



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

July 2, 2020

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, 2018. The Housing Authority contracted with the CPA firm for this audit and requested that we accept it 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 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

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

HOUSING AUTHORITY OF THE CITY OF BELLINGHAM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018



**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, 2018

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>
14.267	Continuum of Care
14.871	Section 8 Housing Choice Vouchers (Housing Choice Cluster)
14.879	Mainstream Vouchers (Housing Choice Cluster)

Housing Authority of the City of Bellingham

Schedule of Findings and Questioned Costs - (Continued)

For the Year Ended December 31, 2018

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 financial statement findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No federal award findings or questioned costs were noted.



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, 2018, 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 24, 2019.

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 from 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 24, 2019





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, 2018. 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 the terms 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, 2018.

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 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.

*Loveridge Hunt + Co., PLLC*



## 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, 2018, 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, 2018, 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.

### Emphasis-of-Matter

As described in Note 12 to the financial statements, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 to 16 and information on post-employment benefits on pages 47 to 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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.

The supplementary information is the responsibility of management and was derived from and relate 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 supplementary 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 24, 2019, 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.

Loveridge Hunt & Co. PLLC

Bellevue, Washington  
September 24, 2019

## FINANCIAL SECTION

**Housing Authority of the City of Bellingham  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2018**

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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, 2018. 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 2018 fiscal year was \$67.8 million, compared to \$64.8 million at the end of the prior fiscal year, an increase of \$3.0 million.
- The Authority's cash balance at the close of the 2018 fiscal year was \$12.1 million, a slight decrease of \$439 thousand from the prior fiscal year.
- The Authority's programs expended \$16.7 million in federal grant operating revenues during the 2018 fiscal year, compared to \$15.5 million expended during the prior fiscal year.
- The Authority had operating revenues of \$22.9 million and operating expenses of \$21.3 million for the 2018 fiscal year.
- The Authority's net capital outlays for the 2018 fiscal year were \$1.4 million.

### **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)	
	2018	2017
Current and Other Assets	\$ 106,389.4	\$ 103,913.6
Capital Assets	23,834.5	23,655.5
Total Assets	130,223.9	127,569.1
Total Deferred Outflows of Resources	253.2	265.2
Long-term Debt Outstanding	55,685.7	55,916.5
Other Liabilities	6,364.0	6,675.4
Total Liabilities	62,049.7	62,591.9
Total Deferred Inflows of Resources	661.9	435.4
Net Investment in Capital Assets	19,993.4	18,932.6
Restricted	635.7	398.1
Unrestricted	47,136.4	45,476.3
Total Net Position	\$ 67,765.5	\$ 64,807.0

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, 2018, the total investment in capital assets, net of accumulated depreciation, amounted to \$23.8 million and accounted for 18% of the total assets. This was a net increase of \$179 thousand from the prior year. The increase came from a capital outlay of \$1.4 million, mostly in the public housing projects, offset by additional accumulated depreciation of \$1.2 million. Further information on the Authority's capital assets can be found in Note 3 Capital Assets.

The Authority had a total of \$106.4 million in current and other assets, \$12.1 million or 11% of which was in cash. This amounted to an increase of \$2.5 million from the year before. The increase largely resulted from (1) a recording of \$2.0 million in developer fee receivable from a tax credit partnership, where the Authority is the managing member and (2) an increase of \$1.3 million in accrued interest on various notes receivable, offset by a decrease of \$774 thousand in deferred developer fees receivable and related accrued interest.

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, 2018, the total long-term debt outstanding amounted to \$55.7 million (of which \$10.4 million was classified as current portion) and accounted for 90% of the total liabilities. This was a slight decrease of \$231 thousand from the prior year, resulting from paydowns on notes payable. 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 \$6.4 million in other liabilities, 69% of which was in accrued pension and other post-employment benefits (OPEB) liabilities. This amounted to a decrease of \$311 thousand in other liabilities from the year before. The decrease was mainly due to (1) a net paydown of \$1.1 million on the line of credit (LOC) balance and (2) a reduction of \$662 thousand in accrued pension, offset by additional OPEB liabilities of \$1.4 million. Please note that the Authority implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), for the year ended December 31, 2018. Further discussion can be found in Note 13 Change in Accounting Principle.

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 \$67.8 million at the close of the 2018 fiscal year, which was an increase of \$3.0 million or 4.6% from the prior year in total net position. The unrestricted net position of the Authority, totaling \$47.1 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)			
	2018	2017	Increase (Decrease)
Operating revenues			
Net tenant rental revenue	2,443.1	2,614.2	(171.1)
HUD operating grant	16,662.8	15,290.9	1,371.9
Other government grants	41.9	175.6	(133.7)
Other revenue	3,773.8	1,138.1	2,635.7
Total operating revenues	22,921.6	19,218.8	3,702.8
Non-operating revenues			
Interest and investment revenue	3,469.9	2,747.0	722.9
Fraud recovery	35.7	37.9	(2.2)
Gain on sales of capital assets & special items	-	8,046.7	(8,046.7)
Total non-operating revenues	3,505.6	10,831.6	(7,326.0)
Total revenues	26,427.2	30,050.4	(3,623.2)
Operating expenses			
Administrative	2,974.9	3,201.0	(226.1)
Tenant services	164.2	185.3	(21.1)
Utilities	525.4	561.5	(36.1)
Ordinary maintenance & operation	2,142.7	2,047.7	95.0
Protective services	49.3	67.4	(18.1)
Insurance premiums	97.0	104.8	(7.8)
Other general expenses	95.5	75.9	19.6
Housing assistance payments	14,048.8	13,212.5	836.3
Depreciation expense and bond amortization	1,238.3	1,171.0	67.3
Total operating expenses	21,336.1	20,627.1	709.0
Non-operating expenses			
Net casualty losses	-	5.4	(5.4)
Commercial lease expense	84.7	75.3	9.4
Interest expense	1,968.0	1,667.5	300.5
Loss on sales of capital assets & special items	55.3	-	55.3
Total non-operating expenses	2,108.0	1,748.2	359.8
Total expenses	23,444.1	22,375.3	1,068.8
Excess (deficiency) before contribution	2,983.1	7,675.1	(4,692.0)
Capital Grant Contributions	1,348.6	119.4	1,229.2
Change in net position	4,331.7	7,794.5	(3,462.8)
Total net position beginning of year	64,807.0	57,012.5	7,794.5
Changes in accounting principles	(1,373.2)	-	(1,373.2)
Total net position end of year	67,765.5	64,807.0	2,958.5

For the year ended December 31, 2018, total revenues decreased by \$3.6 million from the 2017 fiscal year; total expenses increased by \$1.1 million. Overall, total revenues exceeded total expenses, adding \$3.0 million to the ending net position. In addition, capital grants contributed another \$1.3 million to the ending net position.

