



Washington State Auditor's Office

Troy Kelley

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Financial Statements and Federal Single Audit Report

Spokane Housing Authority

Spokane County

For the period July 1, 2013 through June 30, 2014

Published March 23, 2015

Report No. 1013778





Washington State Auditor
Troy Kelley

March 23, 2015

Board of Commissioners
Spokane Housing Authority
Spokane, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

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FEDERAL SUMMARY

Spokane Housing Authority Spokane County July 1, 2013 through June 30, 2014

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

Financial Statements

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

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

We issued an unmodified opinion on the Housing Authority's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.871	Housing Voucher Cluster - Section 8 Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$828,783.

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

SCHEDULE OF FEDERAL AUDIT FINDINGS AND QUESTIONED COSTS

Spokane Housing Authority Spokane County July 1, 2013 through June 30, 2014

2014-001 The Spokane Housing Authority did not have adequate internal controls to comply with the requirements of its Section 8 Housing Choice Voucher federal grant program.

CFDA Number and Title:	14.871 Section 8 Housing Choice Vouchers
Federal Grantor Name:	U. S. Department of Housing and Urban Development (HUD)
Federal Award/Contract Number:	WA19V05550106
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Known Questioned Cost Amount:	\$3,720
Potential Questioned Cost Amount:	\$310,066

Background

The Spokane Housing Authority manages low-income housing opportunities in Whitman, Pend Oreille, Lincoln, Steven, and Spokane counties. The Housing Authority received \$26.3 million for the Section 8 Housing Choice Voucher Program in fiscal year 2014. The program is designed to aid very low-income families in obtaining decent, safe and sanitary rental housing by issuing vouchers. The grantor approved the Authority to issue more than 5,000 Housing Choice Vouchers for the year ending June 30, 2014.

The Housing Authority accepts applications for rental assistance, selects eligible applicants and issues vouchers after confirming eligibility for assistance. The family must then locate and lease a suitable dwelling. The Housing Authority pays the property owner a portion of the rent on behalf of the family.

Description of Condition

The Housing Authority is responsible for designing and following internal controls that provide reasonable assurance regarding the compliance with all federal requirements. Our audit found deficiencies in internal controls that led to the following noncompliance:

Eligibility

The Housing Authority must ensure only eligible applicants are admitted to the program, determine the appropriate amount of housing assistance payments and utility allowances and maintain complete and accurate records to support payments in accordance with federal requirements and its own administrative plan. Eligibility requirements include determining the family meets certain income limits. The calculation of family income affects the amount of assistance for each family.

We selected a random sample of 29 tenant files and found all were eligible for the Program but three contained housing assistance calculation errors. One resulted in an overpayment of \$156. Specifically, the Authority's eligibility specialists:

- Selected a utility allowance that did not agree to the approved Utility Allowance Schedule.
- Used an incorrect number of pay periods when calculating annual income.
- Failed to include the tenant's disability allowance when calculating annual income.

Housing Quality Standards Enforcement

To ensure the rental units meet Housing Quality Standards, the Housing Authority must inspect units leased under the Program at the time of initial leasing and at least annually thereafter. The Housing Authority must not make any housing assistance payments for units that fail to meet the Standards, unless the owner corrects the defect within a specified period and the Housing Authority verifies correction of the failure.

Inspectors must re-inspect failed properties before the established payment termination deadlines. We selected a random sample of 29 failed inspections and identified three instances where the re-inspection was not conducted timely and payments were not withheld after the termination deadline. This resulted in an overpayment of \$3,564.

The control weaknesses that led to noncompliance within these areas are considered significant deficiencies.

Cause of Condition

Eligibility

The income verification process is a manual, labor intensive process that varies for each eligible family. Although the Authority has developed a control process that includes obtaining the required documents and a supervisory review of some income calculations, clerical errors in calculating family income occurred and were not corrected.

