



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

March 7, 2019

Board of Commissioners
Housing Authority of the City of Bellingham
Bellingham, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Housing Authority of the City of Bellingham's financial statements and compliance with federal grant requirements for the fiscal year ended December 31, 2017. The Housing Authority contracted with the CPA firm for this audit and requested that we accept in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements or the Housing Authority of the City of Bellingham's compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

HOUSING AUTHORITY OF THE CITY OF BELLINGHAM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017



Loveridge Hunt & Co., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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Housing Authority of the City of Bellingham

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X No

Noncompliance material to financial statements noted: _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No

- Significant deficiency(ies) identified that are not considered to be material weaknesses _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 14.871 | Section 8 Housing Choice Vouchers (Housing Choice Cluster) |
| 14.879 | Mainstream Vouchers (Housing Choice Cluster) |
| 14.872 | Public Housing Capital Fund |
| 14.850 | Public and Indian Housing |

Housing Authority of the City of Bellingham

Schedule of Findings and Questioned Costs - (Continued)

For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS - (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

_____ Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were noted.



**BELLINGHAM
WHATCOM COUNTY
HOUSING AUTHORITIES**

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**Housing Authority of the City of Bellingham
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2017**

Finding Reference Number:

2016-001

Condition:

During the period beginning November 25, 2013 through January 20, 2015 payments toward security services and resident assistance occurred.

Current Status:

The matter is considered resolved.

The HUD Seattle Reginal Office issued a letter to the Authority, dated October 18, 2017. The letter states that “The Capital Fund Final Rule was published in the Federal Register on 10/24/13 and made effective 11/25/13. During the period in which the Bellingham Housing Authority made expenditures of 2012 Capital Fund Program (CFP) funding from ineligible budget line items (BLIs), HUD was operating under a nationwide grace period concerning the rule. For that reason, no action is required concerning expenditures the auditor identified as ineligible that were made from 2012 CFP funds.”

Regarding ineligible expenditures that were made from 2013 and 2014 CFP funds, the Authority reported to the HUD Seattle Reginal Office on May 22, 2018 that the following items had been completed:

- Revised 2013 and 2014 Capital Fund Program (CFP) budget obligations and disbursements to remove the questioned amounts of \$43,831.45 and \$11,992.96 from the ineligible BLIs for CFP Grants WA19P0255013 and WA19P0255014 respectively. Those funds have been reallocated to capital expenditures for the repair of the Exterior Insulation Finishing System (EIFS) and repainting Lincoln Square. The EIFS repair and repainting were identified in BHA’s approved 5-year plans in effect for 2013 and 2014.
- Allocated the same amounts totaling \$55,824.41 from BHA’s Local Fund to the Lincoln Square EIFS repair and repainting project.
- Accounting entries necessary to reallocate these funds.

In response to the Authority’s report, the HUD Seattle Reginal Office stated in a letter, dated May 30, 2018, to the Authority that “The BHA has revised 2013 and 2014 Capital Fund Program (CFP) budget obligations and disbursements to remove the questioned amounts for the ineligible BLIs. BHA advised that those funds have been reallocated to capital expenditures for the repair of the Exterior Insulation Finishing System and repainting Lincoln Square. BHA has also submitted Amended Actual Modernization Cost Certificates (AMCCs) for both 2013 and 2014. No additional information is required at this time.”



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Bellingham
Bellingham, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Bellingham (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

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

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS - (CONTINUED)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loveridge Hunt + Co., PLLC

Bellevue, Washington
September 21, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Housing Authority of the City of Bellingham
Bellingham, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Bellingham's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Laveridge Hunt + Co., PLLC

Bellevue, Washington
September 21, 2018



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners
Housing Authority of the City of Bellingham
Bellingham, Washington

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the City of Bellingham (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 to 17 be presented to supplement the basic financial statements and information on post employment benefits on pages 46 to 49. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Awards Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule and Actual Modernization Cost Certificates are presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards accepted in United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Laveridge Hunt & Co., PLLC

Bellevue, Washington
September 21, 2018

FINANCIAL SECTION

Housing Authority of the City of Bellingham
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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 year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

The financial statements include not only the Authority (known as the primary government), but also other entities for which the Authority is financially accountable (discretely-presented component units). Information included in this discussion and analysis focuses on the activities of the primary government. Accordingly, information provided does not include the activities of discretely-presented component units. Separate financial statements may be obtained by writing to the address listed on the bottom of the last page of this discussion.

Financial Highlights

- The net position (total assets plus deferred outflows of resources over total liabilities plus deferred inflows of resources) of the Authority at the close of the 2017 fiscal year was \$64.8 million, compared to \$57.0 million at the end of the prior fiscal year, an increase of \$7.8 million.
- The Authority's cash balance at the close of the 2017 fiscal year was \$12.5 million, an increase of \$1.7 million from the prior fiscal year.
- The Authority's programs expended \$15.5 million in federal grant operating revenues during the 2017 fiscal year, compared to \$15.6 million expended during the prior fiscal year.
- The Authority had operating revenues of \$19.2 million and operating expenses of \$20.6 million for the 2017 fiscal year.
- The Authority's net capital outlays for the 2017 fiscal year were \$679 thousand.

Overview of the Financial Statements

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

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 fund. The Authority has decided to report all programs as one major fund in the financial statements. For more information on the separate programs within the fund, they are listed separately on the Schedule of Expenditures of Federal Awards and in the Financial Data Schedule financial statements. The Authority is considered a Special Purpose Government. And the U.S. Department of Housing and Urban Development (HUD) recommends that this model be used.

In accordance with GAAP reporting requirements, the statements include Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and 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 financial performance discussed in the following analyses does not include tax credit partnerships, which are owned by separate limited partnerships or companies, with the Authority acting as general partner or managing member. Because of the different corporate structure of the partnerships, their operations are not carried directly on the books of the Authority but are listed as component units on the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, and are detailed in Note 10 Discretely Presented Component Units. With those exceptions, neither these units, nor their financial data, are included in the analysis and financial reports that follow.

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. The reports include a Balance Sheet and a Statement of Operations.

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

In accordance with Governmental Accounting Standards Board (GASB) Statement 34, a brief condensed comparative analysis of current and prior year financial position and performance follows.

| Net Position (in thousands) | | | |
|--------------------------------------|--------------------|-----------|------------------|
| | 2017 | | 2016 |
| Current and other assets | \$ 103,913.6 | \$ | 86,261.5 |
| Capital assets | 23,655.5 | | 21,621.6 |
| Total Assets | <u>127,569.1</u> | | <u>107,883.1</u> |
| Total Deferred Outflows of Resources | 265.2 | | 451.3 |
| Long-term debt outstanding | 55,916.5 | | 43,819.5 |
| Other liabilities | 6,675.4 | | 6,431.5 |
| Total Liabilities | <u>62,591.9</u> | | <u>50,251.0</u> |
| Total Deferred Inflows of Resources | 435.4 | | 1,070.9 |
| Net investment in capital assets | 18,932.6 | | 19,608.5 |
| Restricted | 398.1 | | 593.9 |
| Unrestricted | 45,476.3 | | 36,810.1 |
| Total Net Position | <u>\$ 64,807.0</u> | <u>\$</u> | <u>57,012.5</u> |

A large portion of the Authority's assets is invested in capital assets, which include land, buildings, capitalized improvements, and equipment. These capital assets are used to provide housing services to low and moderate-income tenants; consequently, these assets are not available for future spending. As of December 31, 2017, the total investment in capital assets, net of accumulated depreciation, amounted to \$23.7 million and accounted for 19% of the total assets. This was a net increase of \$2.0 million from the prior year. The increase came from (1) a capital outlay of \$679 thousand in the public housing projects, and (2) a recording of \$1.4 million in land and buildings from the purchase of an affordable housing property at the beginning of the 2017 fiscal year, and (3) a recording of \$1.8 million in land purchase for a future affordable housing development. The increase was offset by (1) additional accumulated depreciation of \$854 thousand, and (2) a \$1.0 million divestiture of a locally owned property to a newly formed tax credit partnership, where the Authority is the general partner. Further information on the Authority's capital assets can be found in Note 3 Capital Assets.

The Authority had a total of \$103.9 million in current and other assets, \$12.5 million or 12% of which was in cash. This amounted to an increase of \$17.7 million from the year before. The increase largely resulted from (1) a \$3.1 million cash receipt from the sales of three tax credit partnerships, where the Authority was the general partner, to the newly formed tax credit partnership mentioned above, (2) a recording of a \$10 million pass-thru note receivable, a \$5.9 million seller note, and a \$164 thousand general partner note at the close of the sales of the three tax credit partnerships mentioned above, and (3) an increase of \$1.1 million in accrued interest on notes receivable. These increases in current and other assets were partially offset by payoffs on developer fee receivables and pass-thru loan receivables, totaling \$1.2 million.

Most of the Authority's liabilities are in long-term debt. The Authority incurs long-term debt, consisting of loans, notes, and bonds, to acquire and modernize real properties for low- and moderate-income housing and to make loans to tax credit partnerships of which the Authority is the general partner or managing member. As of December 31, 2017, the total long-term debt outstanding amounted to \$55.9 million (of which \$346 thousand was classified as current portion) and accounted for 89% of the total liabilities. This was an increase of \$12.1 million from the prior year. The increase mainly resulted from (1) a recording of \$1.8 million note payable from the land purchase mentioned above, (2) a recording of \$10 million pass-thru note payable and \$538 thousand direct notes payable at the close of the sales of the three tax credit partnerships mentioned above, and (3) a recording of \$495 thousand note payable with the purchase of the affordable housing property at the beginning of the 2017 fiscal year, as mentioned above. These increases in long-term debt were offset by payoffs on notes payable, totaling \$780 thousand. The Authority is in good standing with all debt obligations and foresees no imminent difficulties with meeting its scheduled debt payments. The Authority's debt schedule can be found in Note 7 Long Term Debt and Liabilities.

The Authority had a total of \$6.7 million in other liabilities, 55% of which was in pension and other post-employment benefits (OPEB) liabilities. This amounted to an increase of \$244 thousand in other liabilities from the year before. The increase was mainly due to (1) an increase of \$127 thousand in accounts payable, (2) an additional borrowing of \$923 thousand on the line-of-credit, and (3) an additional accrued OPEB liabilities of \$220 thousand, offset by a decrease of \$247 thousand in other accrued liabilities and a reduction of \$786 thousand in net pension liabilities.

Net position serves as a useful indicator of a governmental entity's financial health. In the case of the Authority, total assets plus deferred outflows of resources exceeded total liabilities plus deferred inflows of resources by \$64.8 million at the close of the 2017 fiscal year, which was an increase of \$7.8 million or 14% from the prior year in total net position. The unrestricted net position of the Authority, totaling \$45.5 million and representing 70% of the total net position, was available for future use to provide additional housing services and resources.

Changes in Net Position
(in thousands)

| | 2017 | 2016 |
|--|----------|----------|
| Operating revenues | | |
| Net tenant rental revenue | 2,614.2 | 2,483.4 |
| HUD operating grant | 15,290.9 | 15,570.3 |
| Other government grants | 175.6 | 58.7 |
| Other revenue | 1,138.1 | 1,159.7 |
| Total operating revenues | 19,218.8 | 19,272.1 |
| Non-operating revenues | | |
| Interest and investment revenue | 2,747.0 | 2,803.3 |
| Fraud recovery | 37.9 | 30.0 |
| Gain on special items | 3,046.7 | 1,259.9 |
| Total non-operating revenues | 10,831.6 | 4,093.2 |
| Total revenues | 30,050.4 | 23,365.3 |
| Operating expenses | | |
| Administrative | 3,201.0 | 3,221.5 |
| Tenant services | 185.3 | 211.8 |
| Utilities | 561.5 | 470.5 |
| Ordinary maintenance & operation | 2,047.7 | 1,769.7 |
| Protective services | 57.4 | 58.1 |
| Insurance premiums | 104.8 | 95.1 |
| Other general expenses | 75.9 | 44.3 |
| Housing assistance payments | 13,212.5 | 12,914.3 |
| Depreciation expense and bond amortization | 1,171.0 | 1,128.8 |
| Total operating expenses | 20,627.1 | 19,914.1 |
| Non-operating expenses: | | |
| Net casualty losses | 5.4 | 1.0 |
| Loss on special items | - | - |
| Commercial lease expense | 75.3 | 72.8 |
| Interest expense | 1,667.5 | 1,759.2 |
| Total non-operating expenses | 1,748.2 | 1,833.0 |
| Total expenses | 22,375.3 | 21,747.1 |
| Excess (deficiency) before contributions | 7,675.1 | 1,618.2 |
| Capital Grant Contributions | 119.4 | 520.1 |
| Change in Net Position | 7,794.5 | 2,138.3 |
| Total net position beginning of year | 57,012.5 | 54,874.2 |
| Changes in accounting principles | - | - |
| Total net position end of year | 64,807.0 | 57,012.5 |

For the year ended December 31, 2017, total revenues increased by \$6.7 million from the 2016 fiscal year; total expenses also increased by \$628 thousand. Overall, total revenues exceeded total expenses, adding \$7.7 million to the ending net position. In addition, capital grants contributed another \$119 thousand to the ending net position.

Total operating revenues were consistent with the year before, with a slight decrease of \$53 thousand or 0.3%. The decrease mostly resulted from a reduction of \$279 thousand in HUD operating grants, which was compensated by a higher tenant rental revenue and other government grants. Total non-operating revenues, on the other hand, increased by \$6.7 million from the prior year, the majority of which came from gains on the sales of the three tax credit properties mentioned above. Further information can be found in Note 12 Special Items.

Total operating expenses went up by \$713 thousand or 3.6% from the year before. The uptick reflected (1) a \$298 thousand increase in housing assistance payments for various HUD programs, (2) a \$278 thousand increase in maintenance, and (3) a \$91 thousand increase in utilities. Overall, there were small variances from year to year in other operating expense categories. Total non-operating expenses went down slightly by \$85 thousand or 4.6% from the prior year, resulting from a decrease of \$92 thousand in interest expense.

Conditions and Future Events that will Financially Impact the Authority

The Authority maintains its “high” performance with SEMAP scores and successful lease up of its Housing Choice Voucher (HCV) Program during the 2017 fiscal year. Maintaining high performance continues to be a challenge that affects how the Authority does business.

Bellingham and Whatcom County continue to experience increasing rents, low vacancy rates, and an overall lack of affordable housing, which continues to impact current and new program participants’ ability to secure affordable housing. Transportation, services, schools, and medical resources are some important factors when seeking affordable units in the area. Many families that choose to stay in desired neighborhoods are paying over the recommended 30% of income to up to 40% due to increases in rents. Per local realtor reports, Whatcom County rental vacancy rates continue to remain under 2%.