Total operating revenues went up by \$3.7 million or 19.3% from the prior year. The upswing mostly resulted from (1) additional funding of \$1.4 million in HUD operating grants, of which \$1.3 million derived from the Housing Choice Voucher program, and (2) a recording of \$2.0 million in developer fee from a tax credit partnership where the Authority is the managing member. Total non-operating revenues, on the other hand, decreased by \$7.3 million from the prior year. The reduction was due to a one-time gain of \$8 million from the sales of three tax credit partnerships in 2017 that did not recur in fiscal year 2018, offset by additional interest revenue of \$723 thousand recorded during the fiscal year.

Total operating expenses went up by \$709 thousand or 3.4% from the year before. The uptick reflected a \$836 thousand increase in housing assistance payments for various HUD programs, offset by a reduction of \$226 thousand in administrative costs (resulting from vacant positions that were not filled in FY2018). Overall, there were small variances from year to year in other operating expense categories. Total non-operating expenses went up by \$360 thousand or 20.6% from the prior year, mostly resulting from additional interest expense recorded during the fiscal year.

### **Conditions and Future Events that will Financially Impact the Authority**

The Authority continues to maintain its “high” performer SEMAP score and successful lease up of its Housing Choice Voucher (HCV) Program during the 2018 fiscal year. Maintaining high performance continues to be a challenge as Bellingham and Whatcom County continue to experience increasing rents, low vacancy rates, and an overall lack of affordable housing, impacting 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, as our community focuses on serving our most vulnerable, the need for supportive services, including case management services to obtain and maintain affordable housing opportunities, is becoming more and more critical. This comes at a time when the community is experiencing a shortage of case managers and case management funding.

New affordable housing construction also continues to be increasingly difficult. While federal funding was stable for this fiscal year, it has trended down for many years. In addition, the Low Income Housing Tax Credits and other resources have been prioritized for homeless further limiting the ability to build any affordable housing not specific to this specific population.

The Authority has approximately 3,000 on its various waiting lists. The HCV Waitlist opened in May 2017 accepting 1,250 families on to the waiting list. The Authority anticipates re-opening the HCV Waitlist in late 2019. 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 70% 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 94.7% of the full funding level for the calendar year 2018 and are being funded at about 97.3% of the full funding level for the calendar year 2019. 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 were loaned to the Authority by U.S. Bank and were repaid in November 2018 from the Authority's Public Housing operating reserves. This modernization project expended \$1,020,000 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, 2018**

	Primary Government	Component Units See Note 10
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	11,200,903	4,487,763
Restricted cash - tenant security deposits	165,062	383,624
Restricted cash - other	690,234	-
Accounts receivable (net)		
Tenants	17,738	51,858
Fraud recovery	13,339	-
HUD	237,450	-
Other government	8,870	-
Miscellaneous	376,143	-
Current portion of notes receivable		
Component units	7,226,124	-
Prepaid expenses	83,987	127,182
Inventories	23,385	-
Total Current Assets	<u>20,043,235</u>	<u>5,050,427</u>
<i>Non-Current Assets</i>		
Restricted investments	-	6,427,608
Accrued interest receivable	6,263,417	-
Notes receivable		
Component units	78,883,795	-
Other (pre-development)	316,561	-
Investment in tax credit partnerships	882,455	-
Unamortized bond expenses	-	401,113
Capital assets		
Non-depreciable	4,980,727	11,675,406
Net depreciable	18,853,778	112,824,889
Total Non-Current Assets	<u>110,180,733</u>	<u>131,329,016</u>
<b>Total Assets</b>	<u><u>130,223,968</u></u>	<u><u>136,379,443</u></u>
<i>Deferred Outflows of Resources</i>		
Amounts related to pensions	227,394	-
Amounts related to OPEB	25,776	-
<b>Total Deferred Outflows of Resources</b>	<u><u>253,170</u></u>	<u><u>-</u></u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	283,591	1,147,498
Tenant security deposits	163,642	372,993
Unearned revenues	56,334	371,244
Accrued liabilities - other	295,734	3,305,901
Other current liabilities (LOC)	284,012	-
Current portion of long term debt		
Capital projects	128,890	6,533,398
Component units	6,330,863	-
Total Current Liabilities	<u>7,543,066</u>	<u>11,731,034</u>
<i>Non-Current Liabilities</i>		
Accrued interest payable	656,285	6,679,862
Bonds, notes and loans payable		
Capital projects	3,712,270	92,374,221
Component units	45,513,686	-
Accrued compensated absences	235,406	-
Other post employment benefits	3,114,762	-
Net pension liability	1,274,277	-
Total Noncurrent Liabilities	<u>54,506,686</u>	<u>99,054,083</u>
<b>Total Liabilities</b>	<u><u>62,049,752</u></u>	<u><u>110,785,117</u></u>
<i>Deferred inflows of resources</i>		
Amounts related to pensions	661,907	-
<b>Total Deferred Inflows of Resources</b>	<u><u>661,907</u></u>	<u><u>-</u></u>
<b>NET POSITION</b>		
Net investment in capital assets	19,993,345	25,993,789
Restricted	635,698	6,427,608
Unrestricted	47,136,436	(6,827,071)
<b>Total Net Position</b>	<u><u>67,765,479</u></u>	<u><u>25,594,326</u></u>

**BELLINGHAM HOUSING AUTHORITY**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2018**

	Primary Government	Component Units See Note 10
<i>Operating Revenues</i>		
Tenant rents	2,247,915	9,961,109
Other tenant charges	195,264	-
HUD operating subsidies & grants	16,662,777	-
Other governmental grants	41,860	-
Other revenue	<u>3,773,763</u>	<u>401,066</u>
Total operating revenues	22,921,579	10,362,175
<i>Operating Expenses</i>		
Administrative	2,974,891	2,123,626
Tenant services	164,186	-
Utilities	525,413	701,303
Maintenance & operation	2,142,722	2,033,131
Protective services	49,309	-
Insurance premiums	96,974	281,068
General expenses	54,389	-
Bad debt	41,137	-
Housing assistance payments	14,048,790	-
Depreciation expense	1,238,345	4,437,833
Bond amortization	<u>-</u>	<u>50,228</u>
Total operating expenses	<u>21,336,156</u>	<u>9,627,189</u>
Operating income (loss)	1,585,423	734,986
<i>Nonoperating Revenues (Expenses)</i>		
Interest and investment revenue	3,469,943	-
Fraud recovery	35,693	-
Gain/Loss - asset disposition & special items	(55,251)	8,209
Commercial lease expenses	(84,689)	-
Interest expense	<u>(1,967,990)</u>	<u>(4,308,487)</u>
Total nonoperating revenues (expenses)	<u>1,397,706</u>	<u>(4,300,278)</u>
Income (loss) before contributions	2,983,129	(3,565,292)
Capital grant contributions/Capital transfers	<u>1,348,627</u>	<u>1,150,149</u>
<b>Change in Net Position</b>	4,331,756	(2,415,143)
Net Position - Beginning of Year	64,806,959	28,009,469
Change in Accounting Principle	<u>(1,373,236)</u>	<u>-</u>
<b>Net Position - End of Year</b>	<u><u>67,765,479</u></u>	<u><u>25,594,326</u></u>

