authority's programs expended $13.4 million in federal grant revenues.

The Authority's cash balance at September 30, 2008 was $3.9 million representing an increase of $328,222 from September 30, 2007.

The Authority had operating revenues of $17.7 million and expenses of $20.4 million, for the year ended September 30, 2008.

The Authority's capital outlays for the year were $1.6 million.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) fund financial statements, 2) required supplementary financial information, and 3) notes to the financial statements.

Fund Financial Statements

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 Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund type, namely proprietary funds. The Authority has decided to report all programs as one major fund in the financial statements. For more information on the separate programs, they are listed separately on the Schedule of Expenditures of Federal Awards and in the REAC financial statements. The Authority is considered a "Special Purpose Government"; therefore, the U.S. Department of Housing and Urban Development (HUD) has recommended that this model be used.

In accordance with GAAP reporting requirements, the statements include "Statement of Net Assets", "Statement of Revenues, Expenses and Changes in Net Assets", and the "Statement of Cash Flows".

Notes to the Financial Statements

The "Notes to the Financial Statements" provide additional information that is essential to a full understanding of the data provided in the proprietary fund financial statements. They are intended to disclose all pertinent matters as prescribed under GAAP. The Authority also reports therein all substantive financial information pertaining to its role as a general partner or Managing Member in Low-Income Housing Tax Credit Limited Partnerships (LIHTC LPs) and Limited Liability Companies (LIHTC LLCs). As described therein, these properties are modest sized apartment complexes constructed with partial financial equity contributions from limited partners through the LIHTC program. While these properties are subject to the provisions of Generally Accepted Accounting Principles (GAAP) and those prescribed by the Governmental Accounting Standards Board (GASB), it is the express opinion of the Authority's bond counsel that these LPs do not constitute public entities. The Authority has ownership and distribution interests that are limited to either one or one-hundredth of one percent (1% or .01%). The day-to-day operations and policies of the LPs and Limited Liability Companies (LIHTC LLCs) are under supervision of the limited partners, the LP's general partners and the LLC's managing member's Executive Director and his designees, and a contract property management company. These projects are not subject to ordinary governing of the Authority's Board of Commissioners except in the area of debt instruments that may directly or indirectly obligate the Authority. The LPs and LLCs possess characteristics resembling "Joint-Ventures" due to the significant control exercised by, and economic benefit provided to, the Limited Partners. The Housing Authority does, however, report these entities as "Component Units" of the Primary Government discretely within the Authority's Financial Data Schedule in accordance with the provisions of GAAP and GASB Statement 14.

The "Notes to the Financial Statements" more fully describe the nature and ownership of these properties and should, therefore, be reviewed for discrete financial statement presentation criteria in accordance with GASB-34. Separate financial statements and fiscal audits are prepared for each LP and LLC entity. The results of the operations are recorded within the Authority's Local Fund partner's capital contribution accounts, but are now eliminated from the Financial Statements to avoid duplication resulting from discrete presentation. The Authority's "Notes to the Financial Statements" also disclose obligations incurred directly or indirectly by the Authority for the development or operations of the partnerships as well as the results of financial operations, cumulative partner capital accounts and contingent liabilities, if any. Separate financial statements may be obtained by writing to the address listed on the bottom of the last page of this discussion.

Supplementary Financial Information

Effective September 1, 1998 the Department of Housing and Urban Development's Real Estate Assessment Center (REAC) established standards for the submission of "Uniform Financial Reporting Standards for HUD Housing Programs". The standards included the creation of GAAP based "Financial Data Schedules" and electronic reporting requirements. The report is a more easily readable fund based columnar format that is inclusive of all HUD and public fund financial reports of the Authority. This is the second year the FDS also includes discrete presentation of component units. The reports include a "Balance Sheet" and a "Statement of Operations".

Specific HUD form program financial statements were discontinued beginning with fiscal year 2002 in accordance with the Public and Indian Housing Notice 2002-2 (PIH 2002-2). As stated in the notice, "The forms have been discontinued because sufficient comparable information is available as part of the financial data submitted by PHA's to HUD's Real Estate Assessment Center (REAC) under the Uniform Financial Reporting Standards prescribed in 24 CFR 5.801, Subpart H."

In addition to the REAC standard reporting, the Authority prepares a "Schedule of Expenditures of Federal Awards" (SEFA). This report is based on a full accrual GAAP basis where the grant revenues are recognized when "earned".

Authority-Wide Financial Analysis

2008 is the eight year of implementation of Governmental Accounting Standards Board (GASB) Statement 34; accordingly, a brief condensed comparative analysis of current and prior year financial position and performance follows.

Net Assets
(in Thousands)

	2008	2007
Current and other assets	23,936.0	17,318.8
Capital assets	31,145.2	33,160.4
Total assets	55,081.2	50,479.2
Long-term debt outstanding	(36,775.5)	(32,461.2)
Other liabilities	(2,045.6)	(1,839.7)
Total liabilities	(38,821.1)	(34,300.9)
Net assets:		
Invested in capital assets, net of debt	7,471.0	8,812.1
Restricted	1,114.0	1,451.2
Unrestricted (deficit)	7,675.1	5,915.0
Total net assets	$ 16,260.1	$ 16,178.3

The total assets are reported at $55.1 million; $31.1 million of which is net capital assets, and $23.9 million is other assets. Unrestricted net assets total $7.6 million. Current and other assets increased by 38.2%

Changes in Net Assets
(in Thousands)

	2008	2007
Operating revenues		
Net tenant rental revenue	$ 5,199.9	$ 4,958.4
HUD Operating Grant Section 8	11,345.9	11,535.4
Other revenue	1,550.6	1,021.3
Total operating revenues	18,096.4	17,515.1
Nonoperating revenues		
Interest and investment revenue	348.2	416.1
HUD PHA grants	1,250.7	1,043.6
Fraud recovery	6.5	7.2
Other governmental grants	582.0	986.8
Gain on the sale of capital assets	-	-
Total nonoperating revenue	2,187.4	2,453.7
Total revenues	20,283.8	19,968.8
Operating expenses		
Administrative	3,532.5	3,152.9
Tenant services	364.7	433.2
Utilities	857.5	820.0
Ordinary maintenance & operation	2,325.7	1,903.4
Protective services	32.6	26.2
Insurance premiums	194.7	163.9
Other general expenses	273.4	221.3
Housing assistance payments	10,467.5	9,787.4
Depreciation expense	1,182.0	1,205.4
Total expenses	19,230.6	17,713.7
Nonoperating expenses:		
Casualty losses	(1.9)	1.9
Loss on the sale of capital assets	-	-
Loss on investments in joint ventures	1.0	1.0
Interest expense	1,327.1	1,326.3
Total nonoperating expenses	1,326.2	1,329.2
Total expenses	20,556.8	19,042.9
Change in Net Assets	(273.0)	925.9
Total net assets beginning of year	16,178.3	15,284.0
Prior period adjustments and equity transfers	354.8	(31.6)
Beginning net assets restated	16,533.1	15,252.4
Total net assets end of year	$16,260.1	$16,178.3

Tenant rents increased by 4.9%. The increase is due to slightly higher tenant income and proportionately higher rent payments.

Total operating expenses increased by 15.3% within the operating expense categories, administrative expenses increased 38.9% or $1.2 million. Salary and benefit increases accounted for approximately 4% of the increase. Higher operating expenses and the new fee for services revenue account was the result of adopting HUD required Asset Management Project accounting. This accounting required fee for services to be charged out to each project.

Other notable increases included a 40.1 % increase for maintenance and operations and a $680.1 thousand increase in housing assistance payments.

Net assets may serve over time as a useful indicator of a governmental entity's financial position. In the case of the Authority, assets exceeded liabilities by $16.2 million at the close of the fiscal year.

The majority of the Authority's assets are represented by its investment in capital assets (e.g., buildings, machinery, and equipment). These assets account for 56.6% of the total assets. These capital assets provide housing services to low and moderate-income tenants; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide additional housing services and resources.

Management's analysis of the Authority's overall financial position and results of financial position indicates a modest increase. The net assets increased by $56.5 thousand. The majority of the Authority's assets are invested in appreciating real property. Operating revenues, consisting of rental revenue and the federal Housing Choice Vouchers Program grant increased by less than 1%. The associated operating expenses increased 15.3%.

Capital Assets

At September 30, 2008 the Authority's investment in capital assets for its activities was $31.1 million (net of accumulated depreciation) or $7.5 million net of related debt. Capital asset investments include: buildings, capitalized improvements and equipment.

During fiscal year 2008 the Authority had new capital expenditures in the amount of $1.6 million for new purchases and building improvements. Additional information on the Authority's capital assets can be found in note 4.

Long-Term Debt

The long-term debt of the Authority consists solely of loans, notes and bonds incurred for the purpose of acquisition and modernization of real property providing low and moderate-income housing. The total liabilities reported by the Authority are $38.8 million; of which $35.3 million is classified as non-current and $3.5 million is classified as current liabilities.

The Authority began the year with a $31.2 million beginning balance in long-term debt, which includes deferred issuance discounts of $261 thousand. Principal payments were $1.6 million on outstanding loans during fiscal year 2008. New loans were acquired for the Meadow Wood 1 and 2, Harborview, and Walton projects in the amount of $7.5 million. We concluded the year with an ending balance of $37.2 million of long-term debt obligations, including the deferred issuance discounts.

The Authority is in good standing with all debt obligations and foresees no eminent difficulties with meeting its scheduled payment obligations.

Note 9 details the Authorities debt structure.

Contributions and Transfers

The Authority contributed subsidies and transferred certain reserves during the year within its programs and to related entities for the support of various low-income housing objectives with the guidelines established by federal regulations and state laws.

Changes in Condition and Estimated Expenses for Infrastructure Assets

The Authority has maintained its real property well within performance guidelines of housing quality standards and earned a Physical Inspection score of 28 out of 30 possible points and achieved the “High Performer” rank under the HUD Real Estate Assessment Center’s 2008 Public Housing Assessment System (PHAS). As such we do not expect any significant change to the operating and maintenance expenditures in the near future to maintain these assets. The Authority has budgeted approximately $19.6 million for operating expenditures in fiscal year 2009.

During 2008, the Authority as the Managing Member completed construction and opened three new affordable Low Income Housing Tax Credit LLC properties. Meadow Wood Townhomes Associates, was registered January 8, 2005 and it has provided 51 units of housing low income tax credit project (LIHTC). Meadow Wood II Associates LLC, was formed on January 13, 2005 and it has provided 25 units of low income housing tax credit apartments in the City of Bellingham. The Laube Hotel project provided an additional 20 units of affordable housing and approximately 5,000 square feet of commercial space. Construction of the Historic Laube Hotel started in September of 2007 and was completed in June of 2008. This project is a “Historic Rehabilitation” project and received LIHTC funding of $2,605,239 and Historic HTC funding of $809,195.

Future Events that will financially Impact the Authority

The Authority maintained its” high” performance with a 100% score. We had a full lease-up of the Housing Choice Voucher Program (HCV) program during 2008; however, the waiting lists and local needs for affordable housing continue to exceed our funding resources. The HCV and Public Housing waiting lists were 2,051 and 941 respectively at the end of fiscal year 2009, a 3.5% increase on the waiting list since the end of fiscal year 2008; The HCV waiting list for Section 8 HCV was closed on August 1, 2008 and is planned to remain closed until the waiting list decreases to 500 through placement and attrition. The numbers of applicants seeking assisted housing exceed the total available of our current federal housing programs. The Authority continues to pursue housing opportunities for the community in terms of construction, acquisition and renovation of housing units to provide additional affordable housing and rental assistance programs.

In 2005 the Authority entered into agreements to develop additional projects, the Walton Beverage building phase I and Phase II. These projects have been organized as LIHTC LLCs.

Financial commitments received to date for the Walton phase I project consist of $750,000 from the City of Bellingham’s revolving development loan fund, $2,000,000 loan from the State Housing Trust Fund in December 2006. The project also received a tax credit allocation from the Washington State Housing Commission which will generate approximately $7,218,400 in equity through the sale of tax credits to investors. Additionally, a permanent mortgage from the Washington State Community Reinvestment Association of approximately $1,870,000 and a loan from the Bellingham Housing Authority Local Fund resources of up to $300,000 may also be utilized. Phase I will provide 50 units of affordable housing and 1 manager unit. Other financing mechanisms are still being finalized. Construction began in early summer 2008 and scheduled for completion in July 2009.