Housing Inspection Standards Enforcement

Program participants are provided an official notification of termination deadline in which assistance will cease if required repairs are not made. Due to staff turnover, the Housing Authority did not conduct re-inspections prior to the termination dates and proper communication and inspection oversight was not performed by the Housing Quality Standards Supervisor.

Effect of Condition and Questioned Costs

Eligibility

The Housing Authority's calculation errors resulted in incorrect housing assistance payments. Our audit identified overpayments of \$156 which we are reporting as known questioned costs. Based on our sample, we estimate the total likely questions costs from overpayments are \$30,108.

Housing Quality Standards Enforcement

The Housing Authority failed to terminate housing assistance payments when re-inspection and correction of housing quality issues was not conducted timely. Our audit identified overpayments of \$3,564 which we are reporting as known questioned costs. Based on our sample, we estimate the total likely questions costs from overpayments are \$279,958.

Recommendation

We recommend the Housing Authority:

- Continue its efforts in establishing adequate internal controls to ensure compliance with all federal requirements for its Section 8 Housing Choice Vouchers Program including Allowable Costs, and Housing Quality Standards Enforcement.
- Consult with HUD about repayment of questioned costs identified in this finding.

Housing Authority's Response

The Spokane Housing Authority acknowledges the questioned costs identified in this finding and will continue its efforts in establishing adequate internal controls to ensure compliance with all federal requirements for the Section 8 Housing Choice Vouchers Program to include allowable costs and Housing Quality Standards enforcement. A Quality Assurance Administrator position was established specifically responsible for compliance and quality control reviews utilizing applicable program regulations, funding source requirements, and SHA policies, systems and practices. The quality control reviews consist of both random quality control HQS inspections and random quality control file audits. This position will work closely with management to review and recommend changes in policies/procedures, forms and documentation requirements in accordance with review findings and applicable federal, state, local and agency regulations, rules, laws, and procedures. All questionable costs identified have been reviewed by program management staff and corrections have been made.

Auditor's Remarks

We appreciate the steps the Housing Authority is taking to ensure future compliance with Section 8 Housing Choice Voucher Program. We will evaluate the Housing Authority's internal controls to ensure compliance during our next audit.

Applicable Laws and Regulations

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 300, states in part:

The auditee shall:

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

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

Title 24 of the Code of Federal Regulations Section 982.153 states:

The PHA must comply with the consolidated ACC, the application, HUD regulations and other requirements, and the PHA administrative plan.

Title 24 of the Code of Federal Regulations Section 5.653 states in part:

Section 8 project-based assistance programs: Admission—Income eligibility and income-targeting.

(b) Who is eligible?—(1) Basic eligibility. An applicant must meet all eligibility requirements in order to receive housing assistance. At a minimum, the applicant must be a family, as defined in §5.403, and must be income-eligible, as described in this section. Such eligible applicants include single persons.

(e) Income used for eligibility and targeting. Family annual income (see § 5.609) is used both for determination of income-eligibility and for income targeting under this section.

Title 24 of the Code of Federal Regulations Section 982.516 states in part:

Family income and composition: Regular and interim examinations.

(a) PHA responsibility for reexamination and verification.

(1) The PHA must conduct a reexamination of family income and composition at least annually.

(2) The PHA must obtain and document in the tenant file third party verification of the following factors, or must document in the tenant file why third party verification was not available:

(i) Reported family annual income;

(ii) The value of assets;

(iii) Expenses related to deductions from annual income; and

(iv) Other factors that affect the determination of adjusted income.

Title 24 of the Code of Federal Regulations Section 982.158(d) states:

The PHA must prepare a unit inspection report.

Title 24 of the Code of Federal Regulations Section 982.404 states in part:

(a) Owner obligation.

(1) The owner must maintain the unit in accordance with HQS.

(2) If the owner fails to maintain the dwelling unit in accordance with HQS, the PHA must take prompt and vigorous action to enforce the owner obligations. PHA remedies for such breach of the HQS include termination, suspension or reduction of housing assistance payments and termination of the HAP contract.