**Bellingham Housing Authority**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	<b>Primary Government 2018</b>
Cash flows from operating activities:	
Cash received from tenants	\$ 2,777,159
Cash received from partner	633,728
Other operating cash receipts	875,137
Cash received from HUD operating grants	16,479,636
Cash received from other grants	69,654
Cash payments to employees for services	(3,860,282)
Cash payments to suppliers for goods and services	(2,570,099)
Cash payments for housing assistance	(14,048,790)
Net cash provided by operating activities	356,143
Cash flows from noncapital financing activities:	
Cash outflow for tax credits and related parties	(747,620)
Proceeds from operating debt	353,538
Payment on operating debt	(1,438,434)
Net cash used by noncapital financing activities	(1,832,516)
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,427,153)
Grants from HUD and other government agencies	1,348,627
Repayments on revenue bonds and long-term notes payable	(55,890)
Interest paid on revenue bonds and long-term notes payable	(50,424)
Disposal of capital assets	60,694
Net cash used by capital and related financing activities	(124,146)
Cash flows from investing activities:	
Interest on investments and long-term receivables	332,335
Repayments received on long-term notes receivable	829,259
Net cash provided (used) by investing activities	1,161,594
Net increase (decrease) in cash and cash equivalents	(438,925)
Cash and cash equivalents at January 1, 2018	12,495,124
Cash and cash equivalents at December 31, 2018	\$ 12,056,199

**Bellingham Housing Authority**  
**Statement of Cash Flows**  
**Year Ended December 31, 2018**

	<b>Primary Government 2018</b>
Cash and cash equivalents	\$ 11,200,903
Restricted cash - tenant security deposits	165,062
Restricted cash - other	690,234
Cash, Statement of Net Position, ending	<u>\$ 12,056,199</u>
Reconciliation of income from operations to net cash provided by operating activities:	
Income from operations	\$ 1,585,424
Adjustments to reconcile income from operations to net	
Cash provided by operating activities:	
Depreciation and amortization	1,238,345
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,032,298)
(Increase) decrease in prepaid items	21,991
Increase (decrease) in security deposits	7,960
Increase (decrease) in accounts payable	(56,073)
Increase (decrease) in accrued liabilities	930,764
Increase (decrease) in deferred income	(2,427)
Other non- operating receipts	35,693
Change in pensions and OPEB (change in accounting principle)	(1,373,236)
Net cash provided by operating activities:	<u>\$ 356,143</u>
Noncash investing, financing and capital activities:	
Bakerview developer fee	1,950,000
Interest accrued on receivables from tax credit partners	1,336,691
Interest paid by tax credit partners	1,893,006



Bellingham Housing Authority  
Notes to Financial Statements  
For the Year Ended December 31, 2018

**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, 2018

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	-	1,278,575
Wetlands Reserve	-	6,800
Debt Service Reserves	-	849,164
Replacement Reserves	258,601	2,083,346
Operating Reserves	55,230	2,209,723
Tenant Security Deposits	165,062	383,624
Voucher Programs Deposits	336,454	-
Tenant Improvement Deposit	8,926	-
Cell Tower Deposits	27,500	-
Scattered Sites CDBG Grant	3,523	-
Total	\$ 855,296	\$ 6,811,232

f. Tenant Account Receivables

Tenant account receivables are reported net of allowance for doubtful accounts. An allowance of \$7,649 was recorded for the year ended December 31, 2018. 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, 2018**

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, which is a departure from GAAP. 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 \$635,698. 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, 2018, the Bellingham Housing Authority held demand deposits totaling \$12,056,199. 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). The Authority has no formal investment policy nor a policy related to custodial credit risk; however, all deposits are insured.

**b. Investments**

The Authority did not hold any investments at the 2018 fiscal year end. The discretely presented Component Units held a total of \$6,427,608 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. Contributed or donated capital assets are valued at acquisition cost, as per GASB 72, Fair Value Measurement and Application. 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, 2018 was as follows:

Bellingham Housing Authority  
Notes to Financial Statements  
For the Year Ended December 31, 2018

	Beginning Balance 1/1/2018	Increases	(Decreases)	Ending Balance 12/31/2018
Non-depreciable Capital Assets:				
Land *	3,535,221	-	-	3,535,221
Construction in Progress **	1,722,193	1,397,574	(1,674,261)	1,445,506
Total Non-depreciable Capital Assets	5,257,414	1,397,574	(1,674,261)	4,980,727
Depreciable Capital Assets:				
Site Improvements	2,005,336	-	-	2,005,336
Buildings and Improvements *	38,447,872	9,400	-	38,457,272
Furniture, Equipment & Machinery *	834,955	1,684,593	(17,080)	2,502,468
Total Depreciable Capital Assets	41,288,163	1,693,993	(17,080)	42,965,076
Less Accumulated Depreciation ***	(22,890,034)	(1,238,344)	17,080	(24,111,298)
Net Depreciable Assets	18,398,129	455,649	-	18,853,778
Net Capital Assets	23,655,543	1,853,223	(1,674,261)	23,834,505

\* See Note 9 Blended Component Units and Note 10 Discretely Presented Component Units for information on Samish Way Redevelopment Partners, LLLP.

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

\*\*\* Depreciation is computed on the straight-line half year convention method with useful lives of 5 to 41.5 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, 2018, the Authority had construction in progress on projects with authorizations totaling \$1,445,506. The Authority capitalized \$1,674,261 accumulated construction in progress from prior years during the 2018 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)

The Authority, "lessor", previously entered into a lease agreement with Willow Creek LP, "lessees". The Authority purchased the land and leased it back to Willow Creek LP for use as a low-income housing project, for an annual lease payment of \$12. The lease runs through 2050.

The Authority, "lessor", also 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.

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. These lessees make lease payments of \$12 annually to the Authority. This amount will be recorded as income in the year received. The leases run through at least 2081.

Bellingham Housing Authority  
Notes to Financial Statements  
For the Year Ended December 31, 2018

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.

**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, 2018 was as follows:

Beginning Balance at 1/1/2018	Issued (Draw Downs)	Redeemed (Payments)	Ending Balance at 12/31/2018
\$1,368,908	\$353,538	\$1,438,434	\$284,012

**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, 2018, 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 additional 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 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:

Bellingham Housing Authority  
Notes to Financial Statements  
For the Year Ended December 31, 2018

Purpose	Original Amount	Issue Date	Mature Date	Interest Rate	Amt Outstanding
Willow Creek	70,000	11/01/97	11/01/27	6.57%	37,464
Northwest Corner	24,050,000	05/02/14	05/01/54	6.10%	23,675,000
Bakerview Redevelopmen	10,000,000	12/18/17	10/01/19	3.00%	10,000,000
Total					\$ 33,712,464

Revenue bond debt service requirements to maturity:

Year Ending	Principal	Interest
2019	6,198,158	1,662,490
2020	183,371	1,430,012
2021	193,600	1,418,472
2022	208,843	1,406,258
2023	219,104	1,393,161
2024-2028	1,314,388	6,739,806
2029-2033	1,760,000	6,273,189
2034-2038	6,360,000	5,644,711
2039-2043	3,230,000	4,792,643
2044-2048	4,385,000	3,637,684
2049-2053	5,940,000	2,071,484
2054	3,720,000	85,756
Total	33,712,464	36,555,666