Walton Phase II will be receiving similar financing to develop 40 units of low-income housing. Funding sources and uses are currently being developed. Funding applications to State Housing Trust Fund program was made in September of 2008 and to the Washington State Housing Finance Commission for tax credits in January of 2009. If these applications are successful construction could begin in the summer of 2010.

The Authority is largely dependent for nearly two-thirds of its funding from HUD for operations; therefore, the Housing Authority is more subject to operational fluctuations due to the Federal budget than by local economic conditions. The Authority has seen significant tightening in the formulation of funding available for the future of the HCV program. There are proposals in light of reduced funding for administration, to streamline the operations of the HCV program to a system known as the "Flexible Voucher Program" (FVP). This program would shift some management and program determinations to the local public housing agencies, given their local housing needs and market conditions, to determine how to most effectively manage their housing voucher funding.

During fiscal year 2008 the Authority implemented Asset Management, including "project based management and accounting", in accordance with HUD's Operating Fund regulations (24 CFR 990). Three separate Asset Management Projects (AMPs), or property groupings, were designated consisting of "elderly/disabled", "family" and "scattered site" units. In addition to separating these units previously reported as one Low Rent Conventional Public Housing program, a "Central Maintenance/Office" cost center has also been designated and segregated from those resources. All Housing Authority staff functions have been reviewed and designated as "central office", "project based", "allocatable", "shared resource" or "fee for service" as prescribed by the regulations. "Fee for service" employees are now charging their direct costs to the Central Office/Maintenance cost center and charging market trade rates, "fees for services", for work performed on properties within the Authority's overall property management portfolio. These fees along with "management fees", bookkeeping fees, and "asset management fees, will be charged by the central office/maintenance to the AMPs as a revenue source to support the central office's administrative duties. Fiscal Year 2008 is the first compliance year for reporting under these cost center models.

Effective February 1, 2008, the Bellingham Housing Authority exercised its option to execute transfer documents with Key Bank to acquire its Limited Partnership's ownership interest in the property known as Harborview Apartments. Through the execution of the transfer documents, the Authority becomes both the General Partner and Limited Partner of the properties formerly held by the Bellingham 91 Tax Credit Project LP and is now in effect the sole owner. Formal dissolution of the limited partnership is pending and the Authority is in the process of executing modifications to loan documents with the Washington State Department of Community Trade and Economic Development and the Enterprise Community Loan Fund, Inc to assume the loans associated with the property. It is estimated that the transfer of partnership interest will produce approximately $5,600 in excise tax due to the State of Washington Department of Revenue to be paid from any cash remaining in the LP or from the Authority's Local Fund. There are no Low Income Housing Tax Credit recapture fees estimated to be due or payable to the Limited Partner, Key Bank.

"American Recovery and Reinvestment Act" (ARRA), the Authority expects to be eligible for an additional $775,500 in Capital Grant Funding. This is in addition to the average annual grant allotment of approximately $612,500. These new funds are to be available for draw down in April 2009, must be fully obligated by March 19, 2010, and fully expended two years thereafter. The funding will be used to modernize the public housing units and as such shall promote the longevity of the assets and promote local economic stimulus.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director at the Bellingham Housing Authority at PO Box 9701, Bellingham, Washington 98227

BELLINGHAM HOUSING AUTHORITY
Statement of Net Assets
September 30, 2008

	Primary Government 2008	Component Units See Note 11
ASSETS		
Current Assets		
Cash and cash equivalents	2,220,057	1,065,166
Restricted cash and cash equivalents	1,498,918	
Restricted cash - tenant security deposits	225,195	41,624
Restricted cash - FSS	44,350	
Accounts receivable (net)		
Tenants	45,303	91,283
HUD	14,525	
Other government	65,016	
Miscellaneous	491,933	
Accrued interest receivable	590,856	
Current portion notes receivable	106,463	
Prepaid expenses	27,322	39,584
Interfund receivables(eliminate)		
Inventories	59,266	
Total Current Assets	5,389,204	1,237,657
Non-Current Assets		
Restricted investments	3,313,308	539,348
Notes receivable	14,626,080	
Investment in tax credits	351,184	
Other assets	256,274	314,010
Net capital assets	31,145,248	28,871,276
Total Non-Current Assets	49,692,094	29,724,634
Total Assets	55,081,298	30,962,291
LIABILITIES		
Current Liabilities		
Accounts payable	225,884	1,630,641
Tenant security deposits	220,000	37,310
Deferred revenues	32,403	12,350
Accrued liabilities - other	554,744	472,668
Other current liabilities	811,666	
Current portion of long term debt	1,684,454	139,608
Total Current Liabilities	3,529,151	2,292,577
Non-Current Liabilities		
Bonds, notes and loans payable	35,091,074	14,259,812
Accrued compensated absences	200,918	
Total noncurrent liabilities	35,291,992	14,259,812
Total Liabilities	38,821,144	16,552,389
Net Assets		
Invested in capital assets - net of related debt	7,471,006	14,471,856
Restricted net assets	1,113,999	
Unrestricted net assets	7,675,149	(61,954)
Total Net Assets	16,260,154	14,409,902

The accompanying notes are an integral part of these financial statements

BELLINGHAM HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2008

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	Primary Government 2008	Component Units See Note 11
Operating Revenues		
Tenant rents	5,172,506	1,528,703
Other tenant charges	27,309	
HUD operating grant - HCVP (See note 1)	11,345,939	
Other revenue	1,550,656	40,155
Total operating revenues	18,096,410	1,568,858
Operating Expenses		
Administrative	3,532,481	370,597
Tenant services	364,657	
Utilities	857,501	133,067
Maintenance & operation	2,325,684	315,667
Protective services	32,576	-
Insurance premiums	194,658	73,262
General expenses	76,863	-
Payments in lieu of taxes	1,561	
Bad debt	54,094	
Housing assistance payments	10,467,553	
Operating lease	140,901	
Depreciation expense	1,182,038	924,543
Total operating expenses	19,230,567	1,817,136
Operating income (loss)	(1,134,157)	(248,278)
Nonoperating Revenue (expense)		
Interest and investment revenue	348,159	26,151
HUD PHA grants	1,250,719	
Other governmental grants	582,062	
Casualty losses	1,955	
Fraud recovery (loss)	6,468	
Gain (loss) on the sale of capital assets		
Gain (loss) on investments in tax credits	(1,037)	
Interest expense	(1,327,125)	(428,825)
Total Nonoperating Revenue (expense)	861,201	(402,674)
Change in Net Asets	(272,956)	(650,952)
Net Asets - Beginning of Year	16,178,294	12,629,184
Prior period adjustments and equity transfers	354,819	2,431,670
Net Asets - End of Year	16,260,157	14,409,902

The accompanying notes are an integral part of these financial statements

BELLINGHAM HOUSING AUTHORITY
Statement of Cash Flows
Year Ended September 30, 2008

	Primary Government 2008	Component Units See Note 11
Cash flows from operating activities:		
Cash received from tenants	5,141,073	1,488,689
Cash received from other funds for services	612,468	
Cash received from HUD - HCVP only (see note 1)	11,345,939	
Other operating cash receipts	1,307,536	20,541
Cash payments to suppliers for goods and services	(4,043,474)	(910,899)
Cash payments to landlords - HCVP	(10,467,553)	-
Cash payments to employees for services	(3,582,162)	-
Cash payments to other funds		
Net cash provided by operating activities	313,827	598,331
Cash flows from noncapital financing activities:		-
Operating transfers from other funds	324,053	
Operating transfers to other funds	(324,053)	
Extraordinary maintenance	-	
Contribution to component unit	-	
Fraud loss	6,468	
Casualty loss	(1,955)	
Net cash provided (used) by noncapital financing activities	4,513	-
Cash Flows from capital and related financing activities:		
Grants from HUD and other government agencies	1,832,781	
Purchases of capital assets	(1,630,537)	(4,488,360)
Disposals of capital assets	2,276,259	
Gain/(loss) on disposal of capital assets	-	
Capital contributions	-	1,878,568
Proceeds from long-term notes payable	9,815,441	5,612,439
Repayments on long-term notes payable	(5,139,646)	(8,496,355)
Interest paid on revenue bonds and notes payable	(1,262,969)	(571,889)
Net cash used by capital and related financing activities	5,891,329	(6,065,597)
Cash flows from investing activities:		
Gain/(loss) on investment in tax credits	(1,037)	-
Purchase of investment securities	-	
Increase in deferred costs		-
Changes in bond costs and defeased bond escrows		
Deposits to reserves and project accounts		(120,066)
Withdrawals from reserves and project accounts	375,931	85,518
Interest on investments and long-term receivables	365,287	26,151
Repayments received on long-term notes receivable	9,381,873	-
Issuance of long-term notes receivable	(16,358,320)	
Net cash provided (used) by investing activities	(6,236,266)	(8,397)
Prior period adjustments and equity transfers	354,819	336,206
Net increase (decrease) in cash and cash equivalents	328,222	(5,139,457)
Cash and cash equivalents at October 1, 2007 (component units Jan 1, 2007)	3,660,298	6,246,247
Cash and cash equivalents at September 30, 2008 (component units Dec 31, 2007)	3,988,520	1,106,790
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	(1,134,157)	(248,278)
Adjustments to reconcile income from operations to net cash		
Cash provided by operating activities:		
Depreciation and amortization	1,182,038	924,543
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	378,148	(40,014)
(Increase) decrease in prepaid items	(22,062)	(19,614)
(Increase) decrease in inventory	(8,722)	-
Increase (decrease) in security deposits	8,591	(76)
Increase (decrease) in accounts payable	(159,033)	(15,933)
Increase (decrease) in accrued liabilities	91,100	
Increase (decrease) in prepaid contributions	-	-
Increase (decrease) in deferred income	(22,076)	(2,147)
Net cash provided by operating activities:	313,827	598,481

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Bellingham Housing Authority “the Authority” conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments. This and consecutive statements are reflected in the accompanying financial statements (including notes to financial statements). The following is a summary of the most significant policies:

a. Reporting Entity

The Bellingham Housing Authority is a municipal corporation governed by an appointed board of commissioners. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. These financial statements present the Bellingham Housing Authority and its component units. The component units discussed below are included in the authority’s reporting entity because of the significance of the operational or financial relationships with the authority.

b. Basis of Accounting and Presentation

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however, it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model.

The Bellingham Housing Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs are designed to provide low income individuals with housing.

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the fund.

The Bellingham Housing Authority applies GASB pronouncements and has elected to apply Financial Accounting Standard Board (FASB) statements and Accounting Principles Board (APB) pronouncements issued after November 30, 1989.

c. Cash and Cash Equivalents

For the purposes of the statement of cash flows the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents

d. Capital Assets

See Note 4.

e. Restricted Assets

In accordance with bond resolutions and certain related agreements separate restricted accounts are required to be established. The assets held in these accounts are restricted for specific uses, including debt service and other special reserve requirements. Restricted resources currently include the following:

Debt Service	$4,650,008
Replace Reserves	162,218
Tenant deposits	225,195
FSS Escrows	44,350

f. Receivables

Tenant accounts receivable are reported net of allowance for doubtful accounts. The allowance amounts were $72,622 in 2008 and $31,742 in 2007. Our policy is to send out a final statement 30 days after a collection letter is mailed. After an additional 30 days a third, which is the final collection letter, is mailed. At the end of that 30 day period the account is written off and sent to collection.

g. Inventories

Inventories consist of expendable supplies, held for consumption. These inventories are valued at cost which approximates the market value.

h. Investments

The Authority uses market value for reporting of investment balances. For various risks related to the investments see Deposits and Investments Note 3.

i. Operating Revenues/Expenses

The Authority reports operating revenues as defined in GASB Statement number 9. Operating revenues result from fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financial activities in the statement of cash flows, except for operating subsidies and grants provided by Housing and Urban Development (HUD) for the Housing Choice Vouchers program only. Payments to landlords are considered operating expenses, reporting otherwise would make the financial statements misleading. This grant makes it possible to provide housing for low income people. If the Authority did not receive HUD funding this program would cease to operate. Overall it does not affect the presentation of net income or the change in net assets in the statement of revenues, expenses, and changes in net assets, or the presentation of cash and cash equivalents in the statement of cash flows. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing.

j. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Authority records unpaid leave for compensated absences as an expense and liability when incurred. The Authority's policy allows employees to accumulate unused sick leave up to 120 days and vacation leave up to 2 years entitlement. Exempt employees are entitled to be paid 25% of accumulated sick leave and any vacation leave accumulated upon termination. Non-exempt employees are entitled to be paid accumulated vacation leave up to a maximum of 2 years entitlement, upon termination, however; only upon retirement are they eligible to receive payment of 25% of their accumulated sick leave up to 120 days. Sick leave in excess of 120 days will only be paid upon illness while in the employ of the Authority.

k. Unamortized Debt Expenses

Costs relating to the sale of bonds are deferred and amortized over the lives of the various bond issues.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance related legal or contractual provisions. There have been no material instances where expenditures have exceeded appropriations.