(3) The PHA must not make any housing assistance payments for a dwelling unit that fails to meet the HQS, unless the owner corrects the defect within the period specified by the PHA and the PHA verified the correction. If a defect is life threatening the owner must correct the defect within no more than 24 hours. For all other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension).

(4) The owner is not responsible for a breach of the HQS that is not caused by the owner, and for which the family is responsible (as provided in §982.404(b) and §982.551(c). (However, the PHA may terminate assistance to a family because of HQS breach caused by the family.)

Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, states in part:

Section .510

(a) Audit findings reported. The auditor shall report the following as audit findings in a schedule of findings and questioned costs:

(3) Known questioned costs which are greater than \$10,000 for a type of compliance requirement for a major program. Known questioned costs are those specifically identified by the auditor. In evaluating the effect of questioned costs on the opinion on compliance, the auditor considers the best estimate of total costs questioned (likely questioned costs) not just the questioned costs specifically identified

(known questioned costs) The auditor shall also report known questioned costs when likely questioned costs are greater than \$10,000 for a type of compliance requirement for a major program

Office of Management and Budget Circular A-133 Compliance Supplement, Part 4, 14.871, states in part:

E. Eligibility

1. Eligibility for Individuals

Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant.

The head of the household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212 and 5.230).

The PHA must do the following:

a. As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).

b. For both family income examinations and reexaminations, obtain and document in the family file third-party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516).

c. Determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR part 5 subpart F (24 CFR section 5.601 *et seq.*) (24 CFR sections 982.201, 982.515, and 982.516).

d. Select tenants from the HCVP waiting list (see III.N.1, “Special Tests and Provisions – Selection from the Waiting List”) (24 CFR sections 982.202 through 982.207).

e. Reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third-party verification (24 CFR section 982.516).

Government Auditing Standards, December 2011 Revision, paragraph 4.23, states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in internal controls over compliance in its *Codification of Statements on Auditing Standards*, section 935, as follows:

.11 For purposes of adapting GAAS to a compliance audit, the following terms have the meanings attributed as follows:

Material weakness in internal control over compliance.

A deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. In this section, a reasonable possibility exists when the likelihood of the event is either reasonably possible or probable as defined as follows:

Reasonably possible. The chance of the future event or events occurring is more than remote but less than likely.

Remote. The chance of the future event or events occurring is slight.

Probable. The future event or events are likely to occur.

Significant deficiency in internal control over compliance. A deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, 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**

**Spokane Housing Authority
Spokane County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Spokane Housing Authority
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, Spokane County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated February 9, 2015. As discussed in Note 19 to the financial statements, during the year ended June 30, 2014, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Our report includes a reference to other auditors who audited the financial statements of Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments Limited Partnership and Martindale Apartments Limited Partnership, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments Limited Partnership and Martindale Apartments Limited Partnership were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these partnerships.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Housing 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing 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 Housing 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.

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 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 Housing Authority's financial statements are free from material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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 Housing 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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 9, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

**Spokane Housing Authority
Spokane County
July 1, 2013 through June 30, 2014**

Board of Commissioners
Spokane Housing Authority
Spokane, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Spokane Housing Authority, Spokane County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program

occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing 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 June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001. We also noted certain matters that we have reported to the management of the Housing Authority in a separate letter dated March 9, 2015. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority's Response to Findings

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing 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 Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 2014-001 that we consider to be significant deficiencies. We also noted certain matters that we have reported to the management of the Housing Authority in a separate letter dated March 9, 2015.

Housing Authority's Response to Findings

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of internal control compliance and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 9, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Spokane Housing Authority Spokane County July 1, 2013 through June 30, 2014

Board of Commissioners
Spokane Housing Authority
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, Spokane County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 26.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Cornerstone II – The Borning Building Limited Partnership, which represents 33 percent, 35 percent, and 4 percent, or the Cornerstone II – Helena Apartments Limited Partnership, which represents 25 percent, 28 percent, and 2 percent, or the Martindale Apartments Limited Partnership, which represents 42 percent, 38 percent, and 94 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments

Limited Partnership and Martindale Apartments Limited Partnership, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Cornerstone II – The Borning Building Limited Partnership, Cornerstone II – Helena Apartments Limited Partnership and Martindale Apartments Limited Partnership were not audited in accordance with *Government Auditing Standards*.