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  
For the Year Ended December 31, 2018

<b>Lender</b>	<b>Original Amount</b>	<b>Issue Date</b>	<b>Mature Date</b>	<b>Interest Rate</b>	<b>Outstanding Balance</b>
City of Bellingham	85,665	06/01/16	12/31/19	0.00%	85,665
Various *	1,256,194	various	various	various	1,186,565
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%	834,296
City of Bellingham	250,000	12/21/06	03/31/48	2.00%	218,414
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%	1,153,061
City of Bellingham	303,500	12/20/04	01/31/48	5.00%	303,500
City of Bellingham	146,500	12/20/04	01/31/48	5.00%	146,500
Dept. of Commerce	490,000	04/30/07	04/30/47	0.00%	376,246
City of Bellingham	390,000	09/01/08	03/15/46	1.00%	377,892
Dept. of Commerce	1,500,000	10/01/07	09/30/48	0 % & 1%	1,388,228
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%	164,849
City of Bellingham - CDBG	122,049	04/01/14	04/15/32	3.32%	76,887
City of Bellingham - HOME	45,743	04/01/14	04/15/32	3.32%	36,363
City of Bellingham - CDBG	140,599	04/01/14	04/15/32	3.32%	114,389
Dept. of Commerce	206,372	04/25/14	04/15/42	3.32%	194,016
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%	79,068
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%	26,356
Dept. of Commerce	494,560	01/01/17	06/01/51	1.00%	499,506
Dept. of Commerce	357,053	12/20/17	06/30/50	1.00%	351,514
Dept. of Commerce	182,089	12/20/17	12/31/50	1.00%	179,264
Dept. of Commerce	355,516	12/20/17	12/31/48	1.00%	350,001
Whatcom County 2060	250,000	07/01/11	12/31/61	1.00%	250,000
Dept. of Commerce	2,700,000	07/01/08	02/28/49	1.00%	2,801,123
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%	392,497
Dept. of Commerce	358,400	12/31/97	12/31/46	1.00%	222,431
LIHTC FHLB	70,400	10/24/96	10/23/51	0.00%	70,400
				<b>Total</b>	<b>21,973,245</b>

\* See Note 9 Blended Component Units for further information.



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Service requirements to maturity for the real estate mortgages are as follows:

<b>Fiscal Year(s)</b>	<b>Principal</b>	<b>Interest</b>
2019	261,595	222,307
2020	2,008,509	215,167
2021	216,193	215,762
2022	198,641	217,238
2023	201,677	227,742
2024-2028	1,122,973	1,166,339
2029-2033	1,427,749	1,037,521
2034-2038	910,090	1,171,684
2039-2043	952,644	1,378,464
2044-2048	3,181,322	2,029,248
2049-2053	9,289,182	147,684
2054-2058	1,757,150	85,545
2059-2063	356,457	29,698
2064-2067	89,063	2,237
<b>Totals</b>	<b>21,973,245</b>	<b>8,146,636</b>

d. Changes in Long-Term Liabilities

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 1/1/18</b>	<b>Additions</b>	<b>Subtractions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Revenue Bonds Payable	33,870,421	-	(157,957)	33,712,464	6,198,158
Mortgages Payable	22,046,108	106,026	(178,889)	21,973,245	261,595
Compensated Absences	333,279	-	(97,873)	235,406	-
Other Post Employment Benefits	3,101,435 *	13,326	-	3,114,761	-
GASB 68 Pension Liability	1,935,861	-	(661,584)	1,274,277	-
<b>Total Long-term Liabilities</b>	<b>61,287,104</b>	<b>119,352</b>	<b>(1,096,303)</b>	<b>60,310,153</b>	<b>6,459,753</b>

\* The beginning balance is restated due to implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended December 31, 2018. See Note 13 Change in Accounting Principle for further discussion.

**NOTE 8 – PENSIONS AND OTHER POST EMPLOYMENT BENEFITS**

**PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2018:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 1,274,277
Deferred outflows of resources	227,394
Deferred inflows of resources	661,907
Pension expense/expenditures	(54,812)



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**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](http://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 2018 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
<b>January - August 2018:</b>		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.70%</b>	<b>6.00%</b>
<b>September–December 2018:</b>		
PERS Plan 2/3	7.52%	6.00%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
<b>Total</b>	<b>12.83%</b>	<b>6.00%</b>

# Bellingham Housing Authority

## Notes to Financial Statements

### For the Year Ended December 31, 2018

**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 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.

#### 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 2018 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
<b>January - August 2018:</b>		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>12.70%</b>	<b>7.38%</b>
<b>September–December 2018:</b>		
PERS Plan 2/3	7.52%	7.41%
PERS Plan 1 UAAL	5.13%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>12.83%</b>	<b>7.41%</b>

The Authority's actual PERS plan contributions were \$138,232 to PERS Plan 1 and \$204,788 to PERS Plan 2/3 for the year ended December 31, 2018.

#### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018 with a valuation date of June 30, 2018. 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 2017 *Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

# Bellingham Housing Authority

## Notes to Financial Statements

### For the Year Ended December 31, 2018

The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. 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.

Actuarial results reflect the following changes in assumptions and methods since the last valuation.

- Updated valuation interest rate, general salary growth, and inflation assumptions to be consistent with the assumptions adopted by the Pension Funding Council.
  - Lowered the valuation interest rate from 7.70% to 7.50% for all systems.
  - Lowered assumed general salary growth from 3.75% to 3.50% for all systems.
  - Lowered assumed inflation from 3.00% to 2.75% for all systems.

#### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.50%.)

Consistent with the long-term expected rate of return, a 7.40% 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 Plans 2 and 3, PSERS Plan 2, SERS Plans 2 and 3, and TRS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 or TRS Plan 1 liability). Based on those assumptions, the pension plan's 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 7.40% 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 7.4 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, 2018, 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	<b>100%</b>	

**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 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease 6.40%	Current Rate 7.40%	1% Increase 8.40%
PERS 1	1,048,739	853,415	684,142
PERS 2/3	1,924,931	420,862	(812,347)

**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, 2018, the Authority reported a total pension liability of \$1,274,277 for its proportionate share of the net pension liabilities as follows:

Plan	Liability or Asset
PERS 1	853,415
PERS 2/3	420,862

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

	Proportionate Share 6/30/17	Proportionate Share 6/30/18	Change in Proportion
PERS 1	0.02101%	0.01911%	-0.00190%
PERS 2/3	0.02702%	0.02465%	-0.00237%

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, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2018, the Authority recognized pension expense as follows:

Bellingham Housing Authority  
Notes to Financial Statements  
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	Pension Expense
PERS 1	(13,564)
PERS 2/3	(41,248)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2018, 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	\$ -	\$ (33,914)
Contributions subsequent to the measurement date	69,075	-
<b>TOTAL</b>	<b>\$ 69,075</b>	<b>\$ (33,914)</b>