NOTE 3 – DEPOSITS AND INVESTMENTS

a. <u>Deposits</u>

Demand deposits	$3,988,520

The Bellingham Housing Authority's deposits and certificates of deposits are entirely 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).

b. Investments

As of the year ended September 30, 2008 the Bellingham Housing Authority's held the following investments:

Investment Value

Type	Value
US Treasuries	$ 40,319
Money Market funds	350,188
Bank of New York Bond Reserve Account	1,399,940
Government Money Market Funds	1,522,861
	$ 3,313,308

NOTE 4 - CAPITAL ASSETS

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance and repairs, and minor renewals are expensed when incurred. Obligations under capital leases are disclosed in note 7 & 8.

Capital assets (land, structures and equipment) are reported in the financial statements at historical cost. The Authority defines capital assets as assets with an initial individual cost of $5,000 or more with an estimated useful life exceeding one year. Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance at 10/1/2007	Increases	(Decreases)	Balance at 9/30/2008
Capital assets not being depreciated:				
Land and improvements	8,153,593		(1,402,182)	6,751,411
Construction in progress	392,322		(392,322)	
Total capital assets not being depreciated	8,545,915		(1,794,504)	6,751,411
Other capital assets:				
Buildings and improvements	43,365,809	1,121,740	(220,434)	44,267,115
Furniture, equipment & machinery	792,941	486,287	(3,071)	1,276,157
	44,158,750	1,608,027	(223,505)	45,543,272
Less accumulated depreciation	(19,544,247)	(1,606,023)	836	(21,179,434)
Net other capital assets	24,614,503	2,004	(222,669)	24,393,838
Net capital assets	$ 33,160,418	(2,004)	(2,017,173)	31,145,249

Depreciation is computed on the straight-line half year convention method with useful lives of 5 to 41.5 years

NOTE 5 – CONSTRUCTION IN PROGRESS

There was no construction in progress at the end of fiscal year 2008.

NOTE 6 - SHORT-TERM DEBT

Short-term debt activity for the year ended September 30, 2008, was as follows:

Debt	Beginning Balance (10/1/07)	Issued (draw down)	Redeemed (payments)	Ending Balance (9/30/2008)
US Bank Line of Credit	$1,676,357	1,272,791	2,602,414	$346,734

NOTE 7 - DESCRIPTION OF LEASING ARRANGEMENTS

Capital Leases: The purpose of the Authority is to develop, own and manage affordable housing for low-income persons. To fulfill this purpose the Authority purchases land and/or buildings, to lease to low-income tax credit limited partnerships of which the Authority is the general partner. Doing so provides the partners with tax relief. The value of the land, or buildings and land are carried on the books of the low-income tax credit limited partnerships. The Authority, “lessor”, leases land and a building to Oakland Associates LP, “lessee”, for the amount equal to the annual payments to the City of Bellingham for two loans of $150,000 and $50,000, both of which have 30 repayment terms, the first payment beginning December 31, 2003. Final payment to be made in 2032. In addition, this property makes an annual lease payment of $12 .This lease is considered a direct financing lease. See Note 8.

On December 11, 2002 the Authority, “lessor”, purchased the land and leased it back to four tax credit partnerships, ‘lessees”, Orleans Place 93 Tax Credit Project LP, Deer Run 93 Tax Credit Project LP, Bellingham 91 Tax Credit Project, and Prince Street Associates LP. These four properties will make lease payments of $12 annually. This amount will be recorded as income in the year received. The Authority, “lessor”, also leases land to Prince Court II LP, “lessee”, and Heather Commons II LP, “lessee”, at $120 per year. This amount is also recorded as income in the year received.

Operating Leases: The Authority,”lessee”, leases Fernview Apartments from Whatcom County Housing Authority, “lessor”, for a monthly rent equal to 110% of one-sixth of the amount to pay interest on the Bonds on the next interest payment plus 110% of one-twelfth of the amount required to pay the principal of the Bonds maturing or to be redeemed on the next September 1. It was not the intention of the lease for the property to be removed from the assets of Whatcom County Housing Authority and capitalized on the Authority’s. See Note 8 for minimum annual lease payments.

The Fernview Apartments are assessed by the Whatcom County Assessors office at $1,144,400 for the building and $330,000 for the land. Combined assessed valuation is $1,474,400.

NOTE 8 - LEASE COMMITMENTS

a. Capital/Financing leases

The following details the net investment in the Oakland Building 30 year direct financing lease as of September 30, 2008:

Minimum lease payments receivable:	$211,066
Less: Unearned income:	(211,066)
Net investment in direct financing lease:	$ -0-

Future minimum payments:

2009	8,942
2010	8,942
2011	8,942
2012	8,942
2013	8,942
2014-2018	44,710
2019-2023	44,710
2024-2028	44,710
2029-2032	32,226

b. Operating Lease

The future minimum lease payments for the Fernview Apartments are:

2009	144,379
2010	147,349
2011	150,003
2012	146,841
2013	149,841
2014 - 2018	770,836
2019 - 2023	794,471
2024 - 2027	619,439

NOTE 9 - LONG TERM DEBT AND LIABILITIES

Long-Term Debt

a. Revenue Bonds:

The Authority issues revenue bonds to finance the construction of and improvements to the various low-rent housing buildings they own. The revenue bonds are being repaid by the authority's revenues.

The revenue bonds currently outstanding are as follows:

Purpose	Original Amount	Issue Date	Interest Rate	Amount Outstanding
Deer Run Terrace	975,000	April 1, 1995	8.75%-9.25%	820,000
Willow Creek	70,000	November 1, 1997	8.02%	60,341
Cascade Meadows/Pacific Rim	20,755,000	February 1, 1998	3.9%-5.2%	17,050,000
Varsity Village - Series A	4,650,000	December 4, 2001	2.25%-5.6%	4,450,000
Varsity Village - Series B	825,000	December 4, 2001	2.25%-4.5%	365,000
Unity Street Administration Building	1,000,000	September 26, 2002	4.39%	676,879
Bridge Creek II	700,000	December 19, 2003	4.66%	557,594
Total				**$ 23,979,814**

Loan discounts as of September 30, 2008;

Cascade Meadows/Pacific Rim	243,760
Deer Run Terrace	2,285
Harborview	2,202
Total	$248,247

Revenue bond debt service requirements to maturity:

Year Ending	Principal	Interest
2009	718,634	1,236,096
2010	758,500	1,199,456
2011	793,519	1,160,597
2012	833,774	1,119,993
2013	859,223	1,077,001
2014 - 2018	5,423,022	4,431,386
2019 - 2023	5,386,392	3,042,426
2024 - 2028	6,911,750	1,406,304
2029 - 2033	1,140,000	458,080
2034 -2037	1,155,000	101,640
Total	23,979,814	15,232,979

There is $1,790,447 in restricted assets of the Authority representing sinking funds and reserve requirements as contained in the revenue bond covenants. There are a number of other limitations and restriction contained in the bond covenants. The Authority is in compliance with all significant limitations and restrictions.

The Authority has Low-Income Housing Revenue Bonds. The proceeds were loaned to tax credit partnerships of which the Authority is general partner. See Note 11.

Payment of principal and interest on the Bonds is secured by the Loan Payments, monies on deposit in a debt service reserve account and a pledge of the general revenues of the Authority.

As security for repayment of the Loan, the partnership will irrevocably grant to the Standby Trustee as beneficiary and assignee of the Authority, under the Deed of Trust a security interest in the land and improvements constituting the Project and certain related personal property. In the event of a default in the amounts due under the Loan Agreement, and a subsequent default in the payment of principal of and interest on the Bonds, the Standby Trustee will be entitled on behalf of the owners of the Bonds to foreclose the security interest.

The Authority has pledged its general revenues, not previously or subsequently pledged to a specific purpose, to pay the Bonds, if necessary; however, in certain circumstances there may be prior or competing claims on such general revenues.

There are a number of other limitations and restrictions contained in the various bond indentures. The authority is in compliance with all significant limitations and restrictions.

b. Refunding Bonds

The Authority issued Housing Refunding Revenue Bonds 1998 (Pacific Rim and Cascade Meadows Projects) for the purpose of refunding the Authority's Housing Revenue Bonds, 1994 (Cascade Meadows Project) and Housing Revenue Bonds, 1992 (Pacific Rim Project).

Principal of and interest on the Bonds will be payable from and secured by a pledge of certain revenues and receipts available from the Projects. In addition, the bonds are payable from and secured by a pledge of general revenues of the Authority, money and investment earnings on deposit in the funds and accounts held by the Trustee, including the Reserve Account, and a Deed of Trust granting to the Trustee, as beneficiary, among other things, a security interest in the land and improvements which encompass the Projects, along with the equipment, furniture, fixtures and other articles of property therein owned by the Authority.

The Authority has entered into an agreement with the City of Bellingham, whereby the City has agreed to provide funds to the Authority to maintain the required minimum balance in the Reserve Account if the Authority does not have sufficient funds for that purpose.

On December 12, 2001 the Authority sold Housing Revenue Bonds in the amounts of $4,650,000 and $825,000 for the purchase and renovations of Varsity Village Apartments and Varsity Village Extension. The trustee for the bonds is J.P. Morgan Trust Company "Trustee". Bond costs as of December 31, 2001 were $190,425. These costs are amortized over the life of all the bonds or 35 years.

On December 19th, 2003 the Authority issued a Housing Revenue Bond in the amount of $700,000 for the purpose of providing part of the funds to finance the cost of acquiring and renovating a 31-unit apartment complex known as Bridge Creek. The bond is to be paid solely out of the Bond Fund, into which fund the Authority has obligated and bound itself to set aside and pay from Project Revenues, from General Revenues and from any other money the Authority available therefore, amounts sufficient to pay principal of and interest on this bond when due. The interest rate of this bond is 4.66%. Principal of and interest on this Bond are payable on the first business day of each January and July, beginning July 1, 2004, in equal semiannual installments in the amount necessary to amortize the principal of and interest on this bond over a 15-year period. All unpaid principal and accrued interest on this Bond is payable on the Maturity date, December 19, 2018. For additional financing the Authority entered into a loan with the State of Washington Department of Community, Trade and Economic Development in the amount of $155,000 which shall be deferred for fifteen (15) years, until December 31, 2019, with no interest accruing during the deferral period. The principal balance shall then be amortized for 15 years with interest at the rate of 5%, compounded quarterly. Quarterly payments in the amount of $3,687.44 shall be due on March 31, 2020 and continue to be due each March 31, June 30, September 30 and December 31 for 14 years. The final payment of principal and interest shall be due and payable in full on or before December 31, 2034. And the Authority also entered into a recoverable grant in the amount of $712,000 with the State of Washington Department of Community, Trade and Economic Development. The grant shall be deferred for forty (40) years. If the terms of the Contract have been met, the recoverable grant will convert to a full grant with no expectation of repayment on December 31, 2043.

Arbitrage

The Authority has authorized the Trustees to establish a separate special fund designated as the "Rebate Fund". The Rebate Fund will be maintained until the expiration of 60 days after the retirement of the last outstanding Bond. Within 30 days after the end of each Computation Period, the Authority shall determine or cause to be determined, by an Accountant or other qualified Person selected by the Authority, in accordance with Section 148 of the Code and applicable Treasury Regulations promulgated under Section 148(f) of the Code and written instructions of Bond Counsel delivered to the Trustee and the Authority from time to time, the Rebate Amount attributable to each account and/or fund for each Computation Period (initially, a five-year period ending on the last day of each fifth Bond Year) on such determination date or dates as may be permitted by Section 148 of the Code and written instructions of Bond Counsel delivered to the Authority and the Trustee, and shall notify the Trustee in writing of any Rebate Amount so determined. The Trustee and the Authority may rely upon the opinions, calculations, determinations, directions and advice of such Accountant or other Person without further investigation or inquiry, copies of all of which opinions, calculations, determinations, directions and advice shall be given to the Trustee by the Authority. If a Rebate Amount is determined to exist, the Trustee shall notify the Authority of the amount in the Rebate Fund available to pay the Rebate Amount, the Authority shall deliver an amount equal to any deficiency in the Rebate Fund to the Trustee, with instructions to deposit that amount in the Rebate Fund. On December 19, 2002 a IRS Form 8038-T was filed on the Housing Refunding Revenue Bonds, 1998 (Pacific Rim and Cascade Meadows) and the rebate of $27,456.33 was sent to the IRS. On November 16, 2005 the Authority received an Interim Arbitrage Rebate Analysis for the Period ending October 31, 2005 with a cumulative rebate liability of $23,274.14.

c. Real Estate Mortgages

The Authority has long term loans secured by capital assets. These loans were used to acquire capital assets to provide low income housing. They are being repaid from revenues generated by the authority.