Furthermore, the Authority is seeing an increase in housing participants in need of supportive services including varying degrees of case management services, in order to locate and successfully maintain housing. This comes at a time when the community is experiencing a shortage of case managers and case management funding.

New affordable housing construction is also becoming increasingly difficult. Federally, there has been and continues to be decreases in funding sources, such as rental assistance programs, the HOME program and CDBG program, that are typically used in conjunction with Low Income Housing Tax Credits (LIHTC) to build affordable housing. In addition, LIHTC resources have been prioritized for homeless further limiting the ability to build any affordable housing not specific to this group of population.

The Authority has approximately 3,600 on its various waiting lists. The HCV Waitlist opened in May 2017 accepting 1,250 families on to the waiting list. The Authority does not anticipate needing to re-open the HCV Waitlist for approximately the next 2 years. The low vacancy rates have driven up rents to unprecedented levels. The Authority’s current HCV population on fixed benefit incomes, including elderly and disabled, makes up 73% of the total households that the Authority serves. Increasingly, the Authority has had reasonable accommodation requests for increased rental assistance, additional bedrooms, many needing live-in caregivers, medical equipment, and the need to address mental health issues in the household. This increase in costs is impacting the number of families that the Authority can serve.

Congressional funding decisions have impacted voucher and grant assistance activity in the past several years. Consistently low Administrative Fees, hovering in the mid-to-high 70 percentile, are well below what is needed to effectively operate the program, further impacting our ability to provide services. The Authority continues to streamline operational activity wherever possible.

The Authority is primarily dependent upon the federal government for the funding of operations; therefore, the Authority is subject to operational fluctuations due to the federal budget. Public Housing Operating Fund Subsidies were funded at 93.1% of the full funding level for the calendar year 2017 and are being funded at about 93.4% of the full funding level for the calendar year 2018. These levels of funding

have been reducing the reserve amounts for the Authority's public housing properties. In addition, in 2017 and 2016 the Authority embarked on a substantial renovation of the elevator systems for its three Public Housing Hi-rise buildings through the HUD Capital Fund Program and the Public Housing Operating Fund Financing Program (OFFP). The OFFP funds are being loaned to the Authority by U.S. Bank and will be repaid from its Public Housing operating reserves. This modernization project is projected to expend approximately \$1,090,000 from the operating reserves.

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/Whatcom County Housing Authorities at PO Box 9701, Bellingham, Washington 98227.

BELLINGHAM HOUSING AUTHORITY
Statement of Net Position
December 31, 2017

| | Primary Government | Component Units See Note 10 |
|---|----------------------|--------------------------------|
| ASSETS | | |
| <i>Current Assets</i> | | |
| Cash and cash equivalents | \$ 11,864,140 | \$ 3,490,262 |
| Restricted cash - tenant security deposits | 162,525 | 360,023 |
| Restricted cash - other | 468,459 | - |
| Accounts receivable (net) | | |
| Tenants | 17,915 | 82,460 |
| Fraud recovery | 13,527 | - |
| HUD | 63,399 | - |
| Other government | 28,647 | - |
| Miscellaneous | 393,651 | - |
| Current portion of notes receivable | | |
| Component units | 443,824 | - |
| Prepaid expenses | 77,922 | 252,207 |
| Inventories | 51,432 | - |
| Total Current Assets | <u>13,585,441</u> | <u>4,184,952</u> |
| <i>Non-Current Assets</i> | | |
| Restricted investments | - | 12,118,312 |
| Accrued interest receivable | 4,926,726 | - |
| Notes receivable | | |
| Component units | 84,810,896 | - |
| Other (pre-development) | 370,667 | - |
| Investment in tax credit partnerships | 219,824 | - |
| Unamortized bond expenses | - | 372,317 |
| Capital assets | | |
| Non-depreciable | 5,257,414 | 11,976,948 |
| Net depreciable | 18,398,129 | 107,909,249 |
| Total Non-Current Assets | <u>113,983,656</u> | <u>132,376,826</u> |
| Total Assets | <u>127,569,097</u> | <u>136,561,778</u> |
| <i>Deferred Outflows of Resources</i> | | |
| Amounts related to pensions | 265,158 | - |
| Total Deferred Outflows of Resources | <u>265,158</u> | <u>-</u> |
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Accounts payable | 356,727 | 455,474 |
| Tenant security deposits | 160,813 | 359,979 |
| Unearned revenues | 58,761 | 362,712 |
| Accrued liabilities - other | 211,384 | 2,320,385 |
| Other current liabilities | 1,368,908 | - |
| Current portion of long term debt | | |
| Capital projects | 42,011 | 632,137 |
| Component units | 303,556 | - |
| | <u>2,502,160</u> | <u>4,130,687</u> |
| Statement of Net Position | | |
| December 31, 2017 | 544,881 | 5,289,074 |
| Bonds, notes and loans payable | | |
| Capital projects | 3,750,546 | 99,132,548 |
| Component units | 51,820,416 | - |
| Accrued compensated absences | 333,279 | - |
| Other post employment benefits | 1,704,719 | - |
| Net pension liability | 1,935,861 | - |
| Total noncurrent liabilities | <u>60,089,702</u> | <u>104,421,622</u> |
| Total Liabilities | <u>62,591,862</u> | <u>108,552,309</u> |
| <i>Deferred inflows of resources</i> | | |
| Amounts related to pensions | 435,434 | - |
| Total Deferred Inflows of Resources | <u>435,434</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 18,932,637 | 20,493,829 |
| Restricted | 398,084 | 12,118,312 |
| Unrestricted | 45,476,238 | (4,602,672) |
| Total Net Position | <u>\$ 64,806,959</u> | <u>\$ 28,009,469</u> |

BELLINGHAM HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2017

| | Primary Government | Component Units See Note 10 |
|---|-----------------------------|--------------------------------|
| <i>Operating Revenues</i> | | |
| Tenant rents | \$ 2,423,101 | \$ 8,429,449 |
| Other tenant charges | 191,043 | - |
| HUD operating subsidies & grants | 15,290,928 | - |
| Other governmental grants | 175,623 | - |
| Other revenue | 1,138,109 | 179,841 |
| Total operating revenues | <u>19,218,804</u> | <u>8,609,290</u> |
| <i>Operating Expenses</i> | | |
| Administrative | 3,200,958 | 1,747,739 |
| Tenant services | 185,287 | - |
| Utilities | 561,543 | 676,556 |
| Maintenance & operation | 2,047,674 | 1,772,514 |
| Protective services | 67,439 | - |
| Insurance premiums | 104,807 | 263,611 |
| General expenses | 48,178 | - |
| Bad debt | 27,672 | - |
| Housing assistance payments | 13,212,539 | - |
| Depreciation expense | 1,171,027 | 4,207,807 |
| Tax credit fee amortization | - | 44,956 |
| Total operating expenses | <u>20,627,124</u> | <u>8,713,183</u> |
| Operating income (loss) | <u>(1,408,320)</u> | <u>(103,893)</u> |
| <i>Nonoperating Revenues (expenses)</i> | | |
| Interest and investment revenue | 2,747,008 | - |
| Fraud recovery | 37,861 | - |
| Net casualty losses | (5,455) | - |
| Special items | 8,046,704 | 8,209 |
| Commercial lease expenses | (75,253) | - |
| Interest expense | <u>(1,667,519)</u> | <u>(3,677,909)</u> |
| Total nonoperating revenues (expenses) | <u>9,083,346</u> | <u>(3,669,700)</u> |
| Income (loss) before contributions | <u>7,675,026</u> | <u>(3,773,593)</u> |
| Capital grant contributions/Capital transfers | 119,407 | 875,789 |
| Change in Net Position | 7,794,433 | (2,897,804) |
| Net Position - Beginning of Year | 57,012,526 | 30,907,273 |
| Net Position - End of Year | <u><u>\$ 64,806,959</u></u> | <u><u>\$ 28,009,469</u></u> |

BELLINGHAM HOUSING AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2017

| | Primary Government 2017 |
|---|--|
| Cash flows from operating activities: | |
| Cash received from tenants and customers | \$ 2,985,156 |
| Cash received from partner | 3,780,305 |
| Cash received from HUD operating grants | 14,302,932 |
| Other operating cash receipts | 330,007 |
| Cash received from other grants | 143,987 |
| Cash payments to suppliers for goods and services | (2,946,386) |
| Cash payments to employees for services | (3,712,153) |
| Cash payments for housing assistance | (13,212,539) |
| Net cash provided by operating activities | <u>1,671,309</u> |
| Cash flows from noncapital financing activities: | |
| Cash outflow for tax credits and related parties | (75,353) |
| Proceeds from operating debt | 922,817 |
| Net cash provided (used) by noncapital financing activities | <u>847,464</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition of capital assets | (1,002,233) |
| Disposal of capital assets | 4,150 |
| Grants from HUD and other government agencies | 119,407 |
| Repayments on revenue bonds and long-term notes payable | (165,351) |
| Interest paid on revenue bonds and long-term notes payable | (114,077) |
| Cash from insurance recoveries | 7,150 |
| Net cash used by capital and related financing activities | <u>(1,150,954)</u> |
| Cash flows from investing activities: | |
| Interest on investments and long-term receivables | 114,579 |
| Repayments received on long-term notes receivable | 408,049 |
| Issuance of long-term notes receivable | (163,977) |
| Net cash provided (used) by investing activities | <u>358,651</u> |
| Net increase (decrease) in cash and cash equivalents | 1,726,470 |
| Cash and cash equivalents at January 1, 2017 | <u>10,768,654</u> |
| Cash and cash equivalents at December 31, 2017 | <u><u>\$ 12,495,124</u></u> |

BELLINGHAM HOUSING AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2017

| | Primary Government 2017 |
|---|--|
| Cash and cash equivalents | \$ 11,864,140 |
| Restricted cash - tenant security deposits | 162,525 |
| Restricted cash - other | 468,459 |
| Cash, Statement of Net Position, ending | <u>12,495,124</u> |
| Reconciliation of income from operations to net cash provided by operating activities: | |
| Income from operations | (1,408,320) |
| Adjustments to reconcile income from operations to net | |
| Cash provided by operating activities: | |
| Depreciation and amortization | 1,171,027 |
| Change in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (300,381) |
| (Increase) decrease in prepaid items | (5,115) |
| Increase (decrease) in security deposits | 11,322 |
| Increase (decrease) in accounts payable | 357,688 |
| Increase (decrease) in accrued liabilities | (1,225,285) |
| Increase (decrease) in deferred income | (98,829) |
| Other non- operating receipts | 32,406 |
| Special Items | 3,136,796 |
| Net cash provided by operating activities: | <u>\$ 1,671,309</u> |
| Noncash investing, financing and capital activities | |
| Bakerview seller note | \$ 5,904,000 |
| Samish Way land purchase thru note payable | 1,830,000 |
| Oakland land and building acquired | 1,372,916 |
| Oakland debt acquired | 423,518 |
| Bakerview debt acquired | 10,537,605 |
| Interest accrued on receivables from tax credit partners | 1,079,399 |
| Principal paid by tax credit partners on debt | 260,368 |

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

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.

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 Authority has one blended component unit and ten discretely presented 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.

Blended Component Units, despite being legally separate from the Authority, are, in substance, the same as the primary government. These component units are reported as if they are part of the Authority. The Authority has one blended component unit - namely, River House Associates L.P., a Low-Income Housing Tax Credit project - where the Authority owns a 99.9% interest in the partnership and where the project’s governing body is substantially the same as the Authority’s board of commissioners. For more information, see Note 9 Blended Component Units. Separate audited financial statements for the project can be obtained by contacting the Authority.

Discretely Presented Component Units are presented in the component unit’s column in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. They are reported in a separate column to emphasize that they are legally separate from the Authority. They are included in the reporting entity of the Authority because the Authority has the ability to otherwise access the majority of the entity’s economic resources received or held. For more information, see Note 10 Discretely Presented Component Units. Separate audited financial statements for these Low Income Housing Tax Credit projects can be obtained by contacting the Authority.

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 Seq. (the “Act”). All of these partnerships were formed for the purpose of acquiring real property, and to develop and construct thereon housing units, and to operate, manage, and lease the projects in a manner that qualified the projects for low-income housing credit under Section 42 of the Internal Revenue Code of 1986, as amended. The General Partner ownership interests have been deemed not significant to the Authority’s financial statements.

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.

c. Cash and Cash Equivalents

For 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.

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

d. Capital Assets

See Note 3 Capital Assets.

e. Restricted Assets

In accordance with bond resolutions and certain other 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 are currently held for the following purposes:

| | <u>Primary Government</u> | <u>Component Units</u> |
|---------------------------------------|---------------------------|------------------------|
| Trustee Investments & Escrow Deposits | - | 7,265,414 |
| Wetlands Reserve | - | 6,800 |
| Debt Service Reserves | - | 842,828 |
| Replacement Reserves | 242,958 | 1,794,421 |
| Operating Reserves | 55,230 | 2,208,849 |
| Tenant Security Deposits | 162,525 | 360,023 |
| Voucher Programs Deposits | 126,695 | - |
| Tenant Improvement Deposit | 8,926 | - |
| Cell Tower Deposit | 27,500 | - |
| Unspent Insurance Proceeds | 7,150 | - |
| Total | <u>\$ 630,984</u> | <u>12,478,335</u> |

f. Receivables

Tenant accounts receivable are reported net of allowance for doubtful accounts. An allowance of \$7,485 was recorded for the year ended December 31, 2017. The Authority's policy is to send out a first notice and a statement of account within 14 days after a tenant with an unpaid balance has moved out; 30 days after which a second notice and a repayment agreement are mailed. After another 30 days a third and final notice is sent. At the end of another 30 days the account is then written off the Authority's books and sent to collection.

g. Inventories

Inventories include expendable supplies, held for consumption, valued at cost which approximates the market value.

h. Investments

The Authority uses fair value for reporting of investment balances. See Note 2 Deposits and Investments.

i. 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 180 days and vacation leave up to 2 years entitlement. Employees are entitled to be paid 25% of accumulated sick leave into a VEBA account and any vacation leave accumulated upon termination.

j. Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

k. Operating Revenues/Expenses

The Authority reports operating revenues as defined in GASB Statement No. 9. Operating revenues result from fees

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

and charges from providing services in connection with the ongoing operations of providing low income housing. Housing and Urban Development (HUD) subsidies and grants for operating activities are classified as operating revenues, based on guidance from HUD, the primary user of the financial statements. Other 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. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing.