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,586	\$ (73,685)
Net difference between projected and actual investment earnings on pension plan investments	-	(258,260)
Changes of assumptions	4,924	(119,774)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(176,274)
Contributions subsequent to the measurement date	101,809	
<b>TOTAL</b>	<b>\$ 158,319</b>	<b>\$ (627,993)</b>

TOTAL ALL PLANS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,586	\$ (73,685)
Net difference between projected and actual investment earnings on pension plan investments	-	(292,174)
Changes of assumptions	4,924	(119,774)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(176,274)
Contributions subsequent to the measurement date	170,884	-
<b>TOTAL</b>	<b>\$ 227,394</b>	<b>\$ (661,907)</b>

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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Bellingham Housing Authority  
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Year ended December 31:	PERS 1	PERS 2/3
2019	1,484	(78,995)
2020	(7,414)	(116,012)
2021	(22,246)	(186,432)
2022	(5,738)	(86,890)
2023	-	(50,019)
Thereafter	-	(53,135)

#### DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLANS

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2018:

Aggregate OPEB amounts - All Plans	
OPEB Liabilities	\$3,114,762
Deferred outflows of resources	25,776
OPEB Expense	60,287

#### OPEB Plan Description

The Authority administers a Post-Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	51
Total	<u>53</u>

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

#### Assumptions and Other Input

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's total OPEB liability of \$6,114,762 was measured as of June 30, 2018 with a valuation date of June 30, 2018. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.

**Bellingham Housing Authority**  
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The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Discount rate - Beginning of Measurement Year	3.58%
Discount Rate - End of Measurement Year	3.87%
Projected Salary Changes	3.75% + service based increases
Healthcare Trend Rates	Initial rate is approximately 7%, trends down to about 5% in 2080.
Inflation Rate	3.00%
Post-Retirement Participation Percentage	65%
Percentage with Spouse Coverage	45%

The source of the discount rate is the Bond Buyer General Obligation 20- Bond Municipal Index.

Actuarial assumptions are developed from the 2007-2012 Experience Study performed by the Office of the State Actuary. Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table". The Society of Actuaries publishes this document. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Age setback of one year was used. 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. Specific assumptions are as follows:

It was assumed that two thirds of members will select a Uniform Medical Plan (UMP) and one third will select a Group Health Plan. The specific assumptions are as follows:

- UMP pre and post medicare costs and premiums are equal to the Uniform Medical Plan.
- The Group Health pre-medicare costs and premiums are 50/50 blend of GH classic and GH value.
- The Group Health post-medicare costs and premiums are equal to GH medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility. Assumptions for retirement, disability, termination and mortality are based on the 2017 Actuarial Valuation Report. For simplicity, all employees were assumed to be retirement eligible at age 55. The valuation relies on retirement rates for member with less than 30 years of services and assumed a rate of retirement at age seventy.

Each cohort is assumed to be a 50/50 male/female split. It was further assumed that eligible spouses are the same age as the primary member. Generally, males are older than females, however for purposes of the alternative method tool we believe this simplification is reasonable.

#### **Sensitivity Rates**

The following presents the total OPEB liability of the Authority calculated using the current healthcare cost trend rate of 7.0 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0) or 1-percentage point higher (8.0%) that the current rate.



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Health Care Trend Rate Sensitivity

	Current Health Care Trend Rate	
1% Decrease		1% Increase
\$ 2,596,817	\$ 3,114,762	\$ 3,777,502

The following presents the total OPEB liability of the (entity type) calculated using the discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate.

Discount Rate Sensitivity

	Current Discount Rate	
1% Decrease		1% Increase
\$ 3,717,748	\$ 3,114,762	\$ 2,635,132

#### Changes in the Total OPEB Liability

At the measurement date June 30, 2018, the changes in the total OPEB liability are as follows:

Service cost	\$ 109,953
Interest Cost	114,134
Changes in Benefit Terms	(163,800)
Benefit payments	<u>(46,961)</u>
Net change in total OPEB liability	13,326
Total OPEB liability - beginning	<u>3,101,436</u>
Total OPEB liability - ending	<u>\$ 3,114,762</u>

The Authority reported \$60,287 as OPEB expense for the calendar year 2018.

At December 31, 2018, the Authority reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$25,776. This will be recognized as expense in the period ending December 31, 2019.

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. This year the percentages for the Bellingham Housing Authority and the Whatcom County Housing Authority were 93.5% and 6.5% respectively.

#### NOTE 9 – BLENDED COMPONENT UNITS

As of December 31, 2018, the Authority reports River House Associates, L.P., a tax credit limited partnership where the Whatcom County Housing Authority (a related party) 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*.



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	Condensed Statement of Net Position	Blended Component Unit
ASSETS		
Current assets		84,483
Restricted deposits & funded reserves		326,716
Capital assets		1,975,505
Total Assets		<u>2,386,704</u>
LIABILITIES		
Current liabilities		85,409
Long-term liabilities		1,134,632
Total Liabilities		<u>1,220,041</u>
NET POSITION		
Net investment in capital assets		840,873
Restricted		313,831
Unrestricted		11,959
Total Net Position		<u>1,166,663</u>

	Condensed Statement of Revenues, Expenses, and Changes in Net Position
OPERATING REVENUES	
Tenant rents	375,002
Other tenant charges	6,983
	<u>381,985</u>
OPERATING EXPENSES	
Administrative	68,188
Utilities	45,809
Management and partnership fees	35,853
Repairs and maintenance	122,185
Other general expenses	35,992
Depreciation and amortization	95,479
	<u>403,506</u>
Operating Income	(21,521)
Non-operating Income	-
Change in Net Position	(21,521)
Beginning Net Position	1,188,184
Ending Net Position	<u>1,166,663</u>

	Condensed Statement of of Cash Flows
Net cash provided by operating activities	74,644
Net cash provided by capital and related financing activities	(35,322)
Net cash provided by investing activities	(15,643)
	<u>23,679</u>
Beginning cash balance	46,684
Ending cash balance	70,363

**NOTE 10 – DISCRETELY PRESENTED COMPONENT UNITS**

A summary of significant transactions between the tax credit partnerships and the Authority as of December 31, 2018 is presented in the following table.

**Bellingham Housing Authority**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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%			1,603,061	(247,836)	(25)	663,041	706,406
Meadow Wood	01/08/04	0.01%			754,138	(197,034)	(20)		(275)
Laube Housing	2004	0.10%			1,204,387	(88,940)	(89)		(1,257)
Meadow Wood II	01/13/05	0.01%		236,363	1,931,613	(61,186)	(6)		51,887
State Street	2005	0.01%			2,801,123	(317,011)	(32)	(1)	17,254
Walton II	2009	0.01%		56,314	6,192,497	(208,384)	(21)		44,802
Varsity Village	12/17/09	0.01%	2,512,980		250,000	(322,311)	(32)		219,457
Orleans	12/09/11	0.01%	657,777		-	(195,224)	(20)		(18)
Northwest Corner	03/28/12	0.01%	22,985,748	842,968	25,896,655	(1,606,389)	(161)	(2)	(768)
Bakerview	01/24/17	0.01%	5,904,000	1,950,000	10,000,000	(320,977)	(32)		68
			32,060,505	3,085,645	50,633,474	(3,565,292)	(438)	663,038	1,037,556

Please note that Willow Creek Associates, a tax credit limited partnership where the Authority is the general partner and Whatcom County Housing Authority, a related party, is the limited partner, is considered a blended component unit to Whatcom County Housing Authority. Accordingly, Willow Creek Associates is not presented here as part of the Authority's discretely presented component units.