		Original Amount	Issue Date	Interest Rate	Outstanding Balance
Bellingham 91	LIHTC	321,505	07/23/93	1.00	241,672
Willow Creek	LIHTC FHLB	70,400	10/24/96	0.00	70,400
Willow Creek	LIHTC CTED	358,400	12/31/97	1.00	294,319
Oakland Bldg	LIHTC CDBG	150,000	11/15/00	2.00	125,024
Oakland Bldg	LIHTC HOME	50,000	11/15/00	2.00	41,675
Oakland Bldg	LIHTC FHLB	99,000	06/16/00	0.00	99,000
Varsity Village	Bellingham, City	200,420	12/01/01	1.00	193,276
Laurel Village	LIHTC CTED	1,450,000	12/01/04	0.00	1,466,837
Bridge Creek II	CTED	155,000	12/31/04	5.00	155,000
Laurel Village	LIHTC CDBG	303,500	12/20/04	5.00	311,931
Laurel Village	LIHTC HOME	146,000	12/20/04	5.00	150,569
Walton Bldg	ENTERPRISE	1,704,530	10/14/05	4.50	864,221
Laube	Bellingham, City	250,000	02/27/07	2.00	250,000
Laube	CTED	950,000	02/12/07	0.00	950,000
Meadow Wood I	CTED	490,000	04/30/07	0.00	487,428
Waterfront	ENTERPRISE	35,000	07/01/07	0.00	35,000
Walton 1	CTED	1,591,032	07/01/08	1.00	1,591,032
Walton 1	Bellingham, City	705,664	09/01/08	0.00	705,664
Meadow Wood 1	WCRA	2,400,000	06/30/08	7.25	2,396,244
Meadow Wood 1	Bellingham, City	390,000	09/01/08	1.00	390,000
Meadow Wood 2	CTED	1,500,000	10/01/07	0.0 and 1.0	1,500,000
Meadow Wood 2	Bellingham, City	378,536	11/01/07	1.00	378,536
Harborview	Enterprise	345,320	05/08/07	7.00	345,320
					$13,043,148

Service requirements to maturity for mortgages are as follows:

Fiscal Year(s)	Principal	Interest
2009	965,238	333,978
2010	158,080	254,797
2011	133,257	256,348
2012	485,334	260,771
2013	143,421	233,789
2014 - 2018	774,010	1,119,927
2019 - 2023	934,295	1,036,303
2024 - 2028	1,151,562	889,628
2029 - 2033	1,346,127	652,801
2034 - 2038	1,566,775	337,631
2039 - 2043	682,434	161,710
2044 - 2048	3,722,016	118,609
2049 - 2053	891,299	
2054 - 2056	89,300	
Totals	**13,043,148**	**5,656,292**

The Authority has Real Estate Mortgages of which the proceeds were loaned to tax credit partnerships of which the Authority is general partner. See Note 11

d. Changes in Long-Term Liabilities

During the year ended September 30, 2008, the following changes occurred in long-term liabilities:

	Beginning Balance 10/1/07	Additions	Reductions	Ending Balance 9/30/08	Due Within One Year
Bonds payable: Revenue bonds	24,669,154		(689,340)	23,979,814	718,634
Less: deferred amounts: on issuance discounts/refunding	(261,495)		13,248	(248,247)	(13,247)
Total bonds payable:	24,407,659	-	(676,092)	23,731,567	705,387
Mortgages payable:	6,377,176	7,542,649	(876,677)	13,043,148	965,238
Compensated absences	177,892	-	23,026	200,918	
Total long-term liabilities	30,962,727	7,542,649	(1,529,743)	36,975,633	1,670,625

NOTE 10 – PENSION PLAN

Substantially all of the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, PO Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement No. 27, Accounting for Pensions by State and Local Government Employers.

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

Plan Descriptions
PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option of choosing membership in either PERS Plan 2 or PERS plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

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

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at age of 65 with five years service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-minth period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at lease 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is not cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent the average final compensation per year of service. The average final compensation is eligible for retirement if they have: at lease ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at lease 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is not cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.
For the year ended September 30, 2008, there are 761 participating employers in PERS 1, 923 in PERS 2 and 627 in PERS 3. Many participating employers have employees in all 3 retirement plans.

Employee membership in PERS as of September 30, 2007:

Active members	158,022
Inactive & retired members	97,827
Total	255,849

Funding Policy
Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contributions rates for Plan 1 are established by statute at 6 percent and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and defined benefit portion of Plan 3. All employers are required to contribute at the level established by legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.10 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls were as follows during the current fiscal year:

	PERS Plan 1	PERS Plan 2	PERS Plan 3 **
Employer * - From 7/01/07 through 6/03/08	6.13%	6.13%	6.13%
Employer * - From 7/01/08 through 9/30/08	8.31%	8.31%	8.31%
Employee - From 7/01/07 through 6/30/08	6.00%	4.15%	***
Employee - From 7/01/08 through 9/30/08	6.00%	5.45%	***

*The employer rates include the employer administrative expense fee currently set at 0.18%.
**Plan 3 defined benefit portion only.
***Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the Authority and it's' employees made the required contributions. The Authority's required contributions for the following fiscal years are:

2003	$24,105
2004	$29,189
2005	$36,247
2006	$61,779
2007	$120,150
2008	$174,004

For the year ended September 30, 2007, there are 789 participating employers in PERS 1, 910 in PERS 2 and 614 in PERS 3. Many participating employers have employees in all 3 retirement plans.

DEFERRED COMPENSATION PLAN

The Authority offers its employees that elect to participate, a deferred compensation plan pursuant to RCW 41.04.250, in accordance with Internal Revenue Code Section 457. Under the plan, eligible employees elect to defer a portion of their salary until future time periods. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable financial emergency.

Effective June 11, 1998, according to provisions of SHB 2922, the assets of the Deferred Compensation Program (DCP) were placed into trust for the exclusive benefit of participants and their beneficiaries. The Revised Code of Washington (RCW) 41.50.770 and RCW 41.50.780 have been amended to establish a trust for that purpose. The new law names the Washington State Investment Board (WSIB) as the trustee. The participant funds in the DCP will no longer be subject to potential claims of employers' creditors.

Plan assets of political subdivisions that participate in the DCP became part of the DCP trust on June 11, 1998. Pursuant to Governmental Accounting Standards (GASB) Statement 32, the Authority is no longer the owner of these assets, and as of September 30, 1998, the plan assets and liabilities are no longer reported as an Agency Fund.

NOTE 11 – COMPONENT UNITS

The Authority, serving as the "General Partner", and the Whatcom County Housing Authority, serving as the "Initial Limited Partner", form limited partnerships pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10 et esq. (the "Act"). All of these partnerships are formed for the purpose of acquiring real property, and to develop and construct there on housing units, and to operate, manage, and lease the project in a manner that qualifies the project for low-income housing credits under Section 42 of the Internal Revenue Code of 1986, as amended. The ownership interest has been deemed not significant to the Authority's financial statements. Component unit financial data is displayed in this note.

Bellingham 91 Tax Credit Project L.P. (Harborview) The partnership was formed on July 31, 1991. On April 26, 1993 the Whatcom County Housing Authority withdrew and Key Bank of Washington was admitted as the limited partner. Key Bank made a capital contribution of $600,000 and received 99% interest. The Authority remains as the general partner with an initial capital contribution of $99 and a 1% ownership interest. As of December 31, 2007, the conclusion of the fifteenth year of operations, the partnership recorded a net financial loss of $13,985. The Authority's share of the loss was $141, increasing our (the general partner) partners' equity account to a deficit balance of $3,635.

In February of 2008, the tax credits were ended, resulting in the Housing Authority taking 100% ownership.

The long-term debt of the partnership is structured as non-recourse loans collateralized by substantially all the assets of the partnership. Significant portions of the long-term debt were formed through related party transactions. This includes the purchase of real property on October 31, 1991 from the Authority in exchange for a $131,500 note payable on October 31, 2006 including interest at 9% per annum. The land was made available to the Authority on October 8, 1991 with the aid of funds from the Community Development Block Grant Program of the City of Bellingham "the City" for the express purpose of promoting low-income family housing. The City maintains a foreclosable lien on the property of $130,000 plus 4% per annum to ensure the continued use of the property as low-income residential. The Authority also received a $321,505 Housing Assistance Program loan from the State Department of Community Development to aid the development of the property. This loan was re-loaned from the Authority to the partnership at the same terms, i.e. payable annually at $8,202.47 including interest at 1% per annum. See Note 2. The Partnership desired to restructure the ownership of its real property so that it can obtain property tax exemptions pursuant to the applicable provisions of the laws of the state of Washington. In this regard, the Partnership recorded the Quit Claim Deed from the Partnership to the Authority and simultaneously executed a lease from the Authority to the Partnership on December 11, 2002. All mortgage and loan holders consented to this agreement. Lease payments of $12 are to be paid to the Authority by the 15^{th} of January through 2099. See Note 7.

Deer Run Terrace 93 Tax Credit Project L.P. The partnership was formed on October 21, 1993. On October 1, 1995 the Whatcom County Housing Authority withdrew and Bank of America (formerly Seafirst Community Service Corporation) and Key Bank of Washington was admitted as limited partners. Both corporations contributed $819,596 and each received 49.5% interest. In June 2000, Key Bank assigned it rights in the partnership to Bank of America Northwest Community Service Corporation. The Authority remains as the general partner with an initial capital contribution of $99 and 1% ownership interest. As of December 31, 2007, the conclusion of the twelfth full fiscal year, the partnership recorded a net financial loss of $34,430. The Authority's share of the loss was $348 increasing our (the general partner) partners' equity account to a deficit balance of $7,738.

The Authority in exchange for a promissory note acquired Land for the project on November 29, 1993 for 30 years at 3% payable to the City of Bellingham. On August 12, 1994 the land and note payable to the City of Bellingham were assigned to the Deer Run Terrace 93 Tax Credit Project, L.P. Permanent project financing includes: April 20, 1995, $975,000 of low-income housing revenue bonds with an average rate of 9.14% and average life of 17.9 years were issued by the Authority with the proceeds and terms passing through to the partnership. The Partnership desired to restructure the ownership of its real property so that it can obtain property tax exemptions pursuant to the applicable provisions of the laws of the state of Washington. In this regard, the Partnership recorded the Quit Claim Deed from the Partnership to the Authority and simultaneously executed a lease from the Authority to the Partnership on December 11, 2002. All mortgage and loan holders consented to this agreement. Lease payments of $12 will be paid to the Authority by the 15^{th} of January commencing 2004 until 2099. See Note 7.

Orleans Place 93 Tax Credit Project L.P. The partnership was formed on October 21, 1993. On July 1, 1995 the Whatcom County Housing Authority withdrew and Bank of America (formerly Seafirst Community Service Corporation) and Key Bank of Washington was admitted as limited partners. Both partners contributed $562,753 and each received 49.5% interest. In June 2000, Key Bank assigned it rights in the partnership to Bank of America Northwest Community Service Corporation. The Authority remains as the general partner with an initial capital contribution of $99 and 1% ownership interest. As of December 31, 2007, the conclusion of the twelfth fiscal year, the partnership recorded a net financial loss $52,282. The Authority's recorded $528 as its share of the loss, increasing our (the general partner) partners' equity account to a deficit balance of $6,961.

Land for the project was acquired on January 7, 1994 by the Authority using funds loaned for 30 years at 3.75% by the City of Bellingham. On August 12, 1994 the land and note payable to the City of Bellingham were assigned to the Orleans Place 93 Tax Credit Project, L.P. Permanent project financing includes: April 20, 1995, $765,000 of low-income housing revenue bonds with an average rate of 9.22% and average life of 17.95 years were issued by the Authority with the proceeds and terms passing through to the partnership. This note was paid off in the current fiscal year. The limited partner acquired new debt of $808,723 which was used to pay off the revenue bonds and to pay down the developer fee owed to the Authority.