This presentation where HUD subsidies and grants for operating activities are classified as operating revenues results in an operating income that is higher than the one in a non-operating revenue presentation by the amount of the subsidies and grants. Overall it does not affect the presentation of net income or the change in net position in the Statement of Revenues, Expenses, and Changes in Net Position, or the presentation of cash and cash equivalents in the Statement of Cash Flows.

I. Restricted Net Position

The restricted component of net position consists of restricted assets reduced by liabilities related to those assets. It is noncapital assets whose use is restricted through debt covenants, grantors, contributors, or laws and regulations of other governments. The Authority's restricted net position is composed of replacement and operating reserves as well as the restricted net assets of the Housing Choice Voucher and Mainstream Voucher programs, totaling \$398,084. It is the Authority's policy to first use restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

NOTE 2 - DEPOSITS AND INVESTMENTS

a. Deposits

For the year ended December 31, 2017, the Bellingham Housing Authority held demand deposits totaling \$12,495,124. The Authority's deposits and certificates of deposits are entirely insured by the Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

b. Investments

The Authority did not hold any investments at the 2017 fiscal year end. The Component Units held a total of \$12,118,312 restricted investments deposited in various bank accounts for debt service, replacement, and operating reserves, and in trustee escrow accounts.

NOTE 3 - 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 and operating leases are disclosed in Note 5 Lease Commitments.

Capital assets, which are 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 December 31, 2017 was as follows:

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

| | Beginning Balance 1/1/2017 | Increases | (Decreases) | Ending Balance 12/31/2017 |
|--------------------------------------|----------------------------------|-------------|-------------|---------------------------------|
| Non-depreciable Capital Assets: | | | | |
| Land * | 1,659,039 | 2,064,282 | (188,100) | 3,535,221 |
| Construction in Progress ** | 1,098,241 | 623,952 | - | 1,722,193 |
| Total Non-depreciable Capital Assets | 2,757,280 | 2,688,234 | (188,100) | 5,257,414 |
| Depreciable Capital Assets: | | | | |
| Site Improvements | 2,004,685 | 651 | - | 2,005,336 |
| Buildings and Improvements * | 38,035,621 | 1,224,257 | (812,006) | 38,447,872 |
| Furniture, Equipment & Machinery * | 859,885 | 35,237 | (60,167) | 834,955 |
| Total Depreciable Capital Assets | 40,900,191 | 1,260,145 | (872,173) | 41,288,163 |
| Less Accumulated Depreciation *** | (22,035,856) | (1,171,027) | 316,849 | (22,890,034) |
| Net Depreciable Assets | 18,864,335 | 89,118 | (555,324) | 18,398,129 |
| Net Capital Assets | 21,621,615 | 2,777,352 | (743,424) | 23,655,543 |

* See Note 9 Blended Component Units and Note 10 Discretely Presented Component Units and Capital Transfers for further information.

** See Note 4 Construction in Progress for further discussion.

*** Depreciation is computed on the straight-line half year convention method with useful lives of 3 to 40 years.

NOTE 4 - CONSTRUCTION IN PROGRESS

Construction in progress represents capital assets under construction or modernization improvements with an open capital grant or contract. These improvements will be capitalized when the construction project is completed and the asset is placed into service. For the year ended December 31, 2017, the Authority had construction in progress on projects with authorizations totaling \$1,722,193. The Authority did not capitalize any accumulated construction in progress from prior years during the 2017 fiscal year.

NOTE 5 - LEASE COMMITMENTS

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.

a. Operating Lease (Authority as Lessor)

In prior years, the Authority, "lessor", purchased the land and leased it back to two tax credit partnerships, "lessees", Willow Creek, LP and Prince Street Associates, LP. Each of these partnerships makes a lease payment of \$12 annually. The Authority, "lessor", also leases land to Prince Court II, LP and Heather Commons II, LP, "lessees", at \$120 per year. These amounts are recorded as income in the year received. The lease with Willow Creek, LP run through 2050. The leases with Prince Street Associates, LP, Prince Court II, LP, and Heather Commons II, LP were terminated as of December 20, 2017, when these three tax credit partnerships were re-syndicated and sold to Bakerview Redevelopment Partners, LLLP, a new tax credit partnership, where the Authority is the general partner.

The Authority, "lessor", entered into a lease agreement with Bakerview Redevelopment Partners (BRP) LLLP, "lessee", on December 18, 2017 (the effective date), with an expiration date of December 31, 2116. The Authority leases the property, including land and improvements, to BRP for use as a low-income housing project. BRP has a leasehold interest in the land and improvements of the property for a consideration of \$8.7 million. Of the amount, \$2.7 million was paid in cash on the effective date, \$97 thousand was paid via assumption of a City of Bellingham loan, and \$5.9 million was paid in the form of an Acquisition Loan Note.

Bellingham Housing Authority

Notes to Financial Statements

For the Year Ended December 31, 2017

In addition, operating leases were entered into by the Authority with Laurel Street Housing, LLC, Laube Housing Associates, LLC, Meadow Wood Associates, LLC, Meadow Wood II, LLC, State Street Housing Associates, LLC, and Walton Place Two, LLC ("lessees"). The lessees will make lease payments of \$12 annually. This amount will be recorded as income in the year received. The leases run through at least 2081.

b. Operating Lease (Authority as Lessee)

The Authority, "lessee", entered into a 20-year master lease agreement in 2008 with Laube Housing Associates, LLC, "lessor". The lease has an initial monthly base rent of \$4,742, with an annual increase of 2.5 percent, starting January 2010, through the term of the lease. In addition to lease payments, the Authority pays a proportionate share of the partnership's operating expenses.

The Authority, "lessee", also entered into a 20-year master commercial lease in 2009 with Walton Place Two, LLC, "lessor", for the commercial space located on the ground floor of the project. Annual lease payments of \$100 are required through the term of the lease.

c. Capital/Financing Leases (Authority as Lessor)

The Authority acquired Oakland Associates, LP, a tax credit partnership where the Authority used to be the general partner and the "lessor" of a building and land to the tax credit partnership, at the beginning of the 2017 fiscal year. Consequently, the capital lease held by the Authority was terminated as of January 1, 2017.

NOTE 6 - SHORT TERM DEBT

The Authority has a revolving line of credit with the US Bank to provide short-term financing for construction projects and other obligations. The line of credit has a not-to-exceed limit of \$1.5 million, with a variable interest rate equal to the sum of 4.25% plus the one-month LIBOR rate quoted by the Bank. The line of credit activity for the year ended December 31, 2017 was as follows:

| Beginning Balance <u>at 1/1/2017</u> | Issued <u>(Draw Downs)</u> | Redeemed <u>(Payments)</u> | Ending Balance <u>at 12/31/2017</u> |
|---|-------------------------------|-------------------------------|--|
| \$446,091 | \$922,817 | - | \$1,368,908 |

NOTE 7 - LONG TERM DEBT AND LIABILITIES

a. Revenue Bonds

The Authority periodically issues revenue bonds to finance the construction of and improvements to the various low-rent housing buildings owned by the Authority. The revenue bonds are repaid from the Authority's revenues. As of December 31, 2017, the Authority does not have any outstanding revenue bonds.

The Authority also issues Low-Income Housing Revenue Bonds. The proceeds are then loaned to tax credit partnerships of which the Authority is the general partner (See Note 10 Discretely Presented Component Units). Payments of principal and interest on the bonds are secured by the loan payments, monies on deposit in a debt service reserve account and a pledge of the general revenues of the Authority. The Authority issued serial bonds on May 2, 2014 for the amount of \$24,050,000 and loaned the proceeds to the Northwest Corner Affordable Housing Partnership project. The Authority issued another serial bonds on December 18, 2017 for the amount of \$10,000,000 and loaned the proceeds to the Bakerview Redevelopment Partners project.

As security for repayment of the loan, the partnership irrevocably grants 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

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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.

The revenue bonds currently outstanding are as follows:

| Purpose | Original Amount | Issue Date | Mature Date | Interest Rate | Amt Outstanding |
|------------------------|----------------------------|-------------------|--------------------|----------------------|----------------------------|
| Willow Creek | 70,000 | 11/01/97 | 11/01/27 | 6.57% | 40,421 |
| Northwest Corner | 24,050,000 | 05/02/14 | 05/01/54 | 6.10% | 23,830,000 |
| Bakerview Redevelopmen | 10,000,000 | 12/18/17 | 07/01/19 | 3.00% | 10,000,000 |
| Total | | | | | \$ 33,870,421 |

Revenue bond debt service requirements to maturity:

| Year Ending | Principal | Interest |
|--------------------|-------------------|-------------------|
| 2018 | 157,957 | 1,755,358 |
| 2019 | 10,173,158 | 1,591,682 |
| 2020 | 183,371 | 1,430,012 |
| 2021 | 193,600 | 1,418,472 |
| 2022 | 208,843 | 1,406,258 |
| 2023-2027 | 1,243,492 | 6,818,163 |
| 2028-2032 | 1,655,000 | 6,377,575 |
| 2033-2037 | 2,245,000 | 5,786,282 |
| 2038-2042 | 3,040,000 | 4,984,285 |
| 2043-2047 | 4,120,000 | 3,897,722 |
| 2048-2052 | 5,590,000 | 2,423,886 |
| 2053-2054 | 5,060,000 | 350,521 |
| Total | 33,870,421 | 38,240,216 |

b. Arbitrage

The Authority issued the City of Bellingham Multifamily Housing Revenue Bonds, 2014 on May 2, 2014 to finance the acquisition and rehabilitation of the Northwest Corner project. A loan agreement between the Authority (the issuer of the bonds) and Northwest Corner Affordable Housing Partners LLLP (NWCAHP, the borrower) was made as of May 2, 2014. Per Section 6.10(c) of the Loan Agreement, NWCAHP, with the Authority as the general partner, will cause a qualified rebate analyst to calculate the rebate amount no later than 45 days after the fifth anniversary of the issue date and each five years thereafter and agrees that NWCAHP will pay all costs associated with the rebate. An Indenture of Trust was entered as of May 2, 2014 by the Authority (the issuer) and the Bank of New York Mellon Trust Company (the trustee). Per Section 4.5(c) of the Trust Indenture, a "Rebate Fund" is established with the trustee, and the Authority agrees that it will not commit any act, or omit any action, that would cause the bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations.

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. In addition, the Authority has Low-Income Housing Real Estate Mortgages of which the proceeds were loaned to tax credit partnerships. These mortgages are secured by capital assets and notes receivable from the tax credit partnerships of which the Authority is the general partner. See Note 10 Discretely Presented Component Units for further information.

Bellingham Housing Authority
Notes to Financial Statements
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| Lender | Original Amount | Issue Date | Mature Date | Interest Rate | Outstanding Balance |
|---------------------------|----------------------------|-------------------|--------------------|--------------------------|--------------------------------|
| Various * | 1,256,194 | various | various | various | 1,221,886 |
| City of Bellingham | 1,830,000 | 04/19/17 | 01/31/20 | 0.50% | 1,830,000 |
| Enterprise | 35,000 | 07/01/07 | 06/30/17 | 0.00% | 35,000 |
| Dept. of Commerce | 950,000 | 12/01/06 | 04/30/48 | 0.00% | 844,445 |
| City of Bellingham | 250,000 | 12/21/06 | 03/31/42 | 2.00% | 233,248 |
| Whatcom County | 125,678 | 10/01/07 | 04/30/48 | 8.00% | 125,678 |
| Homestead | 26,000 | 10/01/07 | 04/30/48 | 8.00% | 26,000 |
| Dept. of Commerce | 1,484,694 | 12/01/04 | 08/31/56 | 0.00% | 1,183,674 |
| City of Bellingham | 303,500 | 12/20/04 | 01/31/47 | 5.00% | 303,500 |
| City of Bellingham | 146,500 | 12/20/04 | 01/31/47 | 5.00% | 146,500 |
| Dept. of Commerce | 490,000 | 04/30/07 | 04/30/47 | 0.00% | 387,601 |
| City of Bellingham | 390,000 | 09/01/08 | 03/15/46 | 1.00% | 379,674 |
| Dept. of Commerce | 1,500,000 | 10/01/07 | 09/30/48 | 0 % & 1% | 1,400,815 |
| Whatcom County | 378,536 | 11/01/07 | 09/30/48 | 1.00% | 378,536 |
| City of Bellingham - HOME | 200,000 | 10/01/08 | 31/31/48 | 1.00% | 169,443 |
| City of Bellingham - CDBG | 122,049 | 04/01/14 | 04/15/32 | 3.32% | 88,737 |
| City of Bellingham - HOME | 45,743 | 04/01/14 | 04/15/32 | 3.32% | 38,824 |
| City of Bellingham - CDBG | 140,599 | 04/01/14 | 04/15/32 | 3.32% | 121,266 |
| Dept. of Commerce | 206,372 | 04/25/14 | 04/15/42 | 3.32% | 197,258 |
| Dept. of Commerce | 1,800,000 | 04/25/14 | 09/30/54 | 1.00% | 1,800,000 |
| City of Bellingham - CDBG | 150,000 | 11/15/00 | 01/31/32 | 2.00% | 84,083 |
| Federal Home Loan Bank | 99,000 | 06/16/00 | N/A | 0.00% | 99,000 |
| City of Bellingham - HOME | 50,000 | 11/15/00 | 01/31/32 | 2.00% | 28,028 |
| Dept. of Commerce | 494,560 | 01/01/17 | 06/01/51 | 1.00% | 494,560 |
| Dept. of Commerce | 357,053 | 12/20/17 | 06/30/50 | 1.00% | 357,053 |
| Dept. of Commerce | 182,089 | 12/20/17 | 12/31/50 | 1.00% | 182,089 |
| Dept. of Commerce | 355,516 | 12/20/17 | 12/31/48 | 1.00% | 355,516 |
| Whatcom County 2060 | 250,000 | 07/01/11 | 12/31/61 | 0.00% | 250,000 |
| Dept. of Commerce | 2,700,000 | 07/01/08 | 02/28/49 | 1.00% | 2,785,708 |
| Wash. State HFC | 5,800,000 | 01/01/10 | 06/30/49 | 0.00% | 5,800,000 |
| City of Bellingham | 447,000 | 11/30/09 | 03/31/52 | 0.00% | 398,304 |
| Dept. of Commerce | 358,400 | 12/31/97 | 12/31/46 | 1.00% | 229,282 |
| LIHTC FHLB | 70,400 | 10/24/96 | 10/23/51 | 0.00% | 70,400 |
| | | | | Total | 22,046,108 |

* See Note 9 Blended Component Units for further information.