**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.

In April 2018, the Authority, as the managing member of the partnership, contributed \$663,041, as required by the Development Oversight Agreement, for the partnership to pay off the remaining balance on development oversight fee payable.

**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 17<sup>th</sup>, 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

**Bellingham Housing Authority**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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 loan 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. 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

**Bellingham Housing Authority**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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 31<sup>st</sup>, 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 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.

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, 2018**

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, 2018, NWAHP has earned and recorded the full amount, with an outstanding receivable of \$842,968 from NWCAH, and a corresponding payable to the Authority. During fiscal year 2018, NWAHP received in cash \$382,426 of the developer fees earned and passed the same proceeds to its sole member, the Authority, as compensation for the required development services.

**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 2018, this partnership has no assets or liabilities and is not considered a discretely presented component unit for fiscal year 2018. 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, 2018, the Authority has incurred \$316,561 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, 2018 was:

Bellingham Housing Authority Public Housing	\$ 65,316
Whatcom County Housing Authority Public Housing	3,792

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



**Bellingham Housing Authority**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2018**

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.

See Note 7 Long Term Debt and Liabilities and Note 10 Discretely Presented Component Units for a summary of other For other related-party transactions

**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.

In addition, the Authority is obligated to fund operating deficits, as set forth in the Partnership Agreements. The Authority has agreed to make up to the following amounts in operating deficit loans to fund operating deficits.

**Bellingham Housing Authority**  
**Notes to Financial Statements**  
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Tax Credit Partnership	Operating Deficit Loan	Termination Conditions
Laurel Street	\$ 126,000	no operating deficits for 3 consecutive calendar years after stabilization; operating reserve equals or exceeds the required amount
Laube Housing	505,916	no operating deficits for 3 consecutive calendar years after stabilization; operating reserve equals or exceeds the required amount
Meadow Wood II	107,174	no operating deficits for 3 consecutive calendar years after stabilization; operating reserve equals or exceeds the required amount
Walton II	162,000	meeting the required debt service coverage for 2 consecutive calendar years beginning 3 years after initial required DSC date; operating reserve equals or exceeds the required amount
Varsity Village	444,210	meeting the required debt service coverage for 2 consecutive calendar years beginning 3 years after stabilization; operating reserve equals or exceeds the required amount
Orleans	85,000	meeting the required debt service coverage for 12 months beginning 2 years after stabilization; operating reserve equals or exceeds the required amount
Northwest Corner	1,860,830	5th anniversary of stabilization
Bakerview	446,000	meeting the required debt service coverage for 2 consecutive calendar years beginning 3 years after stabilization; operating reserve equals or exceeds the required amount

**NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE**

The Authority implemented GASB 75, Accounting and *Financial Reporting for Postemployment Benefits Other Than Pensions*, for the year ended December 31, 2018. This statement requires state and local governments to report the full actuarially determined present value of projected benefits to be provided to current active and inactive employees attributable to past periods of service, less the amount of the plan's fiduciary net position. The effect of implementation on the beginning net position has been presented as a Change in Accounting Principle in the Statement of Revenues, Expenses and Changes in Net Position, in the amount of \$1,373,236.

**NOTE 14 - SUBSEQUENT EVENTS**

The Authority has evaluated events and transactions occurring after December 31, 2018 through September 24, 2019, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. The Authority has identified the following items requiring recognition or disclosure.

- (1) The Authority received a payment of deferred developer fee for \$842,968 in April 2019, a result of an analysis of distributable cash from the 2017 "post stabilization" net cash flow of Northwest Corner Affordable Housing Partners, LLLP, where the Authority is the managing member.
- (2) With the Board of Commissioners' approval, dated August 21, 2018, the Authority submitted an application on August 31, 2018 to HUD's Special Applications Center for a Section 18 disposition of the Authority's 24 Scattered Sites public housing units (23 dwelling units and 1 non-dwelling unit). The Authority determined that the scattered units were unsustainable to operate and maintain as public housing and that the disposition was in the best interests of the residents and was consistent with the Authority's goals. The Authority planned to continue to preserve affordable housing by utilizing proceeds from the disposition and other funds to build at least 24 project-based units as part of a mixed financed redevelopment. The Authority received HUD's approval on February 1, 2019 for the disposition. As of September 24, 2019, 5 units have been disposed of for a total net sale proceeds of \$2,216,785.

**NOTE 15 - RISK MANAGEMENT**

The Authority is a member of Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 190.080 ORS and 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-three member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-four of the eighty-three members are Washington State public housing entities.

New members are underwritten at their original membership and thereafter automatically renew on an annual basis.

Bellingham Housing Authority  
Notes to Financial Statements  
For the Year Ended December 31, 2018

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. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E & O copayments). Coverage limits for General Liability, Automobile Liability, as well as Errors and Omissions, are \$2,000,000 per occurrence with a \$2,000,000 aggregate.

The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$2,500 to \$25,000. Our Property coverages include Equipment Breakdown, as well as Fidelity coverage with limits of \$100,000 (with options up to \$1,000,000) for employee dishonesty, forgery or alteration and \$50,000 for theft, with a \$1,000 deductible.

HARRP self-insures coverage for liability lines. HARRP self-insures the first \$2,000,000 for property, 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.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Authority is not aware of any loss exposures that may need specialized coverage traditionally excluded in property and casualty insurance.



**BELLINGHAM HOUSING AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDING DECEMBER 31, 2018**

GRANTOR AGENCY	PROGRAM NAME	FEDERAL CFDA NUMBER	OTHER IDENTIFICATION NUMBER	PASS- THROUGH AWARDS	DIRECT AWARDS	TOTAL	EXPENDITURES TO SUBRECIPIENTS
UNITED STATES DEPT. OF HUD	PUBLIC AND INDIAN HOUSING	14.850	SF-261		952,550	952,550	-
	PUBLIC HOUSING CAPITAL FUND	14.872	WA19P025501-15		182,358		-
	PUBLIC HOUSING CAPITAL FUND	14.872	WA19P025501-16		458,602		-
	PUBLIC HOUSING CAPITAL FUND	14.872	WA19P025501-17		562,007		-
	PUBLIC HOUSING CAPITAL FUND	14.872	WA19P025501-18		208,608	1,411,575	-
SECTION 8 HOUSING CHOICE VOUCHER	MAINSTREAM VOUCHERS	14.879	86-0320-0-3-371		512,906		-
	HOUSING CHOICE VOUCHER	14.871	S-0108V		14,297,552		-
	TOTAL HOUSING CHOICE VOUCHER CLUSTER					14,810,458	-
	CONTINUUM OF CARE PROGRAM	14.267	WA0097L0T011609		730,780		-
	CONTINUUM OF CARE PROGRAM	14.267	WA0097L0T011710		243,022	973,802	-
WASHINGTON STATE DEPT. OF COMMERCE	HOUSING OPPORTUNITIES	14.241	F-42897-003	41,860		41,860	-
	FOR PERSONS WITH AIDS						
<b>TOTAL FEDERAL EXPENDITURES</b>							<b>\$ 18,190,245</b>
							<b>\$ -</b>