The Partnership desired to restructure the ownership of its real property so that it can obtain property tax exemptions pursuant to the applicable provisions of the laws of the state of Washington. In this regard, the Partnership recorded the Quit Claim Deed from the Partnership to the Authority and simultaneously executed a lease from the Authority to the Partnership on December 11, 2002. All mortgage and loan holders consented to this agreement. Lease payments of $12 are to be paid to the Authority by the 15th of January through 2099. See Note 7.

Willow Creek Associates 94 Tax Credit Project L.P. The partnership was formed on May 18, 1994. On August 14, 1996 Bank of America (formerly Seafirst Community Service Corporation) was admitted as the Limited Partner with 99% ownership in exchange for a $288,292 capital contribution. The Authority remains the General Partner with a $200 initial capital contribution and a 1% partnership ownership. As of December 31, 2007, the conclusion of the tenth fiscal year, the partnership recorded net financial income of $6,786 The Authority recorded $69 as its share of the income, increasing our (the general partner) partners' equity account balance to $129.

Acquisition of land by the partnership on October 31, 1994 was funded by the City of Bellingham in exchange for a promissory note from Willow Creek Associates. This loan bears a principal amount of $144,733.34, 1.00% interest and a 50-year term. Permanent financing consists of a $358,400, 1.00%, 50 year loan passed through the Authority from the Washington State Department of Community, Trade and Economic Development Housing Finance Unit; a $70,400 direct subsidy from the Federal Home Loan Bank of Seattle's Affordable Housing Program Subsidy Program; the remaining debt was financed with the "Affordable Housing Taxable Revenue Bond, 1997 (Willow Creek Project)", issued by the Authority for the purpose of making a loan to the Willow Creek Associates 94 Tax Credit Limited. The face value of the bond is $70,000; the terms are 8.019%, with interest and principal payments made in equal monthly installments over 30 years. This bond is held and payable to the registered owner, Bank of America. See Note 2. The Partnership desired to restructure the ownership of its real property so that it can obtain property tax exemptions pursuant to the applicable provisions of the laws of the state of Washington. In this regard, the Partnership recorded the Quit Claim Deed from the Partnership to the Authority and simultaneously executed a lease from the Authority to the Partnership on December 11, 2002. All mortgage and loan holders consented to this agreement. Lease payments of $12 are to be paid to the Authority by the 15th of January through 2099. See Note 7.

Prince Street Associates, L.P. The partnership was formed on April 26, 1996. On July 20th, 1998 Whatcom County Housing Authority withdrew and the Enterprise Housing Partners VII L.P and the Bank of America Housing Fund Limited Partnership were admitted as limited partners in exchange for capital contribution commitments of $1,407,843 and $140,939 for 90.9% and 9% interests respectively. The Authority remains the general partner with an $182,496 initial capital contribution and a .1% partnership ownership. As of December 31, 2007, the end of the ninth year of operations, the partnership recorded net financial income of $13,203 The Authority recorded $15 as its share of the income, increasing our (the general partner) partners' equity account balance to $182,147

The land was purchased from the Authority for $92,241. Permanent project financing includes a $525,000 Washington State HTF loan with terms of 1%, with interest and principal payments made in equal monthly installments over 50 years; a $200,000 Bank of America loan the terms are 7.90%, with interest and principal payments made in equal monthly installments over 30-year; and an $89,539 loan with terms of 3%, interest and principal payable in equal monthly installments from the City of Bellingham. The Partnership desired to restructure the ownership of its real property so that it can obtain property tax exemptions pursuant to the applicable provisions of the laws of the state of Washington. In this regard, the Partnership recorded the Quit Claim Deed from the Partnership to the Authority and simultaneously executed a lease from the Authority to the Partnership on December 11, 2002. All mortgage and loan holders consented to this agreement. Lease payments of $12 are to be paid to the Authority by the 15th of January through 2099. See Note 7.

Prince Court II, L.P. The partnership was formed on April 14, 1997. On September 30, 1999 Whatcom County Housing Authority withdrew and the Nations Housing Fund III Limited Partnership was admitted as limited partner with a 99.99 percent ownership interest in exchange for a capital contribution of $2,007,746. The Authority remains the general partner with a $100 initial capital contribution and a .01% partnership ownership. The Authority received a grant from Bank of America in the amount of $5,000, which was granted to the limited partnership and booked as a capital contribution from the Housing Authority. As of December 31, 2007, the end of the seventh year of operations, the project recorded a net financial loss of $50,392. The Authority's share of the loss was $5, decreasing our (the general partner) partners' equity account balance to $5,038.

Significant financial transactions to date include the execution of an "Right of First Refusal Agreement" dated April 11, 1997, by and between the Authority and Prince Court II, LP. In the agreement the Partnership grants to the Authority an irrevocable option to purchase the Project "at a price equal to the sum of (i) the principal amount of all outstanding indebtedness secured by the Project, all other loans from the General Partner or its Affiliates, and any accrued interest on any of such debts, and (ii) all federal, State, and local taxes attributable to such sale". A Ground Lease was entered into with the Authority in the Amount of $204,000 on September 1, 1999. The initial $204,000 was paid. This lease requires yearly payments of $120. See Note 7.

Permanent project financing also includes a $500,000 Washington State Community Trade and Economic Development loan with terms of 1%, with interest and principal payments made in equal annual installments over 50 years, $69,600 Federal Home Loan Grant, a $56,000 loan with Bank of America with terms of 7.99% with interest and principal payments made in equal monthly installments over 30 years, and a $30,929.70 City of Bellingham loan terms of 3% with interest and principal paid in equal annual payments. A construction loan with Bank of America in the amount of $1,403,838.29 was paid down to the term loan amount of $56,000 with the limited partner's second capital contribution March 2001.

Heather Commons II, L.P. The partnership was formed on March 31, 1999. On June 30, 2000 Whatcom County Housing Authority withdrew and the Bank of America Housing Fund III Limited Partnership was admitted as the limited partner with a 99.99 percent ownership interest in exchange for capital contributions of $909,880. The Authority remains general partner with a $100 initial capital contribution and a .01% partnership ownership. The partnership started operations January 1, 2001. As of December 31, 2007, the end of the seventh year of operations, the project recorded a net financial loss of $13,250. The Authority's share of the loss was $1, decreasing our (the general partner) partners' equity account balance to $87.

Significant financial transactions to date included the execution of a "Right of First Refusal Agreement" dated June 30, 2000, by and between the Authority and Heather Commons II, LP. In the agreement the Partnership grants to the Authority an irrevocable option to purchase the Project "at a price equal to the sum of (i) the principal amount of all outstanding indebtedness secured by the Project, all other loans from the General Partner or its Affiliates, and any accrued interest on any of such debts, and (ii) all federal, State, and local taxes attributable to such sale." A Ground Lease was entered into with the Authority in the amount of $119,294 on March 26, 1999. The initial $119,294 was paid. This lease requires yearly payments of $120. See Note 7. Permanent project financing also includes a $255,000 Washington State Community Trade and Economic Development loan with terms of 1% interest and principal payments made in equal annual payments, $41,986 Federal Home Loan Grant, and a $131,083.62 City of Bellingham loan with terms of 1% with interest and principal payments made in equal annual payments.

Oakland Associates, L.P. The partnership was formed on March 21, 2000. On September 24, 2001 Whatcom County Housing Authority withdrew and the Oregon Equity Fund IV Limited Partnership was admitted as the limited partner with a 99.9 percent ownership interest in exchange for capital contribution commitments of $1,572,051 ($53,692 has been received as of December 31, 2001. The Authority remains general partner with a $99,000 initial capital contribution (which was made possible with a grant from Federal Home Bank) and a .1% partnership ownership. As of December 31, 2007, the end of the seventh year of commercial operations, the project recorded a net financial loss of $52,430, the Authority's share of the loss was $52; decreasing our (the general partner) partners' equity account balance to $135,739.

Significant financial transactions to December 31, 2001 included the execution of a "Memorandum of Right of First Refusal" dated September 24, 2001, by and between the Authority and the Oakland Associates LP. In the memorandum the Partnership grants to the Authority right of first refusal to purchase the project. Other significant transactions were the purchase of real property for the rehabilitation and development of a historic building for a mixed-use project, i.e. commercial and dwelling rentals. This development has applied for and was awarded on October 19, 2000 a reservation of $146,849 in annual tax credits under the Low Income Housing Historic Preservation Tax Credit Program from the Housing Finance Commission. The purchase of the property was settled on November 17, 2000 with loan funds from the City of Bellingham Home Investment Partnerships Program, in the amount of $50,000, the City of Bellingham, for $150,000, and a financing lease dated November 17, 2000 between the Authority and Oakland Associates, L.P. in which the partnership agrees to pay rent to the Housing Authority in the amount equal to the principal and interest amounts for the City of Bellingham Home loan and the City of Bellingham CDBG loan. See Notes 7 and 8. In addition to these amounts the partnership will pay an annual rent payment of $12. Construction financing was made possible with a loan from Key Bank National Association in the amount of $1,736,357 which was paid off with the 2nd limited partner contribution and a permanent financing from Washington Community Reinvestment Association in the amount of $400,000, interest rate of 7.375% due December 1, 2032. Other permanent financing includes a loan for $423,518 from Washington State Community Trade and Economic Development loan, interest rate 1% due June 1, 2052.

Laurel Street Housing LLC A Limited Liability Company named Laurel Street Housing LLC was formed and registered with the State of Washington September 23, 2003. Laurel Street Housing LLC will develop a 51 unit low income tax credit project in the City of Bellingham.

Significant financing transactions as of January 3, 2006 include: On June 19, 2004 the Authority entered into a Purchase and Sale Agreement to purchase property known as 210 E. Laurel Street. On February 20, 2004 the Authority purchased this property for

$650,000 using funds from the Line of Credit. On December 28, 2004 the Authority closed on three loans for the purchase and construction of Laurel Street Housing. The Authority closed on a loan from Washington State Community, Trade and Economic Development (CTED) in the amount of $1,450,000 of which $230,385.72 was received December 22, 2004 terms are 40 years at 2% compounded quarterly payments in the amount of $13,408.49 begin on November 30, 2007. The final payment due on or before August 31, 2046. There is an assignment from the Authority to Laurel Street Housing LLC, a Community Development Block Grant (CDBG) loan from the City of Bellingham in the amount of $146,500 terms of 40 years interest rate of 5% compounded annually with interest only payments of $7,325 due each January commencing on January 31, 2008 (per loan amendment). The principal due January 31, 2047 and a HOME loan from the City of Bellingham in the amount of $303,500 terms 40 years at interest rate of 5% compounded annually interest only payments of $15,175 commencing on January 31, 2008 (per loan amendment). The principal and due January 31, 2047. A financing lease in which the Laurel Street agrees to pay rent to the Authority in the amount equal to the principal and interest amounts for the City of Bellingham Home loan and the City of Bellingham CDBG loan. In addition to these amounts the partnership will pay an annual rent payment of $12. On August 30, 2005 Laurel Street Housing, LLC entered into a construction loan with Wells Fargo Bank, N.A. the amount of the construction loan is $6,464,780 interest at a variable as put forth in the Promissory Note Schedule A. First draw on the loan was October 19th, 2005. . As of December 31, 2007, the end of the second year of commercial operations, the project recorded a net financial loss of $337,964 the Authority's share of the loss was $34; decreasing our (the general partner) partners' equity account balance to $43,707.

Meadow Wood Associates LLC A Limited Liability Company named Meadow Wood Associates LLC was formed and registered with the State of Washington January 8, 2004. Meadow Wood Associates LLC will develop an 80 unit low income tax credit project in the City of Bellingham. On December 17th, 2003 The Authority entered into a Purchase and Sale Agreement to purchase approximately 5 acres of land located to the South of Division, on the East side of Aldridge Road. Meadow Wood LLC and Meadow Wood 11 LLC. On April 12, 2004 the Authority purchased this property for $650,000 using funds from the Line of Credit. This property will be developed into projects. As of December 31, 2007, the end of the first year of commercial operations, the project recorded a net financial loss of $116,478; the Authority's share of the loss was $12.

Meadow Wood II Associates LLC A Limited Liability Company named Meadow Wood II Associates LLC was formed January 13, 2005. Meadow Wood Associates LLC will develop a 30 unit low income tax credit project in the City of Bellingham. See Meadow Wood Associates LLC for land purchase information.

Separate audited financial statements for these Low Income Housing Tax Credit projects can be obtained by calling the Bellingham Housing Authority.