Bellingham Housing Authority
Notes to Financial Statements
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Service requirements to maturity for the real estate mortgages are as follows:

| Fiscal Year(s) | Principal | Interest |
|-----------------------|-------------------|------------------|
| 2018 | 187,610 | 220,929 |
| 2019 | 214,860 | 222,398 |
| 2020 | 2,012,538 | 215,218 |
| 2021 | 185,322 | 215,773 |
| 2022 | 202,871 | 217,208 |
| 2023-2027 | 1,017,435 | 1,156,196 |
| 2028-2032 | 1,606,791 | 1,056,031 |
| 2033-2037 | 939,417 | 1,137,917 |
| 2038-2042 | 984,057 | 1,324,504 |
| 2043-2047 | 853,794 | 1,622,099 |
| 2048-2052 | 11,892,551 | 816,365 |
| 2053-2057 | 1,698,862 | 92,324 |
| 2058-2061 | 250,000 | 24,530 |
| Totals | 22,046,108 | 8,321,492 |

d. Changes in Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

| | Beginning Balance 1/1/17 | Additions | Subtractions | Ending Balance | Due Within One Year |
|------------------------------------|-------------------------------------|-------------------|---------------------|-----------------------|--------------------------------|
| Revenue Bonds Payable | 24,271,467 | 10,000,000 | (401,046) | 33,870,421 | 157,957 |
| Mortgages Payable | 19,548,033 | 2,877,426 | (379,351) | 22,046,108 | 187,610 |
| Compensated Absences | 304,177 | 29,102 | | 333,279 | - |
| Other Post Employment Benefits | 1,484,884 | 243,636 | (23,801) | 1,704,719 | - |
| GASB 68 Pension Liability | 2,721,772 | | (785,911) | 1,935,861 | - |
| Total Long-term Liabilities | 48,330,333 | 13,150,164 | (1,590,109) | 59,890,388 | 345,567 |

NOTE 8 - PENSIONS AND OTHER POST EMPLOYMENT BENEFITS

PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2017:

| Aggregate Pension Amounts - All Plans | |
|--|--------------|
| Pension liabilities | \$ 1,935,861 |
| Deferred outflows of resources | 265,158 |
| Deferred inflows of resources | 435,434 |
| Pension expense/expenditures | 45,310 |

Bellingham Housing Authority Notes to Financial Statements For the Year Ended December 31, 2017

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| PERS Plan 1 | | |
|-----------------------------------|-----------------|-----------------|
| Actual Contribution Rates: | Employer | Employee |
| January – June 2017 | | |
| PERS Plan 1 | 6.23% | 6.00% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Total | 11.18% | 6.00% |
| July – December 2017: | | |
| PERS Plan 1 | 7.49% | 6.00% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Total | 12.70% | 6.00% |

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no

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cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

| PERS Plan 2/3 | | |
|-----------------------------------|---------------------|-------------------|
| Actual Contribution Rates: | Employer 2/3 | Employee 2 |
| January – June 2017: | | |
| PERS Plan 2/3 | 6.23% | 6.12% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| Total | 11.18% | 6.12% |
| July – December 2017: | | |
| PERS Plan 2/3 | 7.49% | 7.38% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| Total | 12.70% | 7.38% |

The Authority's actual PERS plan contributions were \$127,939 to PERS Plan 1 and \$178,863 to PERS Plan 2/3 for the year ended December 31, 2017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2007-2012 *Experience Study* and the *Economic Experience Study*.

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Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average remaining service lives calculation was revised.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various time horizons.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|-----------------|-------------------|---|
| Fixed Income | 20% | 1.70% |
| Tangible Assets | 5% | 4.90% |
| Real Estate | 15% | 5.80% |
| Global Equity | 37% | 6.30% |
| Private Equity | 23% | 9.30% |
| | 100% | |

Sensitivity of the Net Pension Liability/ (Asset)

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

| | 1% Decrease 6.50% | Current Rate 7.50% | 1% Increase 8.50% |
|----------|----------------------|-----------------------|----------------------|
| PERS 1 | 1,214,401 | 996,927 | 808,477 |
| PERS 2/3 | 2,529,491 | 938,934 | (364,356) |

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the Authority reported a total pension liability of \$1,935,861 for its proportionate share of the net pension liabilities:

| Plan | Liability or Asset |
|----------|--------------------|
| PERS 1 | 996,927 |
| PERS 2/3 | 938,934 |

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

| | Proportionate Share 6/30/16 | Proportionate Share 6/30/17 | Change in Proportion |
|----------|-----------------------------|-----------------------------|----------------------|
| PERS 1 | 0.02302% | 0.02101% | -0.00201% |
| PERS 2/3 | 0.02950% | 0.02702% | -0.00248% |

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

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2017, the Authority recognized pension expense as follows:

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| | Pension Expense |
|----------|------------------------|
| PERS 1 | (51,058) |
| PERS 2/3 | 102,168 |

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---------------------------------------|--------------------------------------|
| Net difference between projected and actual investment earnings on pension plan investments | \$ - | \$ (37,203) |
| Contributions subsequent to the measurement date | 64,302 | - |
| TOTAL | \$ 64,302 | \$ (37,203) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ 95,136 | \$ (30,880) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (250,297) |
| Changes of assumptions | 9,973 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | (117,054) |
| Contributions subsequent to the measurement date | 95,747 | |
| TOTAL | \$ 200,856 | \$ (398,231) |

| TOTAL ALL PLANS | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience | \$ 95,136 | \$ (30,880) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (287,500) |
| Changes of assumptions | 9,973 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | (117,054) |
| Contributions subsequent to the measurement date | 160,049 | - |
| TOTAL | \$ 265,158 | \$ (435,434) |

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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| Year ended December 31: | PERS 1 | PERS 2/3 |
|-------------------------|----------|-----------|
| 2018 | (25,146) | (126,852) |
| 2019 | 7,939 | 4,330 |
| 2020 | (1,843) | (38,683) |
| 2021 | (18,153) | (116,035) |
| 2022 | - | (6,906) |
| Thereafter | - | (8,976) |

OTHER POST EMPLOYMENT BENEFITS (OPEB)

a. Plan Description and Funding Policy

In addition to the pension benefits described above, the Authority provides medical benefits through the Public Employees Benefit Board (PEBB). The cost sharing multiple employer plan provides healthcare insurance for eligible retirees and their dependents. The eligible retirees can choose to participate and pay 100% of the cost. Entities that belong to PEBB have an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. The Authority funds this subsidy on a pay-as-you-go basis. At the year end, there were no employees that had retired and were receiving benefits.

This OPEB plan does not issue a stand-alone financial report, but it is included in the report of the State of Washington, Office of Financial Management. The report can be obtained from the OFM website at www.ofm.wa.gov.

b. Annual OPEB Cost and Net OPEB Obligation

The Authority's annual OPEB cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period of ten years as of December 31, 2017. The following table shows the components of the Authority's annual OPEB cost for the year, and the estimated amount contributed to the plan.

| | <u>FY 2017</u> |
|--|------------------|
| 1-Annual required contribution | \$ 139,714 |
| 2-Amortization of UAAL* | <u>130,184</u> |
| <u>Annual Required Contribution [1+2]</u> | 269,898 |
| 3-Interest on Net OPEB Obligation | 58,916 |
| 4-Net OPEB Amortization | <u>(85,178)</u> |
| <u>5-Annual OPEB Costs [1+2+3+4]</u> | 243,636 |
| 6-Estimated pay-as-you go employer contributions | <u>(23,801)</u> |
| 7-Net OPEB Obligation [5+6] | 219,835 |
| 8-Net OPEB Obligation from Prior Year | <u>1,484,884</u> |
| <u>Net OPEB Obligation End of Year [7+8]</u> | <u>1,704,719</u> |

* Unfunded Actuarial Accrued Liability (UAAL)

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The Authority's OPEB cost, the percentage of OPEB costs contributed to the plan, and the net OPEB obligation of the plan for the fiscal year 2017 and the two preceding years were as follows:

| <u>Fiscal Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Contribution as a Percentage of OPEB Cost [6/5]</u> | <u>Net OPEB Obligation</u> |
|------------------------------|-----------------------------|--|--------------------------------|
| 12/31/2017 | \$ 243,636 | 9.8% | \$ 1,704,719 |
| 12/31/2016 | 240,281 | 10.0% | 1,484,884 |
| 12/31/2015 | 227,374 | 10.1% | 1,268,576 |

See the Required Supplemental Information (RSI) that follows these notes for further OPEB discussion.

c. Actuarial Methods and Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Authority used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.4 was assumed for all active members. Termination and mortality rates were assumed to follow the PERS 2 termination and mortality rates used in the June 30, 2016 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2015. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.

The specific actuarial methods and significant assumptions used to determine the ARC for the current year are as follows:

| | |
|--|-----------------------|
| Valuation Date | 12/31/17 |
| Actuarial Cost Method | Projected Unit Credit |
| Method Used to Determine the Actuarial Value of Assets | N/A |
| Interest Rate for Discounting Future Liabilities | 4.0% |
| Projected Payroll Growth | 3.75% |
| Expected Retirement Age | 65 |
| Investment Return | N/A |
| Healthcare Cost Trend Rate - Initial | 6.7% |
| Healthcare Cost Trend Rate - Ultimate | 4.5% |
| Amortization Period - Open | 20 |

The Bellingham and Whatcom County Housing Authorities are operated by the same staff and share the same facilities. The basis of our allocation is the medical insurance charges for the final month of the fiscal year. These charges are based upon employee payroll coding which is spread between both Housing Authorities.

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

This year the percentages for the Bellingham Housing Authority and the Whatcom County Housing Authority were 94.01% and 5.99% respectively.

NOTE 9 – BLENDED COMPONENT UNITS

As of December 31, 2017, the Authority reports River House Associates, L.P., a tax credit limited partnership where the Whatcom County Housing Authority is the general partner and the Authority is the substitute limited partner with a 99.9 interest, as a blended component unit. Below are the Condensed Statement of Net Position, the Condensed Statement of Revenues, Expenses, and Changes in Net Position, and the Condensed Statement of Cash Flows, as required by GASB No.61 *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No.34*

| | Condensed Statement of Net Position | Blended Component Unit |
|---|--|-----------------------------------|
| ASSETS | | |
| Current assets | | 53,582 |
| Restricted deposits & funded reserves | | 311,673 |
| Capital assets | | 2,070,984 |
| Total Assets | | <u>2,436,239</u> |
| LIABILITIES | | |
| Current liabilities | | 42,338 |
| Long-term liabilities | | 1,205,717 |
| Total Liabilities | | <u>1,248,055</u> |
| NET POSITION | | |
| Net investment in capital assets | | 865,267 |
| Restricted | | 298,188 |
| Unrestricted | | 24,729 |
| Total Net Position | | <u>1,188,184</u> |
| Condensed Statement of Revenues, Expenses, and Changes in Net Position | | |
| OPERATING REVENUES | | |
| Tenant rents | | 351,574 |
| Other tenant charges | | 4,697 |
| | | <u>356,271</u> |
| OPERATING EXPENSES | | |
| Administrative | | 71,042 |
| Utilities | | 45,407 |
| Management and partnership fees | | 35,219 |
| Repairs and maintenance | | 124,437 |
| Other general expenses | | 41,735 |
| Depreciation and amortization | | 96,414 |
| | | <u>414,254</u> |
| Operating Income | | (57,983) |
| Non-operating Income | | - |
| Change in Net Position | | (57,983) |
| Beginning Net Position | | 1,246,167 |
| Ending Net Position | | <u>1,188,184</u> |
| Condensed Statement of of Cash Flows | | |
| Net cash provided by operating activities | | 39,987 |
| Net cash provided by capital and related financing activities | | (34,308) |
| Net cash provided by investing activities | | (12,660) |
| | | <u>(6,981)</u> |
| Beginning cash and cash equivalent balances | | 53,665 |
| Ending cash and cash equivalent balances | | 46,684 |

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 10 – DISCRETELY PRESENTED COMPONENT UNITS AND CAPITAL TRANSFER

A summary of significant transactions between the tax credit partnerships and the Authority as of December 31, 2017 is presented in the following table.

| Tax Credit Partnership | Partnership Formed | BHA Ownership | Seller Note payable to BHA | Developer Fee payable to BHA | Pass-thru Loans from BHA to Partnership | Partnership Net Financing Gain/(Loss) in Current FY | BHA Share of Net Financing Gain/(Loss) | Capital Contr from/(Distr to) BHA | BHA Equity Balance |
|------------------------|--------------------|---------------|----------------------------|------------------------------|---|---|--|-----------------------------------|--------------------|
| Laurel Street | 09/23/03 | 0.01% | | 264,112 | 1,633,674 | (286,082) | (29) | | 43,390 |
| Meadow Wood | 01/08/04 | 0.01% | | | 767,275 | (194,332) | (19) | | (255) |
| Laube Housing | 2004 | 0.10% | | | 1,229,371 | (97,580) | (98) | | (1,168) |
| Meadow Wood II | 01/13/05 | 0.01% | | 236,363 | 1,948,794 | (98,870) | (10) | | 51,893 |
| State Street | 2005 | 0.01% | | | 2,785,708 | (354,457) | (35) | | 17,287 |
| Walton II | 2009 | 0.01% | | 75,057 | 6,198,304 | (254,486) | (25) | | 44,823 |
| Varsity Village | 12/17/09 | 0.01% | 2,512,980 | | 250,000 | (378,415) | (38) | | 219,489 |
| Orleans | 12/09/11 | 0.01% | 657,777 | | - | (203,217) | (20) | | 2 |
| Northwest Corner | 03/28/12 | 0.01% | 22,985,748 | 1,225,394 | 26,076,085 | (1,922,830) | (192) | | (605) |
| Bakerview | 01/24/17 | 0.01% | 5,904,000 | - | 10,000,000 | 16,676 | 2 | 100 | 102 |
| | | | 32,060,505 | 1,800,926 | 50,889,211 | (3,773,593) | (464) | 100 | 374,958 |

As of December 31, 2016, the National Equity Fund, the limited partner of Oakland Associates Limited Partnership (a low-income housing tax credit limited partnership where the Authority was the general partner), donated its interest to the Authority, for no consideration. The Authority terminated the partnership at the beginning of the 2017 fiscal year, and the property became wholly owned by the Authority's local fund. As a result, Oakland is not longer a discretely presented component unit to the Authority. A capital transfer of \$680,521 was recorded under the Discretely Presented Component Units column to account for the removal of the beginning balance of Oakland's net position.