Bellingham Housing Authority  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

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, 2018. 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* (Uniform Guidance), 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 - OTHER POSTEMPLOYMENT BENEFITS  
SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS  
LAST CALENDAR YEAR

Total OPEB liability	<u>2018</u>
Service cost	\$ 109,953
Interest	114,134
Changes of benefit terms	(163,800)
Benefit payments	<u>(46,961)</u>
Net change in total OPEB liability	13,326
Total OPEB liability beginning	3,101,436
Total OPEB liability ending	\$ 3,114,762
Covered employee payroll	2,769,354
Total OPEB liability as a percentage of covered employee payroll	112%

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.58%
2018	3.87%

2. The Authority implemented GASB 75 in 2018, therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.

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

PERS 1

As of June 30

Last Five 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
2018	0.019108%	\$ 853,415	\$ 2,653,096	32.17%	63.22%
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 Five 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
2018	0.024648%	\$ 420,862	\$ 2,653,096	15.86%	94.77%
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%

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

PERS 2/3  
As of June 30  
Last Five 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
2018	0.024648%	\$ 420,862	\$ 2,653,096	15.86%	94.77%
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%

**Bellingham Housing Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Employer Contributions

PERS 1

As of December 31

Last Five 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 employer payroll	Contributions as a percentage of covered employee payroll
2018	\$ 138,232	\$ (138,232)	\$ -	\$ 2,729,687	5.06%
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%

PERS 2/3

As of December 31

Last Five 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 employer payroll	Contributions as a percentage of covered employee payroll
2018	\$ 204,788	\$ (204,788)	\$ -	\$ 2,729,687	7.50%
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%

**Bellingham Housing Authority**  
**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**  
Schedule of Employer Contributions

PERS 2/3  
As of December 31  
Last Five 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 employer payroll	Contributions as a percentage of covered employee payroll
2018	\$ 204,788	\$ (204,788)	\$ -	\$ 2,729,687	7.50%
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%

**Bellingham Housing Authority**  
Notes to Required Supplemental Information - Pension

As of December 31  
Last Five 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:** Contribution rates

Rates in effect during the periods covered by the Required Supplemental Information are below:

**PERS 1**

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	current	12.83% *

\* Employer contribution rate includes an administrative expense rate of 0.18%

**PERS 2/3**

<u>From this</u>	<u>Through this</u>	
<u>Date</u>	<u>Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	current	12.83% *

\* Employer contribution rate includes an administrative expense rate of 0.18%



Housing Authority City of Bellingham (WA025)  
Bellingham, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	6.1 Component Unit - Discreetly Presented	14.241 Housing Opportunities for Persons with AIDS	1 Business Activities	14.267 Continuum of Care Program	OCCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$2,283,088		\$404,991	\$62,613	\$4,487,763		\$7,880,567		\$569,644	\$15,688,666		\$15,688,666
112 Cash - Restricted - Modernization and Development	\$2,226,000											
113 Cash - Other Restricted	\$7,500	\$3,523	\$318,989	\$2,878		\$3,748	\$322,757	\$10,838		\$690,234		\$690,234
114 Cash - Tenant Security Deposits	\$138,269				\$383,624		\$26,793			\$548,686		\$548,686
115 Cash - Restricted for Payment of Current Liabilities												
100 Total Cash	\$2,448,857	\$3,523	\$723,980	\$65,491	\$4,871,387	\$3,748	\$8,230,117	\$10,838	\$569,644	\$16,927,586	\$0	\$16,927,586
121 Accounts Receivable - PHA Projects												
122 Accounts Receivable - HUD Other Projects												
124 Accounts Receivable - Other Government	\$322,016									\$237,450		\$237,450
125 Accounts Receivable - Miscellaneous			\$5,189	\$1,883		\$8,870	\$167,142		\$449,193	\$623,897	-\$247,754	\$376,143
126 Accounts Receivable - Tenants	\$16,261				\$51,858	\$470	\$9,126			\$77,245		\$77,245
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,649				\$0		\$0			-\$7,649		-\$7,649
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0	\$0		\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							\$7,226,124			\$7,226,124		\$7,226,124
128 Fraud Recovery	\$9,947		\$76,615	\$3,382						\$89,954		\$89,954
128.1 Allowance for Doubtful Accounts - Fraud	\$0		-\$76,615	\$0						-\$76,615		-\$76,615
129 Accrued Interest Receivable												
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$250,575	\$0	\$5,199	\$5,285	\$51,858	\$9,340	\$7,402,382	\$5,434	\$449,193	\$8,179,276	-\$247,754	\$7,931,522
131 Investments - Unrestricted												
132 Investments - Restricted					\$6,427,608					\$6,427,608		\$6,427,608
135 Investments - Restricted for Payment of Current Liability												
142 Prepaid Expenses and Other Assets	\$49,820		\$5,709	\$243	\$127,182		\$12,170	\$340	\$15,705	\$211,169		\$211,169
143 Inventories									\$23,385	\$23,385		\$23,385
143.1 Allowance for Obsolete Inventories									\$0	\$0		\$0
144 Inter Program Due From												
145 Assets Held for Sale												
150 Total Current Assets	\$2,749,252	\$3,523	\$734,888	\$71,019	\$11,478,035	\$13,088	\$15,644,679	\$16,613	\$1,057,927	\$31,769,024	-\$247,754	\$31,521,270
161 Land	\$2,831,421				\$11,675,406		\$2,709,136			\$17,215,963		\$17,215,963
162 Buildings	\$34,198,839				\$142,361,261		\$4,258,433			\$180,816,533		\$180,816,533
163 Furniture, Equipment & Machinery - Dwellings	\$1,968,932									\$1,968,932		\$1,968,932
164 Furniture, Equipment & Machinery - Administration	\$163,694		\$32,094	\$1,466			\$120,757		\$215,605	\$533,636		\$533,636
165 Leasehold Improvements												
166 Accumulated Depreciation	-\$22,884,946		-\$31,748	-\$1,389	-\$29,538,372		-\$978,363		-\$215,120	-\$53,647,670		-\$53,647,670
167 Construction in Progress	\$1,359,841	\$85,665								\$1,445,506		\$1,445,506
168 Infrastructure												
160 Total Capital Assets, Net of Accumulated Depreciation	\$17,637,781	\$85,665	\$614	\$97	\$124,500,295	\$0	\$6,109,963	\$0	\$385	\$148,334,800	\$0	\$148,334,800
171 Notes, Loans and Mortgages Receivable - Non-Current							\$79,200,356			\$79,200,356		\$79,200,356
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due												
173 Grants Receivable - Non Current												
174 Other Assets					\$401,113		\$6,263,417			\$6,664,530		\$6,664,530
176 Investments in Joint Ventures							\$892,455			\$892,455		\$892,455
180 Total Non-Current Assets	\$17,637,781	\$85,665	\$614	\$97	\$124,901,408	\$0	\$92,465,191	\$0	\$385	\$235,082,141	\$0	\$235,082,141
200 Deferred Outflow of Resources	\$39,850						\$99,515		\$113,905	\$253,170		\$253,170
290 Total Assets and Deferred Outflow of Resources	\$20,426,883	\$89,188	\$735,502	\$71,116	\$136,379,443	\$13,088	\$108,200,385	\$16,613	\$1,172,117	\$267,104,335	-\$247,754	\$266,856,581