NOTE 12 - Related Party Disclosure

Bellingham Housing Authority and Whatcom County Housing Authority (Authorities) have combined operations and share the board of commissioners. Overhead that cannot be directly charged is allocated to various funds within the Authorities based on equivalent units. The Local Fund of Bellingham Housing Authority owns the office building. Rent is then charged to all funds in both Authorities based on equivalent units. Rent paid by each fund for 2008 was:

Bellingham Housing Authority		Whatcom County Housing Authority	
Public Housing	$47,088	Public Housing	$5,988

The Authority has accounts receivable and accounts payable that are not distinguished separately on the financial statements due to the immateriality of the balances and the certainty of their payment.

The Authority also has related party lease agreements that are disclosed in Notes 7, and 8. The Bellingham Housing Authority made loans to Whatcom County Housing Authority. These amounts were then passed through to tax credit partnerships. Balances as of September 30, 2008 are listed below are:

Note receivable WCLF River House Investments	$124,950
Deferred developer fee Seabreeze	$ 87,567
Deferred developer fee River House	$100,140

Separate audited financial statements for Whatcom County Housing Authority can be obtained by calling the Bellingham Housing Authority.

NOTE 13 –PRIOR PERIOD ADJUSTMENTS AND EQUITY TRANSFER

The impact of the prior period adjustments and equity transfer would have minimally effected the financial statements.
Prior period adjustments:

Bellingham Local Fund	($12,889)	Cash received recorded as Developer Fee rather than Interest Income on the Developer Fee.
Pacific Rim	$20,374	Adjust interest expense to actual
Cascade Meadows	$36,144	Adjust interest expense to actual

Net effect of prior period adjustments $43,629.

An equity transfer of $395,000 was done in fiscal year 2008 to transfer equity from the newly established Asset Management Projects (AMPS) and Central Office Cost Center (COCC). The AMPS formerly our Low-Rent Public Housing fund account transferred $395,000 to the COCC. This equity transfer had no effect on the overall financial status of the Housing Authority.

The Housing Authority acquired Harborview after its fifteen year tax credit status ended. In order to establish the Balance Sheet account we credited the equity account with $304,597. This was difference between the assets and liabilities acquired.

NOTE 14 - RISK MANAGEMENT

The Authority is a member of the Housing Authority Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self insuring, and/or jointly contracting for risk management services. HARRP currently has a total of ninety-three members, of which thirty-seven are Washington entities.

New members originally contract for a three year term, and thereafter automatically renew on an annual basis. Members may quit (after completion of the three year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

General and Automobile Liability coverage's are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. (Due to special underwriting circumstances, some members may be subject to a greater E&O co-payment.) The Property coverage offered by HARRP is on a replacement cost basis with deductibles ranging from $1,000 to $25,000. Fidelity coverage, with limits of $100,000 (with options up to $500,000) for employee dishonesty and forgery or alteration and $10,000 for theft are also provided with deductibles the same as for Property.

Coverage limits for General Liability, Errors & Omissions and Property are $3,000,000 per occurrence and $3,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are $2,000,000/$2,000,000. HARRP self insures $300,000 per claim, purchases reinsurance for the remaining casualty limits and for $1,700,000 of the Property limits. The remaining property limits are purchases from Saint Paul Travelers Insurance Company. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion.

HARRP provides loss control services, claim investigation and adjusting, litigation management and defense with in-house staff and retained third party contractors.

HARRP is fully funded by member assessments that are adjusted annually by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment, reinsurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments."

There has not been an insurance settlement in the last three years that exceeded the amount of coverage for the Authority.

CITY OF BELLINGHAM HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING SEPTEMBER 30, 2008

GRANTOR AGENCY	FEDERAL PROGRAM NAME	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	EXPENDITURES FROM PASS-THROUGH AWARDS	FROM DIRECT AWARDS	TOTAL	FOOTNOTE REF.
U.S. DEPT. OF HOUSING AND URBAN DEVELOPMENT (HUD)	PUBLIC & INDIAN HOUSING - OPERATING SUBSIDY	14.850	SF-261		876,596	876,596	
HUD	PUBLIC HOUSING CAPITAL FUND PROGRAM	14.872	WA19P025501-04		17,687		
	PUBLIC HOUSING CAPITAL FUND PROGRAM	14.872	WA19P025501-05		54,757		
	PUBLIC HOUSING CAPITAL FUND PROGRAM	14.872	WA19P025501-06		75,453		
	PUBLIC HOUSING CAPITAL FUND PROGRAM	14.872	WA19P025501-07		280,963	428,860	
HUD	SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES	14.181	86-0320-0-3-371		393,768	393,768	
HUD	SECTION 8 HOUSING CHOICE VOUCHER PROGRAM	14.871	S-0108V		10,819,158	10,819,158	
HUD	SHELTER PLUS CARE PROGRAM	14.238	WA19C95-0016		779,483	779,483	
STATE OF WASHINGTON DEPT OF COMMUNITY, TRADWE AND ECONOMIC DEVELOPMENT PASS-THROUGH FROM HUD	HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	14.241	F-42897-003	54,370		54,370	
	TOTAL FEDERAL AWARDS EXPENDED			54,370	$ 13,297,865	13,352,235	

The accompanying notes are an integral part of this statement

Bellingham Housing Authority
Notes to Schedule of Expenditures of Federal Awards
For the Year Ending September 30, 2008

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Award (SEFA) provides a list of all federal assistance programs in which the Authority participate and summarizes the grant transactions of Authority for the year ending September 30, 2008. The SEFA is presented using the same basis of accounting as the financial statements. The Housing Authority uses the accrual basis of accounting as prescribed by generally accepted accounting procedures.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the Bellingham Housing Authority's portion, may be more than shown.

NOTE 3 - EXPENDITURES

The Schedule of Expenditures of Federal Awards shows expenditures paid and accrued as of fiscal year end. This total will not equal the amount requested during the fiscal year on the Line of Credit Control System Payment Vouchers, due to accruals.

Line Item No.	Description	WA025000001	WA025000015	WA025456710	Total Projects	1 Business Activities	6 Component Units	14.181 Supportive Housing for Persons with Disabilities
111	Cash-unrestricted	$1,051,179	$168,112	$51,790	$ 1,271,081	$602,781	$1,065,166	
113	Cash-other restricted	$1,737		$879	$ 2,616			
114	Cash-tenant security deposits	$83,311	$40,150	$8,527	$ 131,988	$93,207	$41,624	
115	Cash - Restricted for payment of current liability				$ -	$1,498,918		
100	**Total Cash**	**$ 1,136,227**	**$ 208,262**	**$ 61,196**	**$ 1,405,685**	**$ 2,194,906**	**$ 1,106,790**	**$ -**
122-020	Accounts receivable - HUD other projects - Capital fund	$7,798	$6,487	$240	$ 14,525			
122	**Accounts receivable - HUD other projects**	**$ 7,798**	**$ 6,487**	**$ 240**	**$ 14,525**			
124	Account receivable - other government				$ -			
125-040	Account receivable - miscellaneous - Tax Credit				$ -	$190,523		
125-050	Account receivable - miscellaneous - Other	$1,363	$210		$ 1,573			
125	**Account receivable - miscellaneous**	**$ 1,363**	**$ 210**	**$ -**	**$ 1,573**	**$ 190,523**		
126	Accounts receivable - tenants	$1,173	$3,067	$2,214	$ 6,454	$111,471	$91,283	
126.1	Allowance for doubtful accounts - tenants	-$1,029	-$2,624	-$320	$ (3,973)	-$68,649		
127	Notes, Loans, & Mortgages Receivable - Current				$ -	$106,463		
129	Accrued interest receivable				$ -	$590,856		
120	**Total receivables, net of allowance for doubtful accounts**	**$ 9,305**	**$ 7,140**	**$ 2,134**	**$ 18,579**	**$ 930,664**	**$ 91,283**	**$ -**
132	Investments - restricted				$ -	$2,081,031	$539,348	
142	Prepaid expenses and other assets	$732	$225	$33	$ 990	$23,944	$39,584	
143	Inventories				$ -			
144	Inter program - due from				$ -			
150	**Total Current Assets**	**$ 1,146,264**	**$ 215,627**	**$ 63,363**	**$ 1,425,254**	**$ 5,230,545**	**$ 1,777,005**	**$ -**
161	Land	$761,192	$1,616,449	$360,731	$ 2,738,372	$4,013,039	$3,240,524	
162	Buildings	$14,688,490	$6,336,561	$1,402,060	$ 22,427,111	$21,525,133	$30,190,800	
163	Furniture, equipment and machinery - dwellings	$89,402			$ 89,402	$107,565		
164	Furniture, equipment and machinery - administration	$160,627	$365,192	$34,137	$ 559,956	$231,358		
165	Leasehold improvements	$176,903	$126,958	$11,010	$ 314,871			
166	Accumulated depreciation	-$8,263,217	-$4,790,323	-$662,265	$ (13,715,805)	-$7,175,681	-$4,560,048	
160	**Total capital assets, net of accumulated depreciation**	**$ 7,613,397**	**$ 3,654,837**	**$ 1,145,673**	**$ 12,413,907**	**$ 18,701,414**	**$ 28,871,276**	**$ -**
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit				$ -	$14,626,080		
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership				$ -	$256,274		
171	**Notes, Loans, & mortgages receivable – Non-current**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 14,882,354**	**$314,010**	
174-050	Other assets - Other				$ -	$351,184		
174	**Other assets**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 351,184**		
180	**Total Non-current Assets**	**$ 7,613,397**	**$ 3,654,837**	**$ 1,145,673**	**$ 12,413,907**	**$ 33,934,952**	**$ 29,185,286**	**$ -**
190	**Total Assets**	**$ 8,759,661**	**$ 3,870,464**	**$ 1,209,036**	**$ 13,839,161**	**$ 39,165,497**	**$ 30,962,291**	**$ -**
312	Accounts payable <= 90 days	$301	$1,026	$2,240	$ 3,567	$76,266	$1,630,641	$268
321	Accrued wage/payroll taxes payable	$105,924	$9,787	$1,628	$ 117,339	$55,011		$2,773
322	Accrued compensated absences - current portion	$3,021	$4,488	$998	$ 8,507	$44		$655
324	Accrued contingency liability	$27,037		$879	$ 27,916			$1,849
325	Accrued interest payable				$ -	$464,932		

341	Tenant security deposits	$81,366	$36,575	$7,875	$ 125,816	$94,184	$37,310	
342-030	Deferred revenue - Other	$11,761	$3,733	$615	$ 16,109			
342	**Deferred revenue**	**$ 11,761**	**$ 3,733**	**$ 615**	**$ 16,109**	$16,294	$12,350	
344	Current portion of long-term debt - operating borrowings				$ -	$716,432	$139,608	
345	Other current liabilities				$ -	$346,734		
346	Accrued liabilities - other				$ -	$23,274	$472,668	
347	Inter program - due to	$124,193	$40,573	$11,338	$ 176,104	$53,521		$2,099
348-050	Loan liability - current - Other				$ -	$968,022		
348	**Loan liability - current**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 968,022**		
310	**Total Current Liabilities**	**$ 353,603**	**$ 96,182**	**$ 25,573**	**$ 475,358**	**$ 2,814,714**	**$ 2,292,577**	**$ 7,644**
351	**Capital Projects/ Mortgage Revenue Bonds**	**$ -**	**$ -**	**$ -**	**$ -**	**$22,957,810**	**$14,259,812**	
354	Accrued compensated absences- Non-current	$16,753	$4,568	$751	$ 22,072	$70,947		$927
355-050	Loan liability - Non-current - Other				$ -	$12,133,264		
355	**Loan liability – Non-current**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 12,133,264**		
350	**Total Non-Current Liabilities**	**$ 16,753**	**$ 4,568**	**$ 751**	**$ 22,072**	**$ 35,162,021**	**$ 14,259,812**	**$ 927**
300	**Total Liabilities**	**$ 370,356**	**$ 100,750**	**$ 26,324**	**$ 497,430**	**$ 37,976,735**	**$ 16,552,389**	**$ 8,571**
508.1	Invested in capital assets, net of related debt	$7,613,398	$3,654,837	$1,145,673	$ 12,413,908	**-$4,972,829**	**$14,471,856**	
511.1	Restricted Net Assets				$ -			**-$8,571**
512.1	Unrestricted Net Assets	$775,908	$114,877	$37,039	$ 927,824	**$6,161,590**	**-$61,954**	
513	**Total Equity/Net Assets**	**$ 8,389,306**	**$ 3,769,714**	**$ 1,182,712**	**$ 13,341,732**	**$ 1,188,761**	**$ 14,409,902**	**$ (8,571)**
600	**Total Liabilities and Equity/Net assets**	**$ 8,759,662**	**$ 3,870,464**	**$ 1,209,036**	**$ 13,839,162**	**$ 39,165,496**	**$ 30,962,291**	**$ -**