Laurel Street Housing LLC The Limited Liability Company was formed and registered with the State of Washington September 23, 2003. Laurel Street Housing LLC developed 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 \$230,386 was received December 22, 2004; terms are 40 years at 2% compounded quarterly; and payments in the amount of \$13,408 begin on November 30, 2007, with the final payment is 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), with 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), with 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 pays an annual rent payment of \$12. See Note 5 Lease Commitments.

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. The construction loan was paid off with capital contributions and proceeds from permanent financing from Washington Community Reinvestment Association in the amount of \$1,300,000. The permanent financing bears interest at 7.125% and monthly payments of \$8,758 through September 2037.

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

Meadow Wood Associates LLC The Limited Liability Company was formed and registered with the State of Washington January 8, 2004. Meadow Wood Associates LLC developed a 51 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. On April 12, 2004 the Authority purchased this property for \$650,000 using funds from the Line of Credit. The property was developed into two projects.

Significant financing transactions include three loans. The first from the Washington Community Reinvestment Association in the original amount of \$2,400,000 bears interest at 7.25% with monthly installments of \$16,372 payable through July 2038. The second from the Washington State Community, Trade and Economic Development in the original amount of \$490,000 bears interest at 1% compounded quarterly and is payable in quarterly installments of \$3,797 through April 2047. The third loan from the City of Bellingham in the original amount of \$390,000 is payable from the lesser of accrued interest or \$5,700 beginning in 2012 through 2021. Annual payments of \$17,851 begin in 2022 and the note is due in full in 2048.

Laube Housing Associates LLC The Limited Liability Company was formed in 2004. Laube Housing Associates LLC developed a 20 unit low income tax credit project in the City of Bellingham.

Significant financing transactions as of December 31, 2008 include: the Authority closed on a loan in 2008 from Washington Community Reinvestment Association in the amount of \$800,000 payable in monthly installments of \$5,122 beginning July 2008, including interest at 6.625 percent per annum through June 2038. The Authority closed on a note in 2008 from Washington State Community, Trade and Economic Development (CTED) in the amount of \$950,000 payable in quarterly installments of \$3,045 beginning January 2009, including interest at 0.0 % per annum through April 2048.

There is an assignment from the Authority to Laube Housing Associates LLC, a HOME loan from the City of Bellingham in the amount of \$250,000; terms of 40 years, interest rate of 2%, subject to available cash flows through 2012; after that payments of \$3,500 are required, increasing to \$7,500 in 2017; \$10,000 in 2022; \$12,500 in 2027; and \$15,000 in 2031. The Authority has also provided two loans totaling \$151,678. Annual payments are required if there is available cash. The loans bears interest at 8% compounded annually. The notes are due in 2048.

Meadow Wood II Associates LLC The Limited Liability Company was formed January 13, 2005. Meadow Wood II Associates LLC developed a 30 unit low income tax credit project in the City of Bellingham.

Significant financing transactions as of December 31, 2008 included: the Authority closed on a loan in 2008 from Washington State Community, Trade and Economic Development (CTED) in the amount of \$1,500,000. There are two components to this loan, the first, in the amount of \$550,000 is payable in quarterly installments of \$4,262 beginning December 2009, including interest at 1 percent compounded quarterly through September 2048; the second, in the amount of \$950,000 is deferred for forty years with no interest and is due September 2048. The Authority closed on a loan in 2008 from Wells-Fargo in the amount of \$1,125,000. This loan is payable in monthly installments of \$6,752 including interest at 6.01 percent beginning July 2009 through November 2025.

There is an assignment from the Authority to Meadow Wood II Associates LLC, a HOME loan from the City of Bellingham in the amount of \$200,000 terms of 40 years interest rate of 1% beginning with occupancy of July 2008. Annual payments, subject to available cash flows are \$6,265. The note is to be paid in full in March 2048. The Authority has also provided a loan in the amount of \$378,536. Annual payments are required if there is available cash. The loan bears interest at 1% compounded annually. The note is due in 2048.

State Street Housing Associates, LLC (Walton Phase One) The Limited Liability Company was formed in 2005. State Street Housing Associates LLC developed a 51 unit low income tax credit project in the City of Bellingham. The final Cost Certification was completed November 30, 2009.

Significant financing transactions as of December 31, 2009 include: the Authority closed on a loan in 2009 from Washington State Community, Trade and Economic Development (CTED) in the amount of \$2,700,000. The note shall be deferred until February 28, 2011, with interest accruing at 0% during the deferral period. Quarterly installments of \$3,125 shall begin on May 31, 2011, including interest at 1% through February 2049.

A loan from the City of Bellingham in the amount of \$749,144 consists of two components. The first in the amount of 275,000 has 0% interest. Annual payments begin March 2010 in the amount of \$1,750. The note is to be paid in full March 2049. The second component, in the amount of \$474,144 has 0% interest. Annual payments begin March 2010 in the amount of \$3,250. The note is to be paid in full March 2049. A construction loan in the amount of \$7,250,000 was payable to CTED.

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

This loan was paid off with permanent financing in April 2010.

Washington Community Reinvestment Association has provided a loan of up to \$2,200,000. The interest rate is locked at 6.625% through August 2010. The loan will be amortized over 40 years, beginning at closing. The Authority has entered into an agreement for a loan of up to \$300,000. The loan will bear interest at 6.75% and will be subject to available cash flow. All unpaid interest and principle will be due September 2049.

Walton Phase Two, LLC The Limited Liability Company was formed in 2009. Walton Phase Two LLC is a 40 unit low income tax credit project in the City of Bellingham. The property includes 2,300 square feet of commercial space on its ground floor. The complex opened July 2011. The Authority is the general partner with a \$45,000 initial capital contribution and a 0.01% partnership ownership.

The Washington State Housing Finance Commission (WSHFC) funded the project with \$1,542,328 in January 2010, \$57,672 in September 2010, \$3,717,160 through September 2011, and \$482,840 through September 2012, for a total loan amount of \$5,800,000. The loan has a zero percent interest rate and is due in full June 30, 2049. The loan is an obligation of the Authority and assigned to the LLC. It is offset by a receivable from the LLC.

The City of Bellingham provided \$447,000 in funding in November 2009; this is an obligation of the Authority and is assigned to the LLC. The payable is offset by a receivable from the LLC. Term is 40 years at 1.0 percent interest. First payment due March 31st, 2012 based on available cash flow. A Green Communities Grant of \$45,000 was received by BHA in April 2011. This is considered a capital contribution to the LLC.

Varsity Village Associates, LLC The Limited Liability Company was formed in December 17, 2009. The company was organized to own, rehabilitate and operate a 101-unit apartment project located in Bellingham, Washington. The property was previously owned by HUD. On March 4, 2011 the Authority signed a Real Estate Purchase and Sale Agreement for the sale of the Varsity Village and Varsity Village Extension properties. The sale of the property completed in April 2011 and rental operations began at that time. The Authority is the general partner with a \$219,931 initial capital contribution and a 0.01% partnership ownership.

The Company has received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Company is subject to monitoring of tenant eligibility by WSHFC. The Company has agreed to maintain 100% of the apartment units as both rent restricted and occupied by low-income tenants for a minimum period of 40 years beginning 2011.

Orleans Place Affordable Housing Associates LLC The Limited Liability Company was formed as a limited liability company on December 9, 2011 with the Bellingham Housing Authority as the managing member. Effective with the First Amended and Restated Operating Agreement on March 22, 2013, Wincopin Circle LLLP, a Maryland Limited Liability Limited Partnership, was admitted as the investor member. Under the terms of the transfer agreement, as stated in the Operating Agreement, the investor member's interest transferred to Enterprise Housing Partners XXV, Limited Partnership, a Maryland Limited Partnership in July 2014.

The Company was organized to acquire, own, develop, rehabilitate and operate a 24-unit apartment project known as Orleans Place, located in Bellingham, Washington. The project was rehabilitated during 2013 and rental operations began in March 2013. The Company has received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Company is subject to monitoring of tenant eligibility by WSHFC. The Company has agreed to maintain 100% of the apartment units as both rent restricted and occupied by low-income tenants for a minimum period of 40 years beginning 2013.

Northwest Corner Affordable Housing Partners, LLLP The Limited Liability Limited Partnership was formed on March 28, 2012 with the Bellingham Housing Authority as the general partner and the Whatcom County Housing Authority as the initial limited partner. Effective with the Second Amended and Restated Agreement of Limited Partnership on May 2, 2014, AHP Housing Fund 54 LLC, A Delaware Limited Liability Company, was admitted as the substitute limited partner.

The partnership was organized to acquire, own, develop, rehabilitate and operate a total of seven apartment complexes located in Bellingham, Ferndale, Blaine, and Sumas, Washington. Rental operations began in May 2014. The rehabilitation of the apartment complexes began in 2014 and completed in 2015. The partnership has received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Company is subject to monitoring

Bellingham Housing Authority

Notes to Financial Statements

For the Year Ended December 31, 2017

of tenant eligibility by WSHFC. The partnership has agreed to maintain 75% of the apartment units as both rent restricted and occupied by low-income tenants for a minimum period of 40 years beginning 2014.

Bakerview Redevelopment Partners, LLLP The Limited Liability Limited Partnership was formed on February 24, 2017 with the Bellingham Housing Authority as the general partner and the Whatcom County Housing Authority as the initial limited partner. Effective with the first Amended and Restated Agreement of Limited Partnership on December 18, 2017, Wincopin Circle LLLP, a Maryland Limited Liability Limited Partnership, was admitted as the substitute limited partner.

The partnership was organized to acquire, develop, rehabilitate, operate, manage, and maintain four affordable rental housing projects located in Bellingham, Washington. Rental operations began in December 2017. The rehabilitation of the apartment complexes began in early 2017 and will be completed in mid 2019. The partnership has received an allocation of federal low-income housing tax credits under Section 42 of the Internal Revenue Code administered by the Washington State Housing Finance Commission (WSHFC). Under this program, housing provided by the Company is subject to monitoring of tenant eligibility by WSHFC. The partnership has agreed to maintain 100% of the apartment units as both rent restricted and occupied by low-income tenants for a minimum period of 38 years beginning 2017.

Samish Way Redevelopment Partners, LLLP The Limited Liability Limited Partnership was formed by Resolution on March 15, 2016 by and between the Bellingham Housing Authority, as General Partner, and the Whatcom County Housing Authority, as the Initial Limited Partner, and incorporated under the Secretary of State of Washington on April 1, 2016. As of the close of 2017, this partnership has no assets or liabilities and is not considered a discretely presented component unit for fiscal year 2017. This partnership is reported herein as a "future discretely presented component unit" and as supplemental notation to Note 3 - Capital Assets.

On April 19, 2017, the Bellingham Housing Authority, as borrower, executed a \$1,830,000 Promissory Note, with the City of Bellingham as lender, at 0.5% interest compounded annually, maturity date January 21, 2020, for residential purposes and for the express purpose of promoting low-income and very low-income housing. In exchange for the Promissory Note and other consideration, on April 21, 2017 the Authority closed on a property for the proposed development site for a sales price of \$1,835,000 plus closing costs. A Deed of Trust was executed on April 19, 2017 between the Authority and Chicago Title Insurance Company, as Trustee, for property with the abbreviated legal title of lots 10 through 20, BLK 26, Plat of Eldridge & Bartlett's Add to Sehome, Whatcom County. This property shall remain held in trust until the Authority obtains permanent project financing, at which time the Promissory Note will be retired in exchange for payment, and the Authority will enter into a Capital Lease agreement with Samish Way Redevelopment Partners LLLP for the intended residential development. As of December 31, 2017, the Authority has expended \$80,411 in direct costs for this development project.

NOTE 11 - 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 projects within the Authorities based on equivalent units. The Local Fund of Bellingham Housing Authority owns the office building where the Authorities operate. Rent on the office building is charged to all funds in both Authorities based on equivalent units. Rent paid by each Authority for the year ended December 31, 2017 was:

| | |
|---|------------|
| Bellingham Housing Authority Public Housing | \$ 123,252 |
| Whatcom County Housing Authority Public Housing | 7,164 |

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 Note 5 Lease Commitments.

The Authority, in addition to developer fees and seller's notes receivable from its tax credit properties, makes loans to its tax credit properties when approved by Board Resolution. These are described in detail in the LLC's published financial statements, which are available from the Authority upon request. Separate audited financial statements for the Whatcom County Housing Authority can also be obtained by writing to the Bellingham/Whatcom County Housing Authorities.

North Whatcom Affordable Housing Partners LLC (NWAHP) was created on January 3, 2013 by the Bellingham Housing Authority, the "Sole Member." On May 2, 2014, NWAHP was duly appointed in the Second Amended and

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

Restated Agreement of Limited Partnership between the Bellingham Housing Authority and the Limited Partner, AHP Housing Fund 54, LLC to serve as the "Developer" for the Northwest Corner Affordable Housing Partners LLLP (NWCAH).

In accordance with the Development Agreement between NWCAH (the Partnership) and NWAHP (the Developer), the Partnership shall pay the Developer a development fee of \$6,000,000 for services performed. As of December 31, 2017, NWAHP has earned and recorded the full amount, with an outstanding receivable of \$1,225,394 from NWCAH, and a corresponding payable to the Authority. During fiscal year 2017, NWAHP received in cash \$382,934 of the developer fees earned and passed the same proceeds to its sole member, the Authority, as compensation for the required development services.

NOTE 12 - CONTINGENCIES AND COMMITMENTS

On May 2, 2014, the Authority issued a \$24,050,000 Multifamily Housing Revenue Bonds and concurrently loaned the proceeds to Northwest Corner Affordable Housing Partners (NWCAHP), LLLP, with the Authority as the sole General Partner. NWCAHP is obligated to make loan payments in accordance with a promissory note in the amounts and at the times corresponding to the debt service and other payments required in respect of the Bonds. The Authority, as guarantor, entered into a Guaranty of Completion agreement with the Bank of New York Mellon Trust Company, as trustee. The Authority's guarantor obligations shall terminate upon removal or withdrawal as the general partner of NWCAHP. The Authority unconditionally and irrevocably guarantees to the Trustee:

- (1) the full and complete renovation of the project,
- (2) the payment of all project costs,
- (3) the payment of any and all costs and expenses incurred by the Trustee in connection with the enforcement of NWCAHP's obligation to complete renovation of the project, and
- (4) the maintenance of a minimum net worth of at least \$10,000,000 and an amount equal to \$1,500,000 in cash or cash equivalents.