Housing Authority City of Bellingham (WA025)  
Bellingham, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	14.879 Mainstream Vouchers	6.1 Component Unit - Discretionary Presented	14.241 Housing Opportunities for Persons with AIDS	1 Business Activities	14.267 Continuum of Care Program	OCCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,746,377				\$9,961,109		\$501,538			\$12,209,024		\$12,209,024
70400 Tenant Revenue - Other	\$186,792						\$8,472			\$195,264		\$195,264
70500 Total Tenant Revenue	\$1,933,169	\$0	\$0	\$0	\$9,961,109	\$0	\$510,010	\$0	\$0	\$12,404,288	\$0	\$12,404,288
70600 HUD PHA Operating Grants	\$1,015,498		\$14,160,571	\$512,906				\$973,902		\$16,662,777		\$16,662,777
70610 Capital Grants	\$1,348,627									\$1,348,627		\$1,348,627
70710 Management Fee									\$589,348	\$589,348	-\$589,348	\$0
70720 Asset Management Fee									\$63,360	\$63,360	-\$63,360	\$0
70730 Book Keeping Fee									\$204,150	\$204,150	-\$204,150	\$0
70740 Front Line Service Fee									\$778,153	\$778,153	-\$778,153	\$0
70750 Other Fees									\$623,309	\$623,309		\$623,309
70700 Total Fee Revenue									\$2,258,320	\$2,258,320	-\$1,635,011	\$623,309
70800 Other Government Grants												
71000 Investment Income - Unrestricted	\$1,485		\$500	\$23		\$41,860	\$3,467,848		\$87	\$41,860		\$41,860
71200 Mortgage Interest Income										\$3,469,943		\$3,469,943
71300 Proceeds from Disposition of Assets Held for Sale												
71310 Cost of Sale of Assets												
71400 Fraud Recovery	\$207,028		\$33,243	\$2,450						\$35,693		\$35,693
71500 Other Revenue		\$136,981			\$401,066		\$2,871,409		\$352	\$3,616,836	-\$65,316	\$3,551,520
71600 Gain or Loss on Sale of Capital Assets												
72000 Investment Income - Restricted												
70000 Total Revenue	\$4,505,807	\$0	\$14,331,295	\$515,279	\$10,362,175	\$41,860	\$6,849,267	\$973,902	\$2,258,759	\$39,839,344	-\$1,700,327	\$38,139,017
91100 Administrative Salaries	\$223,863		\$513,245	\$19,194	\$1,812,680	\$2,007	\$539,748	\$6,554	\$519,208	\$3,636,499		\$3,636,499
91200 Auditing Fees	\$15,618		\$16,345	\$874	\$54,609		\$21,823		\$28,122	\$135,191		\$135,191
91300 Management Fee	\$394,813		\$240,336	\$10,632	\$243,769					\$889,550	-\$589,348	\$300,202
91310 Book-keeping Fee	\$47,295		\$160,210	\$6,645						\$204,150		\$0
91400 Advertising and Marketing	\$1,553		\$984	\$4			\$2,895		\$1,295	\$6,731		\$6,731
91500 Employee Benefit Contributions - Administrative			\$238,220	\$8,448		\$810	-\$31,652	\$2,657	\$232,017	\$416,176	-\$85,316	\$416,176
91600 Office Expenses	\$83,408		\$109,301	\$3,161			\$239,296	\$3,870	\$226,695	\$665,731		\$660,415
91700 Legal Expense	\$11,719					\$1,302	\$37,214		\$11,554	\$61,789		\$61,789
91800 Travel	\$64		\$5				\$6,352		\$1,043	\$7,464		\$7,464
91810 Allocated Overhead												
91900 Other	\$428		\$1,013	\$38	\$12,568		\$16,025		\$1,849	\$31,921		\$31,921
91000 Total Operating - Administrative	\$742,437	\$0	\$1,269,659	\$48,796	\$2,123,626	\$4,119	\$831,701	\$13,081	\$1,021,783	\$6,055,202	-\$888,814	\$5,166,388
92000 Asset Management Fee	\$65,360									\$65,360	-\$65,360	\$0
92100 Tenant Services - Salaries						\$211		\$16,425		\$16,636		\$16,636
92200 Relocation Costs	\$2,870									\$2,870		\$2,870
92300 Employee Benefit Contributions - Tenant Services						\$119		\$8,894		\$17,013		\$17,013
92400 Tenant Services - Other	\$116,458		\$5,462	\$175			\$15,572			\$137,667		\$137,667
92500 Total Tenant Services	\$119,328	\$0	\$5,462	\$175	\$0	\$330	\$15,572	\$23,319	\$0	\$164,186	\$0	\$164,186
93100 Water	\$225,752				\$596,556		\$67,397			\$889,705		\$889,705
93200 Electricity	\$128,406				\$92,237		\$13,360			\$232,003		\$232,003
93300 Gas	\$86,002				\$12,510		\$6,496			\$105,008		\$105,008
93400 Fuel												
93500 Labor												
93600 Sewer												
93700 Employee Benefit Contributions - Utilities												





# Actual Modernization Cost Certificate

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

OMB App. No. 2577-0157 (exp. 1/31/2017)

## Comprehensive Improvement Assistance Program (CIAP) Comprehensive Grant Program (CGP)

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.

HA Name: <b>Bellingham Housing Authority</b>	Modernization Project Number: <b>WA19P02550111</b>
---	---

The HA 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. Original Funds Approved	\$ 561,575.00
B. Funds Disbursed	\$ 561,575.00
C. Funds Expended (Actual Modernization Cost)	\$ 561,575.00
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 HA 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; and

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

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

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

Signature of Executive Director & Date:

x *John E. Harmon*  
6/9/2015

### For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator)

Date:

x *Harlan Stewart*

02/11/2016

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

x

Approved: (Director, Office of Public Housing / ONAP Administrator)

Date:

x **HARLAN STEWART**

Printed by: HARLAN STEWART  
DN: CN = HARLAN STEWART C = US O = U.S. Government OU = Department  
of Housing and Urban Development, Office of Administration  
Date: 2019.07.25 09:44:02 -07'00'

07/25/2019

form HUD-53001 (1/2014)