Balance Sheet

Line Item No.	Description	14.238 Shelter Plus Care	14.241 Housing Opportunities for Persons with AIDS	14.871 Housing Choice Vouchers	Total Programs	Central Office Cost Center	Subtotal	Elimination	Total
111	Cash-unrestricted	$554		$12,459	$ 1,680,960	$ 333,182	$ 3,285,223		$ 3,285,223
113	Cash-other restricted			$41,734	$ 41,734	$ -	$ 44,350		$ 44,350
114	Cash-tenant security deposits				$ 134,831	$ -	$ 266,819		$ 266,819
115	Cash - Restricted for payment of current liability				$ 1,498,918	$ -	$ 1,498,918		$ 1,498,918
100	**Total Cash**	**$ 554**	**$ -**	**$ 54,193**	**$ 3,356,443**	**$ 333,182**	**$ 5,095,310**	**$ -**	**$ 5,095,310**
122-020	Accounts receivable - HUD other projects - Capital fund				$ -	$ -	$ 14,525		$ 14,525
122	**Accounts receivable - HUD other projects**				**$ -**	**$ -**	**$ 14,525**		**$ 14,525**
124	Account receivable - other government	$13,308		$51,708	$ 65,016	$ -	$ 65,016		$ 65,016
125-040	Account receivable - miscellaneous - Tax Credit				$ 190,523	$ -	$ 190,523		$ 190,523
125-050	Account receivable - miscellaneous - Other				$ -	$ -	$ 1,573		$ 1,573
125	**Account receivable - miscellaneous**				**$ 190,523**	**$ 299,837**	**$ 491,933**		**$ 491,933**
126	Accounts receivable - tenants				$ 202,754	$ -	$ 209,208		$ 209,208
126.1	Allowance for doubtful accounts - tenants				$ (68,649)	$ -	$ (72,622)		$ (72,622)
127	Notes, Loans, & Mortgages Receivable - Current				$ 106,463	$ -	$ 106,463		$ 106,463
129	Accrued interest receivable				$ 590,856	$ -	$ 590,856		$ 590,856
120	**Total receivables, net of allowance for doubtful accounts**	**$ 13,308**	**$ -**	**$ 51,708**	**$ 1,086,963**	**$ 299,837**	**$ 1,405,379**	**$ -**	**$ 1,405,379**
132	Investments - restricted			$1,232,277	$ 3,852,656	$ -	$ 3,852,656		$ 3,852,656
142	Prepaid expenses and other assets			$324	$ 63,852	$ 2,064	$ 66,906		$ 66,906
143	Inventories				$ -	$ 59,266	$ 59,266		$ 59,266
144	Inter program - due from				$ -	$ 277,019	$ 277,019		$ 277,019
150	**Total Current Assets**	**$ 13,862**	**$ -**	**$ 1,338,502**	**$ 8,359,914**	**$ 971,368**	**$ 10,756,536**	**$ -**	**$ 10,756,536**
161	Land				$ 7,253,563	$ -	$ 9,991,935		$ 9,991,935
162	Buildings				$ 51,715,933	$ -	$ 74,143,044		$ 74,143,044
163	Furniture, equipment and machinery - dwellings				$ 107,565	$ -	$ 196,967		$ 196,967
164	Furniture, equipment and machinery - administration			$34,523	$ 265,881	$ 253,353	$ 1,079,190		$ 1,079,190
165	Leasehold improvements				$ -	$ -	$ 314,871		$ 314,871
166	Accumulated depreciation			-$26,698	$ (11,762,427)	$ (231,250)	$ (25,709,482)		$ (25,709,482)
160	**Total capital assets, net of accumulated depreciation**	**$ -**	**$ -**	**$ 7,825**	**$ 47,580,515**	**$ 22,103**	**$ 60,016,525**	**$ -**	**$ 60,016,525**
171-010	Notes, Loans, & mortgages receivable - Non-current - Not For Profit				$ 14,626,080	$ -	$ 14,626,080		$ 14,626,080
171-020	Notes, Loans, & mortgages receivable - Non-current - Partnership				$ 256,274	$ -	$ 256,274		$ 256,274
171	**Notes, Loans, & mortgages receivable – Non-current**				**$ 15,196,364**	**$ -**	**$ 15,196,364**		**$ 15,196,364**
174-050	Other assets - Other				$ 351,184	$ -	$ 351,184		$ 351,184
174	**Other assets**				**$ 351,184**	**$ -**	**$ 351,184**		**$ 351,184**
180	**Total Non-current Assets**	**$ -**	**$ -**	**$ 7,825**	**$ 63,128,063**	**$ 22,103**	**$ 75,564,073**	**$ -**	**$ 75,564,073**
190	**Total Assets**	**$ 13,862**	**$ -**	**$ 1,346,327**	**$ 71,487,977**	**$ 993,471**	**$ 86,320,609**	**$ -**	**$ 86,320,609**
312	Accounts payable <= 90 days	$9		$5,789	$ 1,712,973	$ 139,985	$ 1,856,525		$ 1,856,525
321	Accrued wage/payroll taxes payable	$13,566		$59,818	$ 131,168	$ 182,778	$ 431,285		$ 431,285
322	Accrued compensated absences - current portion			$14,140	$ 14,839	$ 7,189	$ 30,535		$ 30,535
324	Accrued contingency liability			$39,885	$ 41,734	$ -	$ 69,650		$ 69,650
325	Accrued interest payable				$ 464,932	$ -	$ 464,932		$ 464,932

341	Tenant security deposits				$ 131,494	$ -	$ 257,310		$ 257,310
342-030	Deferred revenue - Other				$ -	$ -	$ 16,109		$ 16,109
342	**Deferred revenue**				**$ 28,644**	**$ -**	**$ 44,753**		**$ 44,753**
344	Current portion of long-term debt - operating borrowings				$ 856,040	$ -	$ 856,040		$ 856,040
345	Other current liabilities				$ 346,734	$ -	$ 346,734		$ 346,734
346	Accrued liabilities - other				$ 495,942	$ -	$ 495,942		$ 495,942
347	Inter program - due to			$45,295	$ 100,915	$ -	$ 277,019		$ 277,019
348-050	Loan liability - current - Other				$ 968,022	$ -	$ 968,022		$ 968,022
348	**Loan liability - current**				**$ 968,022**	**$ -**	**$ 968,022**		**$ 968,022**
310	**Total Current Liabilities**	**$ 13,575**	**$ -**	**$ 164,927**	**$ 5,293,437**	**$ 329,952**	**$ 6,098,747**	**$ -**	**$ 6,098,747**
351	**Capital Projects/ Mortgage Revenue Bonds**				**$ 37,217,622**	**$ -**	**$ 37,217,622**		**$ 37,217,622**
354	Accrued compensated absences- Non-current			$13,180	$ 85,054	$ 93,792	$ 200,918		$ 200,918
355-050	Loan liability - Non-current - Other				$ 12,133,264	$ -	$ 12,133,264		$ 12,133,264
355	**Loan liability – Non-current**				**$ 12,133,264**	**$ -**	**$ 12,133,264**		**$ 12,133,264**
350	**Total Non-Current Liabilities**	**$ -**	**$ -**	**$ 13,180**	**$ 49,435,940**	**$ 93,792**	**$ 49,551,804**	**$ -**	**$ 49,551,804**
300	**Total Liabilities**	**$ 13,575**	**$ -**	**$ 178,107**	**$ 54,729,377**	**$ 423,744**	**$ 55,650,551**	**$ -**	**$ 55,650,551**
508.1	Invested in capital assets, net of related debt			**$7,825**	$ 9,506,852	$ 22,102	$ 21,942,862		$ 21,942,862
511.1	Restricted Net Assets			**$1,147,936**	$ 1,139,365	$ -	$ 1,139,365		$ 1,139,365
512.1	Unrestricted Net Assets	**$287**		**$12,459**	$ 6,112,382	$ 547,624	$ 7,587,830		$ 7,587,830
513	**Total Equity/Net Assets**	**$ 287**	**$ -**	**$ 1,168,220**	**$ 16,758,599**	**$ 569,726**	**$ 30,670,057**	**$ -**	**$ 30,670,057**
600	**Total Liabilities and Equity/Net assets**	**$ 13,862**	**$ -**	**$ 1,346,327**	**$ 71,487,976**	**$ 993,470**	**$ 86,320,608**	**$ -**	**$ 86,320,608**

Line Item No.	Description	WA025000001	Operating Fund Program	Capital Fund Program	WA02500015	Operating Fund Program	Capital Fund Program	WA0254567 10	Operating Fund Program	Capital Fund Program	Total Projects
70300	Net tenant rental revenue	$ 1,048,338	$1,048,338		$ 268,779	$268,779		$ 65,475	$65,475		$ 1,382,592
70400	Tenant revenue - other	$ -			$ 853	$853		$ 701	$701		$ 1,554
70500	**Total Tenant Revenue**	**$ 1,048,338**	**$ 1,048,338**	**$ -**	**$ 269,632**	**$ 269,632**	**$ -**	**$ 66,176**	**$ 66,176**	**$ -**	**$ 1,384,146**
70600-010	Housing assistance payments	$ -			$ -			$ -			$ -
70600-020	Ongoing administrative fees earned	$ -			$ -			$ -			$ -
70600	**HUD PHA operating grants**	**$ 925,744**	**$657,447**	**$268,297**	**$ 254,195**	**$178,418**	**$75,777**	**$ 70,780**	**$40,731**	**$30,049**	**$ 1,250,719**
70610	Capital grants	$ 20,216		$20,216	$ 28,781		$28,781	$ 5,750		$5,750	$ 54,747
70710	Management Fee	$ -			$ -			$ -			$ -
70720	Asset Management Fee	$ -			$ -			$ -			$ -
70730	Book-Keeping Fee	$ -			$ -			$ -			$ -
70740	Front Line Service Fee	$ -			$ -			$ -			$ -
70700	**Total Fee Revenue**	**$ -**			**$ -**			**$ -**			**$ -**
70800	Other government grants	$ -			$ -			$ -			$ -
71100-010	Housing Assistance Payment	$ -			$ -			$ -			$ -
71100	**Investment income - unrestricted**	**$ 22,612**	**$22,612**		**$ 5,793**	**$5,793**		**$ 1,465**	**$1,465**		**$ 29,870**
71400-010	Housing Assistance Payment	$ -			$ -			$ -			$ -
71400	**Fraud recovery**	**$ -**			**$ -**			**$ -**			**$ -**
71500	Other revenue	$ 264,435	$264,435		$ 22,448	$22,448		$ 7,809	$7,809		$ 294,692
72000-010	Housing Assistance Payment	$ -			$ -			$ -			$ -
72000	**Investment income - restricted**	**$ -**			**$ -**			**$ -**			**$ -**
70000	**Total Revenue**	**$ 2,281,345**	**$ 1,992,832**	**$ 288,513**	**$ 580,849**	**$ 476,291**	**$ 104,558**	**$ 151,980**	**$ 116,181**	**$ 35,799**	**$ 3,014,174**
91100	Administrative salaries	$ 143,993	$143,993		$ 43,282	$43,282		$ 9,284	$9,284		$ 196,559
91200	Auditing fees	$ 4,984	$4,984		$ 1,498	$1,498		$ 323	$323		$ 6,805
91300	Management Fee	$ 192,941	$192,941		$ 52,275	$52,275		$ 11,609	$11,609		$ 256,825
91310	Book-Keeping Fee	$ 35,512	$35,512		$ 9,621	$9,621		$ 2,137	$2,137		$ 47,270
91400	Advertising and Marketing	$ 2,806	$2,806		$ 749	$749		$ 187	$187		$ 3,742
91500	Employee benefit contributions - administrative	$ 116,436	$116,436		$ 30,719	$30,719		$ 5,553	$5,553		$ 152,708
91600	Office Expenses	$ 179,654	$39,521	$140,133	$ 41,140	$11,232	$29,908	$ 9,787	$2,313	$7,474	$ 230,581
91700	Legal Expense	$ 6,718	$6,718		$ 4,416	$4,416		$ 189	$189		$ 11,323
91800	Travel	$ 3,219	$3,219		$ 1,862	$1,862		$ 91	$91		$ 5,172
91810	Allocated Overhead	$ -			$ -			$ -			$ -
91900	Other	$ 12,100	$12,100		$ 3,343	$3,343		$ 426	$426		$ 15,869
91000	**Total Operating-Administrative**	**$ 698,363**	**$ 558,230**	**$ 140,133**	**$ 188,905**	**$ 158,997**	**$ 29,908**	**$ 39,586**	**$ 32,112**	**$ 7,474**	**$ 926,854**
92000	Asset Management Fee	$ 47,520	$47,520		$ 12,960	$12,960		$ 2,880	$2,880		$ 63,360
92100	Tenant services - salaries	$ 19,867	$19,867		$ (1,926)	-$1,926		$ -			$ 17,941
92400	Tenant services - other	$ 112,667	$112,667		$ 3,975	$3,975		$ 209	$209		$ 116,851
92500	**Total Tenant Services**	**$ 132,534**	**$ 132,534**	**$ -**	**$ 2,049**	**$ 2,049**	**$ -**	**$ 209**	**$ 209**	**$ -**	**$ 134,792**