On December 18, 2017, the Authority issued the Housing Authority of the City of Bellingham Revenue Bond, 2017 (Bakerview Redevelopment Portfolio) in the principal amount of \$10,000,000, and concurrently loaned the proceeds to Bakerview Redevelopment Partners (BRP), LLLP, with the Authority being the sole General Partner. At the closing of the loan, Banner Bank purchased the Bond and the Authority assigned its interest in the loan to Banner Bank. BRP, as the borrower, is obligated to make loan payments in accordance with a promissory note from BRP to the Authority in the amounts and at the times corresponding to the debt service and other payments required in respect of the Bond. The Authority, as the guarantor of the indebtedness, entered into a Commercial Guaranty agreement with Banner Bank, as the lender. The Authority guarantees at all times the performance and prompt payment when due, whether at maturity or earlier by reason of acceleration or otherwise, of all indebtedness of BRP.

The Authority, on December 18, 2017, entered into an Operating Subsidy Contract with Bakerview Redevelopment Partners LLLP. The purpose of this contract is to provide operating subsidy payments for the project whose households are Qualified Households, defined as household whose income is less than 80% of Whatcom County's area median income. Commencing January 1, 2019, the Authority agrees to make an annual operating subsidy payment of \$50,760, increased by 3% as of each January 1, to the partnership. The initial term of this contract for all contract units expires on December 31, 2037.

NOTE 13 – SPECIAL ITEMS

The Authority, as the general partner, re-syndicated in December 2017 three of its tax credit partnerships - namely, Prince Street Associates, LP, Prince Court II, LP, and Heather Commons II, LP, to a newly formed tax credit partnership, Bakerview Redevelopment Partners, LP, where the Authority is the sole general partner. The sales generated a net gain of \$5,863,244. As part of the transaction, the Authority also sold a locally owned low-income property to Bakerview Redevelopment Partners, which generated another net gain of \$1,756,576. In addition, at the beginning of FY 2017, the Authority acquired a property which was previously owned by a tax credit partnership, where the Authority was the general partner, for no consideration. The transaction resulted in a net gain of \$535,272. Further discussion on this acquisition can be found in Note 10 Discretely Presented Component Units and Capital Transfer.

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

NOTE 14 - SUBSEQUENT EVENTS

The Authority has evaluated events and transactions occurring after December 31, 2017 through September 21, 2018, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events or transactions that required recognition and disclosures in the financial statements.

NOTE 15 - RISK MANAGEMENT

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 (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 purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty-two member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-five of the eighty-two members are Washington State public housing entities.

New members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. 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 is written on an occurrence basis, without member deductibles. Errors and Omissions coverage (which includes Employment Practices Liability) is written on claims made basis, and the members are responsible for 10% of the incurred costs of the claims. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E & O co-payments). Fidelity coverage is also offered, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty, forgery or alteration and \$10,000 for theft with deductibles similar to the retention of Property

Coverage limits for General Liability, as well as Errors and Omissions are \$2,000,000 per occurrence with no annual aggregate. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$2,000,000, with no aggregate. HARRP self-insures \$2 million of coverage for liability lines. For property, HARRP retains the first \$2 million and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control and claim services with in-house staff and retained third party contractors.

HARRP is fully funded by member contributions that are adjusted by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, excess insurance, 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.

BELLINGHAM HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING DECEMBER 31, 2017

| GRANTOR AGENCY | PROGRAM NAME | FEDERAL CFDA NUMBER | OTHER IDENTIFICATION NUMBER | PASS-THROUGH AWARDS | DIRECT AWARDS | TOTAL |
|------------------------------------|--|---------------------------|-----------------------------------|------------------------|-------------------|------------|
| UNITED STATES DEPT. OF HUD | PUBLIC AND INDIAN HOUSING | 14.850 | SF-261 | | 865,483 | 865,483 |
| | PUBLIC HOUSING CAPITAL FUND | 14.872 | WA19P025501-13 | | 18,871 | |
| | PUBLIC HOUSING CAPITAL FUND | 14.872 | WA19P025501-15 | | 106,557 | |
| | PUBLIC HOUSING CAPITAL FUND | 14.872 | WA19P025501-16 | | <u>73,666</u> | 199,094 |
| | MAINSTREAM VOUCHERS | 14.879 | 86-0320-0-3-371 | | 450,932 | |
| | SECTION 8 HOUSING CHOICE VOUCHER | 14.871 | S-0108V | | <u>12,911,654</u> | |
| | TOTAL HOUSING CHOICE VOUCHER CLUSTER | | | | | 13,362,586 |
| | SHELTER PLUS CARE | 14.238 | WA19C95-0016 | | 1,016,178 | 1,016,178 |
| WASHINGTON STATE DEPT. OF COMMERCE | HOUSING OPPORTUNITIES | 14.241 | F-42897-003 | 89,958 | | 89,958 |
| | FOR PERSONS WITH AIDS | | | | | |
| CITY OF BELLINGHAM | COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG - ENTITLEMENT GRANT CLUSTER) | 14.218 | Contract # 2016-0372 | 85,665 | | 85,665 |

TOTAL FEDERAL EXPENDITURES

\$ 15,618,964

Bellingham Housing Authority
Notes to Financial Statements
For the Year Ended December 31, 2017

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 December 31, 2017. 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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized following the cost principles contained in the OMB Circular-A-87 and Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 - 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, are more than shown. Such expenditures are recognized following, as applicable, either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 - EXPENDITURES

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

Bellingham Housing Authority
Required Supplementary Information
PEBB Retiree Medical Benefits
Schedule of Funding Progress
For the Year Ended December 31, 2017

As of December 31, 2017, based on the actuarial date of December 31, 2017, the unfunded actuarial accrued liability (UAAL) of \$2,285,339 was equal to the actuarial accrued liability (AAL) due to the Authority's pay-as-you-go policy. Following is the funded status for the plan as of December 31, 2017:

| Fiscal Year Ended | Actuarial value of assets | Actuarial Accrued Liabilities Entry Age | Unfunded Actuarial Accrued Liabilities | Funded Ratio | UAAL as a % of | |
|----------------------|------------------------------|--|---|-----------------|--------------------|--------------------|
| | | | | | Covered Payroll | Covered Payroll |
| Dec. 31, 2017 | \$ - | \$ 2,285,339 | \$ 2,285,339 | 0% | \$ 2,521,451 | 90.6% |
| Dec. 31, 2016 | \$ - | \$ 2,274,643 | \$ 2,274,643 | 0% | \$ 2,483,964 | 91.6% |
| Dec. 31, 2015 | \$ - | \$ 2,171,685 | \$ 2,171,685 | 0% | \$ 2,644,201 | 82.2% |

Bellingham Housing Authority
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans
Schedule of Proportionate Share of the Net Pension Liability

PERS 1
As of June 30
Last Four Fiscal Years

| Year Ended June 30, | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability | Employer's covered employee payroll | Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|-------------------------------------|---|--|
| 2017 | 0.021009% | \$ 996,927 | \$ 2,649,286 | 37.63% | 61.24% |
| 2016 | 0.023022% | 1,236,445 | 2,755,935 | 44.86% | 57.03% |
| 2015 | 0.023948% | 1,252,690 | 2,744,278 | 45.65% | 59.10% |
| 2014 | 0.024203% | 1,219,220 | 2,668,195 | 45.69% | 61.19% |

PERS 2/3
As of June 30
Last Four Fiscal Years

| Year Ended June 30, | Employer's proportion of the net pension liability (asset) | Employer's proportionate share of the net pension liability | Employer's covered employee payroll | Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|---------------------|--|---|-------------------------------------|---|--|
| 2017 | 0.027022% | \$ 938,934 | \$ 2,649,286 | 35.44% | 90.97% |
| 2016 | 0.029500% | 1,485,327 | 2,755,935 | 53.90% | 85.82% |
| 2015 | 0.030922% | 1,104,864 | 2,744,278 | 40.26% | 89.20% |
| 2014 | 0.031161% | 629,874 | 2,668,195 | 23.61% | 93.29% |

The accompanying notes are an integral part of this schedule.

Bellingham Housing Authority
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans

Schedule of Employer Contributions

PERS 1

As of December 31

Last Four Fiscal Years

| Year Ended December 31, | Statutorily or contractually required contributions | Contributions in relation to the statutorily or contractually required contributions | Contribution deficiency (excess) | Covered employee payroll | Contributions as a percentage of covered employee payroll |
|-------------------------------|--|---|--|--------------------------------|--|
| 2017 | \$ 127,939 | \$ (127,939) | \$ - | \$ 2,612,476 | 4.90% |
| 2016 | 124,102 | (124,102) | - | 2,601,718 | 4.77% |
| 2015 | 117,476 | (117,476) | - | 2,643,436 | 4.44% |
| 2014 | 116,008 | (116,008) | - | 2,818,006 | 4.12% |

Schedule of Employer Contributions

PERS 2/3

As of December 31

Last Four Fiscal Years

| Year Ended December 31, | Statutorily or contractually required contributions | Contributions in relation to the statutorily or contractually required contributions | Contribution deficiency (excess) | Covered employee payroll | Contributions as a percentage of covered employee payroll |
|-------------------------------|--|---|--|--------------------------------|--|
| 2017 | \$ 178,863 | \$ (178,863) | \$ - | \$ 2,612,476 | 6.85% |
| 2016 | 162,087 | (162,087) | - | 2,601,718 | 6.23% |
| 2015 | 150,779 | (150,779) | - | 2,643,436 | 5.70% |
| 2014 | 143,531 | (143,531) | - | 2,818,006 | 5.09% |

The accompanying notes are an integral part of this schedule.

Bellingham Housing Authority
Notes to Required Supplemental Information - Pension
REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Pension Plans
As of December 31
Last Four Fiscal Years

Note 1: Information Provided

GASB 68 was implemented for the year ended December 31, 2014, therefore there is no data available for years prior to 2014. Eventually, the schedules will show ten years of data.

Note 2: Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

Note 3: Covered payroll

Covered payroll has been presented in accordance with GASB 82, *Pension Issues*. Covered payroll includes all payroll on which a contribution is based.

Note 4: Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 11.18% to 12.70% for pay periods beginning July 2017.

Housing Authority City of Bellingham (WA025)
BELLINGHAM, WA
Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2017

Submission Type: Audited/Single Audit

| | Project Total | 14,871 Housing Choice Vouchers | 14,879 Mainstream Vouchers | 6,1 Component Unit - Discreetly Presented | 14,241 Housing Opportunities for Persons with AIDS | 14,238 Shelter Plus Care | 1 Business Activities | 14,218 Community Development Block Grants/Entitlement Grants | COCG | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|-------------------------------|---|--|-----------------------------|--------------------------|---|-----------|---------------|-----------|---------------|
| 111 Cash - Unrestricted | \$3,540,542 | \$168,976 | \$34,472 | \$3,480,262 | | | \$7,729,873 | | \$390,277 | \$15,354,402 | | \$15,354,402 |
| 112 Cash - Restricted - Modernization and Development | \$7,150 | | | | | | | | | \$7,150 | | \$7,150 |
| 113 Cash - Other Restricted | \$27,500 | \$106,322 | | | \$7,669 | \$12,704 | \$307,114 | | | \$461,309 | | \$461,309 |
| 114 Cash - Tenant Security Deposits | \$135,696 | | | \$360,023 | | | \$26,829 | | | \$522,548 | | \$522,548 |
| 115 Cash - Restricted for Payment of Current Liabilities | | | | | | | | | | | | |
| 100 Total Cash | \$3,710,888 | \$275,298 | \$34,472 | \$3,850,285 | \$7,669 | \$12,704 | \$8,063,816 | \$0 | \$390,277 | \$16,345,409 | \$0 | \$16,345,409 |
| 121 Accounts Receivable - PHA Projects | | | | | | | | | | | | |
| 122 Accounts Receivable - HUD Other Projects | | | | | | | | | | | | |
| 124 Accounts Receivable - Other Government | \$54,262 | | | | \$11,829 | \$9,137 | | | | \$63,399 | | \$63,399 |
| 125 Accounts Receivable - Miscellaneous | | | | | | | | | | \$28,647 | | \$28,647 |
| 126 Accounts Receivable - Tenants | \$24,325 | \$493 | \$1,576 | | | | \$179,123 | \$16,818 | \$426,728 | \$907,920 | \$214,269 | \$393,651 |
| 126.1 Allowance for Doubtful Accounts - Tenants | \$7,485 | | | \$82,460 | | | \$1,075 | | | \$107,860 | | \$107,860 |
| 126.2 Allowance for Doubtful Accounts - Other | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$7,485 | | \$7,485 |
| 127 Notes, Loans, & Mortgages Receivable - Current | | | | | | | | | | \$0 | | \$0 |
| 128 Fraud Recovery | \$11,534 | \$66,229 | \$1,993 | | | | \$443,824 | | | \$443,824 | | \$443,824 |
| 128.1 Allowance for Doubtful Accounts - Fraud | \$0 | \$66,229 | \$0 | | | | | | | \$79,756 | | \$79,756 |
| 129 Accrued Interest Receivable | | | | | | | | | | \$66,229 | | \$66,229 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | \$82,636 | \$493 | \$3,569 | \$82,460 | \$11,829 | \$9,137 | \$624,022 | \$16,818 | \$426,728 | \$1,257,692 | \$214,269 | \$1,043,423 |
| 131 Investments - Unrestricted | | | | | | | | | | | | |
| 132 Investments - Restricted | | | | \$12,118,312 | | | | | | \$12,118,312 | | \$12,118,312 |
| 135 Investments - Restricted for Payment of Current Liability | | | | | | | | | | | | |
| 142 Prepaid Expenses and Other Assets | \$45,499 | \$6,267 | \$252 | \$252,207 | | \$418 | \$15,100 | | \$10,386 | \$330,129 | | \$330,129 |
| 143 Inventories | | | | | | | | | \$51,432 | \$51,432 | | \$51,432 |
| 143.1 Allowance for Obsolete Inventories | | | | | | | | | \$0 | \$0 | | \$0 |
| 144 Inter Program Due From | | | | | | | | | | | | |
| 145 Assets Held for Sale | | | | | | | | | | | | |
| 150 Total Current Assets | \$3,639,023 | \$282,098 | \$38,293 | \$16,303,264 | \$19,498 | \$22,259 | \$8,702,938 | \$16,818 | \$878,623 | \$30,102,974 | \$214,269 | \$29,888,705 |
| 161 Land | \$2,631,421 | | | \$11,587,082 | | | \$2,709,136 | | | \$17,127,639 | | \$17,127,639 |
| 162 Buildings | \$34,189,439 | | | \$133,007,788 | | | \$4,258,434 | | | \$171,455,661 | | \$171,455,661 |
| 163 Furniture, Equipment & Machinery - Dwellings | \$304,072 | | | | | | | | | \$304,072 | | \$304,072 |
| 164 Furniture, Equipment & Machinery - Administration | \$163,694 | \$32,094 | \$1,486 | | | | \$118,103 | | \$215,505 | \$530,882 | | \$530,882 |
| 165 Leasehold Improvements | | | | | | | | | | | | |
| 166 Accumulated Depreciation | \$21,786,978 | \$31,132 | \$1,373 | \$25,098,539 | | | \$655,688 | | \$214,863 | \$47,988,573 | | \$47,988,573 |
| 167 Construction in Progress | \$1,636,528 | | | \$389,866 | | | | \$85,665 | | \$2,112,059 | | \$2,112,059 |
| 168 Infrastructure | | | | | | | | | | | | |
| 160 Total Capital Assets, Net of Accumulated Depreciation | \$17,338,176 | \$962 | \$113 | \$119,886,197 | \$0 | \$0 | \$6,229,985 | \$85,665 | \$642 | \$143,541,740 | \$0 | \$143,541,740 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | | | | | | | \$85,181,563 | | | \$85,181,563 | | \$85,181,563 |
| 172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due | | | | | | | | | | | | |
| 173 Grants Receivable - Non-Current | | | | | | | \$4,926,726 | | | \$5,299,043 | | \$5,299,043 |
| 174 Other Assets | | | | \$372,317 | | | \$219,824 | | | \$219,824 | | \$219,824 |
| 176 Investments in Joint Ventures | | | | | | \$0 | \$66,558,098 | \$85,665 | \$642 | \$234,242,170 | \$0 | \$234,242,170 |
| 180 Total Non-Current Assets | \$17,338,176 | \$962 | \$113 | \$120,258,514 | \$0 | \$0 | \$66,558,098 | \$85,665 | | \$234,242,170 | | \$234,242,170 |
| 200 Deferred Outflow of Resources | \$54,699 | | | | | | \$114,893 | | \$95,566 | \$265,158 | | \$265,158 |
| 200 Total Assets and Deferred Outflow of Resources | \$21,231,898 | \$283,020 | \$38,406 | \$136,561,778 | \$19,498 | \$22,259 | \$105,375,929 | \$102,483 | \$975,031 | \$264,610,302 | \$214,269 | \$264,396,033 |