93100	Water	$ 54,649	$54,649		$ 54,462	$54,462		$ 490	$490		$ 109,601
93200	Electricity	$ 151,880	$151,880		$ 6,793	$6,793		$ 347	$347		$ 159,020
93300	Gas	$ 180,780	$180,780		$ 226	$226		$ -			$ 181,006
93800	Other utilities expense	$ -			$ -			$ -			$ -
93000	**Total Utilities**	**$ 387,309**	**$ 387,309**	**$ -**	**$ 61,481**	**$ 61,481**	**$ -**	**$ 837**	**$ 837**	**$ -**	**$ 449,627**
94100	Ordinary maintenance and operations - labor	$ 388,907	$388,907		$ 135,548	$135,548		$ 52,890	$52,890		$ 577,345
94200	Ordinary maintenance and operations - materials and other	$ 128,170	$86,099	$42,071	$ 34,904	$17,441	$17,463	$ 23,354	$8,063	$15,291	$ 186,428
94300-010	Ordinary Maintenance and Operations Contracts - Garbage and Trash Removal Contracts	$ 28,539	$28,539		$ 36,135	$36,135		$ 240	$240		$ 64,914
94300-020	Ordinary Maintenance and Operations Contracts - Heating & Cooling Contracts	$ 5,341	$5,341		$ 641	$641		$ 8	$8		$ 5,990
94300-040	Ordinary Maintenance and Operations Contracts - Elevator Maintenance Contracts	$ 30,681	$30,681		$ -			$ -			$ 30,681
94300-050	Ordinary Maintenance and Operations Contracts - Landscape & Grounds Contracts	$ 4,047	$4,047		$ 2,413	$2,413		$ 1,530	$1,530		$ 7,990
94300-060	Ordinary Maintenance and Operations Contracts - Unit Turnaround Contracts	$ 30,277	$30,277		$ 22,186	$22,186		$ 8,715	$8,715		$ 61,178
94300-070	Ordinary Maintenance and Operations Contracts - Electrical Contracts	$ 5,292	$5,292		$ 1,180	$1,180		$ -			$ 6,472
94300-080	Ordinary Maintenance and Operations Contracts - Plumbing Contracts	$ 5,407	$5,407		$ 1,199	$1,199		$ 4,497	$4,497		$ 11,103
94300-090	Ordinary Maintenance and Operations Contracts - Extermination Contracts	$ 2,400	$2,400		$ -			$ -			$ 2,400
94300-100	Ordinary Maintenance and Operations Contracts - Janitorial Contracts	$ 27,848	$27,848		$ 5,689	$5,689		$ 920	$920		$ 34,457
94300-110	Ordinary Maintenance and Operations Contracts - Routine Maintenance Contracts	$ 10,063	$9,677	$386	$ 3,503	$3,503		$ 2,178	$2,178		$ 15,744
94300-120	Ordinary Maintenance and Operations Contracts - Misc Contracts	$ 36,186	$36,186		$ 2,179	$2,179		$ 332	$332		$ 38,697
94300	**Ordinary Maintenance and Operations Contracts**	**$ 186,081**	**$ 185,695**	**$ 386**	**$ 75,125**	**$ 75,125**	**$ -**	**$ 18,420**	**$ 18,420**	**$ -**	**$ 279,626**
94000	**Total Maintenance**	**$ 703,158**	**$ 660,701**	**$ 42,457**	**$ 245,577**	**$ 228,114**	**$ 17,463**	**$ 94,664**	**$ 79,373**	**$ 15,291**	**$ 1,043,399**
95200	Protective services - other contract costs	$ 7,788	$7,788		$ 803	$803		$ 18	$18		$ 8,609
95000	**Total Protective Services**	**$ 7,788**	**$ 7,788**	**$ -**	**$ 803**	**$ 803**	**$ -**	**$ 18**	**$ 18**	**$ -**	**$ 8,609**
96110	Property Insurance	$ -			$ -			$ -			$ -
96120	Liability Insurance	$ 34,723	$34,723		$ 13,889	$13,889		$ 3,338	$3,338		$ 51,950
96130	Workmen's Compensation	$ 5,328	$5,328		$ 2,315	$2,315		$ 265	$265		$ 7,908
96100	**Total Insurance Premiums**	**$ 40,051**	**$ 40,051**	**$ -**	**$ 16,204**	**$ 16,204**	**$ -**	**$ 3,603**	**$ 3,603**	**$ -**	**$ 59,858**
96200	Other general expenses	$ 23	$23		$ -			$ -			$ 23
96210	Compensated absences	$ 8,161	$8,161		$ 1,913	$1,913		$ 217	$217		$ 10,291
96300	Payments in lieu of taxes	$ -			$ -			$ -			$ -
96400	Bad debt - tenant rents	$ 6,635	$6,635		$ 6,941	$6,941		$ -			$ 13,576
96000	**Total Other General Expenses**	**$ 14,819**	**$ 14,819**	**$ -**	**$ 8,854**	**$ 8,854**	**$ -**	**$ 217**	**$ 217**	**$ -**	**$ 23,890**
96710	Interest of Mortgage (or Bonds) Payable	$ -			$ -			$ -			$ -
96700	**Total Interest Expense and Amortization Cost**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
96900	**Total Operating Expenses**	**$ 2,031,542**	**$ 1,848,952**	**$ 182,590**	**$ 536,833**	**$ 489,462**	**$ 47,371**	**$ 142,014**	**$ 119,249**	**$ 22,765**	**$ 2,710,389**
97000	**Excess Revenue Over Operating Expenses**	**$ 249,803**	**$ 143,880**	**$ 105,923**	**$ 44,016**	**$ (13,171)**	**$ 57,187**	**$ 9,966**	**$ (3,068)**	**$ 13,034**	**$ 303,785**
97200	Casualty losses- Non-capitalized	$ -			$ 1,000	$1,000		$ -			$ 1,000
97300-010	Mainstream 1 & 5 year	$ -			$ -			$ -			$ -
97300	**Housing assistance payments**	**$ -**			**$ -**			**$ -**			**$ -**
97400	Depreciation expense	$ 380,359	$362,649	$17,710	$ 171,058	$158,971	$12,087	$ 37,132	$31,874	$5,258	$ 588,549
97500	Fraud losses	$ -			$ -			$ -			$ -
90000	**Total Expenses**	**$ 2,411,901**	**$ 2,211,601**	**$ 200,300**	**$ 708,891**	**$ 649,433**	**$ 59,458**	**$ 179,146**	**$ 151,123**	**$ 28,023**	**$ 3,299,938**
10010	Operating transfer in	$ 85,706	$85,706		$ 28,407	$28,407		$ 7,284	$7,284		$ 121,397
10020	Operating transfer out	$ (85,706)		-$85,706	$ (28,407)		-$28,407	$ (7,284)		-$7,284	$ (121,397)
10100	**Total other financing sources (uses)**	**$ -**	**$ 85,706**	**$ (85,706)**	**$ -**	**$ 28,407**	**$ (28,407)**	**$ -**	**$ 7,284**	**$ (7,284)**	**$ -**

10000	**Excess (Deficiency) of Revenue Over (Under) Expenses**	**$ (130,556)**	**$ (133,063)**	**$ 2,507**	**$ (128,042)**	**$ (144,735)**	**$ 16,693**	**$ (27,166)**	**$ (27,658)**	**$ 492**	**$ (285,764)**
11030	Beginning equity	$ 8,934,507	$8,477,585	$456,922	$ 3,851,738	$3,402,721	$449,017	$ 1,229,628	$1,190,232	$39,396	$ 14,015,873
11040-010	Prior period adjustments and correction of errors - Editable	$ 139,856	$139,856		$ 125,017	$125,017		$ -			$ 264,873
11040-070	Equity Transfers	$ (554,500)	-$296,250	-$258,250	$ (79,000)	-$79,000		$ (19,750)	-$19,750		$ (653,250)
11040	**Prior period adjustments, equity transfers, and correction of errors**	**$ (414,644)**	**$ (156,394)**	**$ (258,250)**	**$ 46,017**	**$ 46,017**	**$ -**	**$ (19,750)**	**$ (19,750)**	**$ -**	**$ (388,377)**
11170-010	Administrative Fee Revenue	$ -			$ -			$ -			$ -
11170-060	Total Admin Fee Revenues	$ -			$ -			$ -			$ -
11170-080	Total Operating Expenses	$ -			$ -			$ -			$ -
11170-090	Depreciation	$ -			$ -			$ -			$ -
11170-110	Total Expenses	$ -			$ -			$ -			$ -
11170-002	Net Administrative Fee	$ -			$ -			$ -			$ -
11170-003	Administrative Fee Equity- Ending Balance	$ -			$ -			$ -			$ -
11170	**Administrative Fee Equity**	**$ -**			**$ -**			**$ -**			**$ -**
11180-001	Housing Assistance Payments Equity - Begining Balance	$ -			$ -			$ -			$ -
11180-010	Housing Assistance Payment Revenues	$ -			$ -			$ -			$ -
11180-015	Fraud Recovery Revenue	$ -			$ -			$ -			$ -
11180-025	Investment Income	$ -			$ -			$ -			$ -
11180-030	Total HAP Revenues	$ -			$ -			$ -			$ -
11180-080	Housing Assistance Payments	$ -			$ -			$ -			$ -
11180-100	Total Housing Assistance Payments Expenses	$ -			$ -			$ -			$ -
11180-002	Net Housing Assistance Payments	$ -			$ -			$ -			$ -
11180-003	Housing Assistance Payments Equity-Ending Balance	$ -			$ -			$ -			$ -
11180	**Housing Assistance Payments Equity**	**$ -**			**$ -**			**$ -**			**$ -**
11190	**Unit Months Available**	**4752**	**4752**		**2124**	**2124**		**288**	**288**		**7164**
11210	**Unit Months Leased**	**4562**	**4562**		**2039**	**2039**		**276**	**276**		**6877**
11270	**Excess Cash**	**$ 790,192**	**$ 790,192**		**$ 119,220**	**$ 119,220**		**$ 36,878**	**$ 36,878**		**$ 946,290**
11640	Furniture & Equipment-Administrative Purchases	$ -			$ 25,839		$25,839	$ 5,750		$5,750	$ 31,589
11650	Leasehold Improvements Purchases	$ 20,216		$20,216	$ 2,942		$2,942	$ -			$ 23,158

Actual Comprehensive Grant Cost Certificate
Comprehensive Grant Program (CGP)

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0157 (Exp. 11/30/2008)

PHA/IHA Name
Housing Authority of the City of Bellingham

Comprehensive Grant Number
WA19F02550104

FFY of Grant Approval
2004

The PHA/IHA hereby certifies to the Department of Housing and Urban Development as follows:

1. That the total amount of Modernization Cost (herein called the "Actual Modernization Cost") of the Comprehensive Grant, is as shown below:

A.	Original Funds Approved	$ 633,695
B.	Revised Funds Approved	$ 633,695
C.	Funds Advanced	$ 633,695
D.	Funds Expended (Actual Modernization Cost)	$ 633,695
E.	Amount to be Recaptured (A–D)	$ 0
F.	Excess of Funds Advanced (C–D)	$ 0

2. That all modernization work in connection with the Comprehensive Grant has been completed;
3. That the entire Actual Modernization Cost or liabilities therefor incurred by the PHA have been fully paid;
4. That there are no undischarged mechanics', laborers', contractors', or material-mens' liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work; and
5. That the time in which such liens could be filed has expired.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Signature | Date 6/30/08

For HUD Use Only

The Cost Certificate is approved for audit.

Approved for Audit (Director, Public Housing Division) | Date 7/9/08

The audited costs agree with the costs shown above.

Verified (Director, Public Housing Division) | Date

Approved (Field Office Manager) | Date

form HUD-53001 (2/92)
ref Handbook 7485.3

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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