Housing Authority City of Bellingham (WA025)
 BELLINGHAM, WA
 Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2017

Submission Type: Audited/Single Audit

| Submission Type: Audited/Single Audit | Project Total | 14,871 Housing Choice Vouchers | 14,879 Mainstream Vouchers | 6.1 Component Unit - Discreetly Presented | 14,241 Housing Opportunities for Persons with AIDS | 14,238 Shelter Plus Care | 1 Business Activities | 14,218 Community Development Block Grants/Entitlement Grants | COCG | Subtotal | ELIM | Total |
|---|---------------|--------------------------------|----------------------------|---|--|--------------------------|-----------------------|--|-------------|---------------|------------|---------------|
| 311 Bank Overdraft | | | | | | | | | | | | |
| 312 Accounts Payable <= 90 Days | \$171,192 | \$2,033 | \$233 | \$455,474 | \$8,653 | \$541 | \$99,517 | \$13,295 | \$61,263 | \$812,201 | | \$812,201 |
| 313 Accounts Payable >90 Days Past Due | | | | | | | | | | | | |
| 321 Accrued Wage/Payroll Taxes Payable | \$33,765 | \$29,998 | \$1,231 | | \$1,210 | \$18,785 | | | \$394 | \$85,383 | -\$84,988 | \$395 |
| 322 Accrued Compensated Absences - Current Portion | | | | | | | | | | | | |
| 324 Accrued Contingency Liability | | | | | | | | | | | | |
| 325 Accrued Interest Payable | | | | | | | | | | | | |
| 331 Accounts Payable - HUD PHA Programs | | | | | | | | | | | | |
| 332 Account Payable - PHA Projects | | | | | | | | | | | | |
| 333 Accounts Payable - Other Government | | | | | | | | | | | | |
| 341 Tenant Security Deposits | \$135,704 | | | \$359,979 | | | \$25,109 | | | \$520,792 | | \$520,792 |
| 342 Unearned Revenue | \$39,103 | \$10,732 | | \$362,712 | | | \$8,926 | | | \$421,473 | | \$421,473 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | | | | \$632,137 | | | \$42,011 | | | \$674,148 | | \$674,148 |
| 344 Current Portion of Long-term Debt - Operating Borrowings | | | | | | | | | | | | |
| 345 Other Current Liabilities | \$930,349 | | | | | | \$742,115 | | | \$1,672,464 | | \$1,672,464 |
| 346 Accrued Liabilities - Other | \$244,994 | \$30,385 | \$2,086 | \$2,320,385 | \$9,635 | \$2,833 | \$35,745 | \$3,523 | \$10,969 | \$2,660,655 | -\$128,281 | \$2,531,374 |
| 347 Inter Program - Due To | | | | | | | | | | | | |
| 348 Loan Liability - Current | | | | | | | | | | | | |
| 310 Total Current Liabilities | \$1,555,107 | \$73,148 | \$3,550 | \$4,130,687 | \$19,498 | \$22,259 | \$953,423 | \$16,818 | \$72,626 | \$6,847,116 | -\$214,269 | \$6,632,847 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | | | | \$99,132,548 | | | \$3,750,548 | | | \$102,883,094 | | \$102,883,094 |
| 352 Long-term Debt, Net of Current - Operating Borrowings | | | | | | | | | | | | |
| 353 Non-current Liabilities - Other | | | | \$5,289,074 | | | \$52,365,297 | | | \$57,654,371 | | \$57,654,371 |
| 354 Accrued Compensated Absences - Non Current | \$53,381 | \$45,974 | \$1,435 | | | | \$109,326 | | \$123,163 | \$333,279 | | \$333,279 |
| 355 Loan Liability - Non Current | | | | | | | | | | | | |
| 356 FASB 5 Liabilities | | | | | | | | | | | | |
| 357 Accrued Pension and OPEB Liabilities | \$736,231 | \$110,361 | | | | | \$1,415,872 | | \$1,378,116 | \$3,640,580 | | \$3,640,580 |
| 350 Total Non-Current Liabilities | \$789,612 | \$156,335 | \$1,435 | \$104,421,622 | \$0 | \$0 | \$57,641,041 | \$0 | \$1,501,279 | \$164,511,324 | \$0 | \$164,511,324 |
| 300 Total Liabilities | \$2,344,719 | \$229,483 | \$4,985 | \$106,552,309 | \$19,498 | \$22,259 | \$58,594,464 | \$16,818 | \$1,573,905 | \$171,358,440 | -\$214,269 | \$171,144,171 |
| 400 Deferred Inflow of Resources | \$89,830 | | | | | | \$188,668 | | \$156,936 | \$435,434 | | \$435,434 |
| 508.4 Net Investment in Capital Assets | \$16,407,827 | \$962 | \$113 | \$20,493,829 | \$0 | \$0 | \$2,437,428 | \$85,665 | \$642 | \$39,426,466 | \$0 | \$39,426,466 |
| 511.4 Restricted Net Position | \$0 | \$106,322 | \$0 | \$12,118,312 | \$0 | \$0 | \$298,188 | \$0 | \$0 | \$12,522,822 | \$0 | \$12,522,822 |
| 512.4 Unrestricted Net Position | \$2,389,522 | -\$53,747 | \$33,308 | -\$4,602,672 | \$0 | \$0 | \$43,857,181 | \$0 | -\$756,452 | \$40,867,140 | \$0 | \$40,867,140 |
| 513 Total Equity - Net Assets / Position | \$18,797,349 | \$53,537 | \$33,421 | \$28,009,469 | \$0 | \$0 | \$46,592,797 | \$85,665 | -\$755,810 | \$92,816,428 | \$0 | \$92,816,428 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | \$21,231,898 | \$283,020 | \$38,406 | \$136,561,778 | \$19,498 | \$22,259 | \$105,375,929 | \$102,483 | \$975,031 | \$264,610,302 | -\$214,269 | \$264,396,033 |

Housing Authority City of Bellingham (WA025)
BELLINGHAM, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2017

| | Project Total | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.1 Component Unit - Discreetly Presented | 14.241 Housing Opportunities for Persons with AIDS | 14.238 Shelter Plus Care | 1 Business Activities | 14.218 Community Development Block Grants/Entitlement Grants | COCG | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|-------------------------------|---|--|-----------------------------|--------------------------|---|-------------|--------------|--------------|--------------|
| 70300 Net Tenant Rental Revenue | \$1,683,706 | | | \$8,423,449 | | | \$739,395 | | | \$10,862,550 | | \$10,862,550 |
| 70400 Tenant Revenue - Other | \$176,255 | | | | | | \$14,768 | | | \$191,043 | | \$191,043 |
| 70500 Total Tenant Revenue | \$1,859,961 | \$0 | \$0 | \$8,423,449 | \$0 | \$0 | \$754,163 | \$0 | \$0 | \$11,043,593 | \$0 | \$11,043,593 |
| 70600 HUD PHA Operating Grants | \$945,170 | | | | | | | | | \$15,290,928 | | \$15,290,928 |
| 70610 Capital Grants | \$119,407 | | | | | \$1,016,178 | | | | \$119,407 | | \$119,407 |
| 70710 Management Fee | | | \$450,932 | | | | | | \$598,895 | \$598,895 | -\$598,895 | \$0 |
| 70720 Asset Management Fee | | | | | | | | | \$63,360 | \$63,360 | -\$63,360 | \$0 |
| 70730 Book Keeping Fee | | | | | | | | | \$203,940 | \$203,940 | -\$203,940 | \$0 |
| 70740 Front Line Service Fee | | | | | | | | | \$475,207 | \$475,207 | -\$475,207 | \$0 |
| 70750 Other Fees | | | | | | | | | \$555,977 | \$555,977 | | \$555,977 |
| 70700 Total Fee Revenue | | | | | | | | \$1,897,379 | \$1,897,379 | \$1,897,379 | -\$1,341,402 | \$555,977 |
| 70800 Other Government Grants | | | | | | | | | | | | |
| 71100 Investment Income - Unrestricted | \$930 | \$57 | \$2 | | \$89,958 | | \$2,745,986 | \$85,665 | \$33 | \$175,623 | | \$175,623 |
| 71200 Mortgage Interest Income | | | | | | | | | | \$2,747,008 | | \$2,747,008 |
| 71300 Proceeds from Disposition of Assets Held for Sale | | | | | | | | | | | | |
| 71310 Cost of Sale of Assets | | | | | | | | | | | | |
| 71400 Fraud Recovery | | \$35,653 | \$2,208 | | | | | | | | | |
| 71500 Other Revenue | \$198,553 | \$33,006 | | \$179,841 | | | \$472,676 | | \$1,149 | \$885,225 | -\$123,252 | \$761,973 |
| 71600 Gain or Loss on Sale of Capital Assets | | | | | | | | | | \$37,861 | | \$37,861 |
| 72000 Investment Income - Restricted | | | | | | | | | | | | |
| 72000 Total Revenue | \$3,124,021 | \$12,947,364 | \$453,142 | \$8,609,290 | \$89,958 | \$1,016,178 | \$3,972,845 | \$85,665 | \$1,895,561 | \$32,197,024 | -\$1,464,654 | \$30,732,370 |
| 91100 Administrative Salaries | \$254,641 | \$521,950 | \$21,709 | \$1,460,994 | \$3,802 | \$4,527 | \$504,320 | | \$439,838 | \$3,211,581 | | \$3,211,581 |
| 91200 Auditing Fees | \$6,441 | \$14,803 | \$662 | \$64,204 | | | \$18,930 | | \$16,751 | \$121,791 | | \$121,791 |
| 91300 Management Fee | \$401,738 | \$240,144 | \$10,716 | \$197,873 | | | | | \$850,471 | \$850,471 | -\$598,895 | \$251,576 |
| 91310 Book-keeping Fee | \$47,153 | \$150,090 | \$6,698 | | | | | | \$203,941 | \$203,941 | -\$203,940 | \$1 |
| 91400 Advertising and Marketing | \$3,421 | \$758 | \$33 | | | | \$6,391 | | \$2,639 | \$13,242 | | \$13,242 |
| 91500 Employee Benefit Contributions - Administrative | \$197,343 | \$248,040 | \$9,291 | | \$1,686 | \$1,550 | \$203,237 | | \$72,652 | \$733,799 | | \$733,799 |
| 91600 Office Expenses | \$83,657 | \$159,711 | \$4,751 | | \$11 | \$6,971 | \$177,812 | | \$146,979 | \$890,092 | -\$123,252 | \$456,840 |
| 91700 Legal Expense | \$11,499 | \$844 | \$14 | | \$2,250 | | \$23,148 | | \$4,314 | \$42,069 | | \$42,069 |
| 91800 Travel | \$312 | | | | | | \$13,009 | | \$6,393 | \$19,704 | | \$19,704 |
| 91810 Allocated Overhead | | | | | | | | | | | | |
| 91800 Other | \$2,077 | \$404 | \$20 | \$24,668 | | | \$30,767 | | \$11,058 | \$68,994 | | \$68,994 |
| 91900 Total Operating - Administrative | \$1,008,482 | \$1,336,744 | \$53,894 | \$1,747,739 | \$7,549 | \$13,048 | \$977,614 | \$0 | \$700,614 | \$5,845,684 | -\$926,087 | \$4,919,597 |
| 92000 Asset Management Fee | \$63,360 | | | | | | | | | \$63,360 | -\$63,360 | \$0 |
| 92100 Tenant Services - Salaries | | | | | \$609 | \$22,457 | | | | \$23,066 | | \$23,066 |
| 92200 Relocation Costs | | | | | | | | | | | | |
| 92300 Employee Benefit Contributions - Tenant Services | | | | | \$32 | \$11,490 | | | | \$11,522 | | \$11,522 |
| 92400 Tenant Services - Other | \$117,987 | \$13,025 | \$460 | | \$17 | \$786 | \$18,424 | | | \$150,699 | | \$150,699 |
| 92500 Total Tenant Services | \$117,987 | \$13,025 | \$460 | \$0 | \$658 | \$34,733 | \$18,424 | \$0 | \$0 | \$185,287 | \$0 | \$185,287 |
| 93100 Water | \$214,049 | | | \$577,517 | | | \$101,874 | | | \$893,440 | | \$893,440 |
| 93200 Electricity | \$132,538 | | | \$87,486 | | | \$14,442 | | | \$234,476 | | \$234,476 |
| 93300 Gas | \$93,103 | | | \$11,543 | | | \$5,537 | | | \$110,183 | | \$110,183 |
| 93400 Fuel | | | | | | | | | | | | |
| 93500 Labor | | | | | | | | | | | | |
| 93600 Sewer | | | | | | | | | | | | |
| 93700 Employee Benefit Contributions - Utilities | | | | | | | | | | | | |
| 93800 Other Utilities Expense | | | | | | | | | | | | |
| 93900 Total Utilities | \$439,690 | \$0 | \$0 | \$676,556 | \$0 | \$0 | \$121,853 | \$0 | \$0 | \$1,238,099 | \$0 | \$1,238,099 |

Housing Authority City of Bellingham (WA025)
BELLINGHAM, WA
Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2017

Submission Type: Audited/Single Audit

| | Project Total | 14.871 Housing Choice Vouchers | 14.879 Mainstream Vouchers | 6.1 Component Unit - Discreetly Presented | 14.241 Housing Opportunities for Persons with AIDS | 14.238 Shelter Plus Care | 1 Business Activities | 14.218 Community Development Block Grants/Entitlement Grants | COCG | Subtotal | ELIM | Total |
|---|---------------|-----------------------------------|-------------------------------|---|--|-----------------------------|--------------------------|---|-------------|--------------|--------------|--------------|
| 94100 Ordinary Maintenance and Operations - Labor | \$669,592 | | | | | | \$15,557 | | \$481,189 | \$1,166,338 | -\$457,555 | \$708,783 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | \$184,815 | \$673 | \$529 | | | | \$36,841 | | \$36,763 | \$259,621 | | \$259,621 |
| 94300 Ordinary Maintenance and Operations Contracts | \$372,368 | \$266 | \$25 | \$1,772,514 | | | \$248,698 | | \$70,063 | \$2,463,934 | -\$17,652 | \$2,446,282 |
| 94400 Employee Benefit Contributions - Ordinary Maintenance | \$122,093 | | | | | | \$4,634 | | \$278,775 | \$405,502 | | \$405,502 |
| 94000 Total Maintenance | \$1,348,868 | \$939 | \$554 | \$1,772,514 | \$0 | \$0 | \$305,730 | \$0 | \$866,790 | \$4,295,395 | -\$475,207 | \$3,820,188 |
| 95100 Protective Services - Labor | | | | | | | | | | | | |
| 95200 Protective Services - Other Contract Costs | \$57,141 | | | | | | \$9,298 | | \$1,000 | \$67,439 | | \$67,439 |
| 95300 Protective Services - Other | | | | | | | | | | | | |
| 95500 Employee Benefit Contributions - Protective Services | | | | | | | | | | | | |
| 95000 Total Protective Services | \$57,141 | \$0 | \$0 | \$0 | \$0 | \$0 | \$9,298 | \$0 | \$1,000 | \$67,439 | \$0 | \$67,439 |
| 96110 Property Insurance | | | | \$263,611 | | | | | | \$263,611 | | \$263,611 |
| 96120 Liability Insurance | \$56,079 | \$7,576 | \$309 | | | \$237 | \$27,704 | | \$12,902 | \$104,807 | | \$104,807 |
| 96130 Workmen's Compensation | | | | | | | | | | | | |
| 96140 All Other Insurance | | | | | | | | | | | | |
| 96100 Total Insurance Premiums | \$56,079 | \$7,576 | \$309 | \$263,611 | \$0 | \$237 | \$27,704 | \$0 | \$12,902 | \$368,418 | \$0 | \$368,418 |
| 96200 Other General Expenses | | | | | | | | | | | | |
| 96210 Compensated Absences | \$38 | \$45,091 | \$1,255 | | | \$553 | \$76,248 | | \$246 | \$123,431 | | \$123,431 |
| 96300 Payments in Lieu of Taxes | \$7,775 | -\$1,734 | -\$83 | | | | \$14,162 | | \$3,960 | \$29,100 | | \$29,100 |
| 96400 Bad debt - Tenant Rents | \$2,488 | | | | | | | | | \$2,488 | | \$2,488 |
| 96500 Bad debt - Mortgages | | | | | | | | | | | | |
| 96600 Bad debt - Other | \$25,184 | | | | | | | | | \$25,184 | | \$25,184 |
| 96800 Severance Expense | | | | | | | | | | | | |
| 96000 Total Other General Expenses | \$35,485 | \$43,357 | \$1,192 | \$0 | \$0 | \$553 | \$90,410 | \$0 | \$9,206 | \$180,203 | \$0 | \$180,203 |
| 96710 Interest of Mortgage (or Bonds) Payable | | | | \$3,677,909 | | | \$1,667,519 | | | \$5,345,428 | | \$5,345,428 |
| 96720 Interest on Notes Payable (Short and Long Term) | | | | | | | | | | | | |
| 96730 Amortization of Bond Issue Costs | | | | \$44,956 | | | | | | \$44,956 | | \$44,956 |
| 96700 Total Interest Expense and Amortization Cost | \$0 | \$0 | \$0 | \$3,722,865 | \$0 | \$0 | \$1,667,519 | \$0 | \$0 | \$5,390,384 | \$0 | \$5,390,384 |
| 96900 Total Operating Expenses | \$3,127,092 | \$1,401,641 | \$56,409 | \$8,183,285 | \$8,207 | \$48,571 | \$3,218,552 | \$0 | \$1,590,512 | \$17,634,269 | -\$1,464,654 | \$16,169,615 |
| 97000 Excess of Operating Revenue over Operating Expenses | -\$3,071 | \$11,545,723 | \$396,733 | \$426,005 | \$81,751 | \$987,607 | \$754,293 | \$85,665 | \$308,049 | \$14,562,755 | \$0 | \$14,562,755 |
| 97100 Extraordinary Maintenance | | | | | | | | | | | | |
| 97200 Casualty Losses - Non-capitalized | \$4,891 | | | | | | \$564 | | | \$5,455 | | \$5,455 |
| 97300 Housing Assistance Payments | | | | | \$81,751 | \$987,607 | | | | \$13,181,721 | | \$13,181,721 |
| 97350 HAP Portability-In | | \$11,726,481 | \$405,882 | | | | | | | \$30,818 | | \$30,818 |
| 97400 Depreciation Expense | \$1,032,943 | \$348 | \$16 | \$4,207,807 | | | \$137,463 | | \$257 | \$5,378,834 | | \$5,378,834 |
| 97500 Fraud Losses | | | | | | | | | | | | |
| 97600 Capital Outlays - Governmental Funds | | | | | | | | | | | | |
| 97700 Debt Principal Payment - Governmental Funds | | | | | | | | | | | | |
| 97800 Dwelling Units Rent Expense | | | | | | | | | | | | |
| 98000 Total Expenses | \$4,164,926 | \$13,159,288 | \$462,307 | \$12,391,092 | \$89,958 | \$1,016,178 | \$3,356,579 | \$0 | \$1,590,769 | \$36,231,097 | -\$1,464,654 | \$34,766,443 |

Housing Authority City of Bellingham (WA025)
 BELLINGHAM, WA

Entity Wide Revenue and Expense Summary

Fiscal Year End: 12/31/2017

Submission Type: Audited/Single Audit

| Submission Type: Audited/Single Audit | Project Total | 14,871 Housing Choice Vouchers | 14,879 Mainstream Vouchers | 6.1 Component Unit - Discreetly Presented | 14,241 Housing Opportunities for Persons with AIDS | 14,238 Shelter Plus Care | 1 Business Activities | 14,218 Community Development Block Grants/Entitlement Grants | COCC | Subtotal | ELIM | Total |
|---|---------------|--------------------------------|----------------------------|---|--|--------------------------|-----------------------|--|--------------|--------------|------|--------------|
| 10010 Operating Transfer In | | | | | | | | | | | | |
| 10020 Operating Transfer Out | | | | | | | | | | | | |
| 10030 Operating Transfers from/to Primary Government | | | | | | | | | | | | |
| 10040 Operating Transfers from/to Component Unit | | | | \$875,789 | | | | | | \$875,789 | | \$875,789 |
| 10050 Proceeds from Notes, Loans and Bonds | | | | | | | | | | | | |
| 10060 Proceeds from Property Sales | | | | | | | | | | | | |
| 10070 Extraordinary Items, Net Gain/Loss | -\$21,348 | | | \$8,209 | | | \$8,067,352 | | \$700 | \$8,054,913 | | \$8,054,913 |
| 10091 Inter Project Excess Cash Transfer In | | | | | | | | | | | | |
| 10092 Inter Project Excess Cash Transfer Out | | | | | | | | | | | | |
| 10093 Transfers between Program and Project - In | | | | | | | | | | | | |
| 10094 Transfers between Project and Program - Out | | | | | | | | | | | | |
| 10100 Total Other financing Sources (Uses) | -\$21,348 | \$0 | \$0 | \$883,988 | \$0 | \$0 | \$8,067,352 | \$0 | \$700 | \$8,930,702 | \$0 | \$8,930,702 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | -\$1,062,253 | -\$211,924 | -\$9,165 | -\$2,897,804 | \$0 | \$0 | \$8,683,618 | \$85,665 | \$308,492 | \$4,896,629 | \$0 | \$4,896,629 |
| 11020 Required Annual Debt Principal Payments | \$0 | \$0 | \$0 | \$800,000 | \$0 | \$0 | \$34,309 | \$0 | \$0 | \$834,309 | | \$834,309 |
| 11030 Beginning Equity | \$19,859,602 | \$265,461 | \$42,586 | \$30,907,273 | \$0 | \$0 | \$37,909,179 | \$0 | -\$1,064,302 | \$87,919,799 | | \$87,919,799 |
| 11040 Prior Period Adjustments, Equity Transfers and Correction of Errors | \$0 | | | | | | | | | \$0 | | \$0 |
| 11050 Changes in Compensated Absence Balance | | | | | | | | | | | | |
| 11060 Changes in Contingent Liability Balance | | | | | | | | | | | | |
| 11070 Changes in Unrecognized Pension Transition Liability | | | | | | | | | | | | |
| 11080 Changes in Special Term/Severance Benefits Liability | | | | | | | | | | | | |
| 11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents | | | | | | | | | | | | |
| 11100 Changes in Allowance for Doubtful Accounts - Other | | | | | | | | | | | | |
| 11170 Administrative Fee Equity | | -\$52,785 | | | | | | | | -\$52,785 | | -\$52,785 |
| 11180 Housing Assistance Payments Equity | | | | | | | | | | | | |
| 11190 Unit Months Available | 6324 | 20532 | | | | | | | | \$106,322 | | \$106,322 |
| 11210 Number of Unit Months Leased | 6227 | 20012 | | | | | | | | 26856 | | 26856 |
| 11270 Excess Cash | \$1,949,410 | | | | | | | | | 26239 | | 26239 |
| 11610 Land Purchases | \$0 | | | | | | | | | \$1,949,410 | | \$1,949,410 |
| 11620 Building Purchases | \$54,834 | | | | | | | | | \$0 | | \$0 |
| 11630 Furniture & Equipment - Dwelling Purchases | \$593,107 | | | | | | | | | \$54,834 | | \$54,834 |
| 11640 Furniture & Equipment - Administrative Purchases | \$0 | | | | | | | | | \$593,107 | | \$593,107 |
| 11650 Leasehold Improvements Purchases | \$0 | | | | | | | | | \$0 | | \$0 |
| 11660 Infrastructure Purchases | \$0 | | | | | | | | | \$0 | | \$0 |
| 13510 OFFF Debt Service Payments | \$0 | | | | | | | | | \$0 | | \$0 |
| 13801 Replacement Housing Factor Funds | \$0 | | | | | | | | | \$0 | | \$0 |

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

| | |
|---|--|
| PHA Name: Bellingham Housing Authority | Modernization Project Number: WA19P02550113 |
|---|--|

The PHA 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 Modernization Grant, is as shown below:

| | |
|---|---------------|
| A. Funds Approved | \$ 518,856.00 |
| B. Funds Disbursed | \$ 518,856.00 |
| C. Funds Expended (Actual Modernization Cost) | \$ 518,856.00 |
| D. Amount to be Recaptured (A-C) | \$ -0- |
| E. Excess of Funds Disbursed (B-C) | \$ -0- |

2. That all modernization work in connection with the Modernization 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-men's 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;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

- ☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
- ☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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)

Name & Title of Authorized Signatory (type or print clearly):

John E Harmon, Executive Director

Kate Donnelly

Acting Executive Director

Signature of Executive Director (or Authorized Designee):

X *Kate Donnelly*

Date:

5/9/18

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X

Date:

05/23/2018

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date:

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2017)

Capital Fund Program (CFP)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (2577-0044 and 0157), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number.

Do not send this form to the above address.

This collection of information requires that each Housing Authority (HA) submit information to enable HUD to initiate the fiscal closeout process. The information will be used by HUD to determine whether the modernization grant is ready to be audited and closed out. The information is essential for audit verification and fiscal close out. Responses to the collection are required by regulation. The information requested does not lend itself to confidentiality.

| | |
|---|--|
| PHA Name: Bellingham Housing Authority | Modernization Project Number: WA19P02550114 |
|---|--|

The PHA 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 Modernization Grant, is as shown below:

| | |
|---|---------------|
| A. Funds Approved | \$ 516,251.00 |
| B. Funds Disbursed | \$ 516,251.00 |
| C. Funds Expended (Actual Modernization Cost) | \$ 516,251.00 |
| D. Amount to be Recaptured (A-C) | \$ 0.00 |
| E. Excess of Funds Disbursed (B-C) | \$ 0.00 |

2. That all modernization work in connection with the Modernization 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-men's 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;

5. That the time in which such liens could be filed has expired; and

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

- ☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.
- ☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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)

| | |
|---|---------------------------|
| Name & Title of Authorized Signatory (type or print clearly): John E Harmon, Executive Director <i>Kate Donnelly</i> | Acting Executive Director |
| Signature of Executive Director (or Authorized Designee): X <i>Kate Donnelly</i> | Date: 5/9/18 |

For HUD Use Only

| | |
|---|------------------|
| The Cost Certificate is approved for audit (if box 7A is marked): Approved for Audit (Director, Office of Public Housing) X | Date: 05/23/2018 |
|---|------------------|

| | |
|---|-------|
| The costs shown above agree with HUD verified costs (if box 7A or 7B is marked): Approved: (Director, Office of Public Housing) X | Date: |
|---|-------|