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 Housing 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 Housing 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.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Spokane Housing Authority, as of June 30, 2014, 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.

Matters of Emphasis

As discussed in Note 19 to the financial statements, in 2014, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 27 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

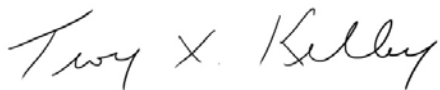
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule and HUD form are supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is

fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The combining statements for the Housing Authority's programs and tax credit partnerships is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2015 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Housing Authority's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

February 9, 2015

FINANCIAL SECTION

Spokane Housing Authority Spokane County July 1, 2013 through June 30, 2014

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

Financial Data Schedule – 2014

Actual Modernization Cost Certificate – WA19PO55501-12

Combining Statement of Net Position – 2014

Combining Statement of Revenues, Expenses and Changes in Net Position – 2014

Combining Statement of Cash Flows – 2014

Combining Statement of Net Position – Component Units – 2013

Combining Statement of Revenues, Expenses and Changes in Net Position – Component
Units – 2013

Combining Statement of Cash Flows – Component Units – 2013

Spokane Housing Authority

Management's Discussion and Analysis

This narrative overview and analysis of the Spokane Housing Authority's ("SHA" or the "Housing Authority") performance through June 30, 2014 is provided as a supplement to SHA's year-end financial statements. Please read it in conjunction with the basic financial statements and the notes to the basic financial statements. The management's discussion and analysis is presented in conformance with the Government Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*.

The Spokane Housing Authority administers a broad range of federally and locally financed housing programs within the cities of Spokane and Spokane Valley and all unincorporated areas of Spokane County. SHA also serves the cities of Millwood, Deer Park, Medical Lake, Airway Heights, Spangle and Cheney within Spokane County and Lincoln, Pend Orielle, Stevens, and Whitman counties through cooperative agreements. The Housing Authority owns and manages 867 units of housing and provides rental subsidies to over 5,000 additional households with the majority of SHA's program participants having incomes below 30% of the area median income.

SHA's financial statements are designed so that all activities of the Housing Authority, except the tax credit limited partnerships in which SHA is general partner, are reported as one total, and the tax credit limited partnerships are reported as component units in a separate total. There are three tax credit limited partnerships in which SHA was the general partner during the year ended June 30, 2014:

- Cornerstone II – The Borning Building Limited Partnership (formed in 2004)
- Cornerstone II – Helena Apartments, Limited Partnership (formed in 2008)
- Martindale Apartment Limited Partnership - The Agnes Kehoe Place (formed in 2010)

All component units have a December 31st year-end and are reported as of December 31, 2013 in the financial statements. See Note 13 in the Notes to the Basic Financial Statements for additional information on the tax credit partnerships and SHA's relationship to them.

SHA consists exclusively of enterprise funds. Enterprise funds utilize the accrual basis of accounting, and are reported with the same method as used by private sector accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation, are recognized in the period in which they are incurred. All assets and liabilities associated with the operations of SHA are included in the statements of net position.

All tables in the Management's Discussion and Analysis feature the Housing Authority only and do not include the component units.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SHA's basic financial statements. The basic financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the presentation of three basic financial statements (Statement of Net Positions; Statement of Revenues, Expenses and Changes in Net Position; and Statement of Cash Flows) and Notes to the Financial Statements. These statements are prepared on the accrual basis and present all assets and liabilities and deferred outflow and inflow of resources of the Housing Authority, both financial and capital, and short and long term. They also represent all revenues and expenses of the Housing Authority during the year, regardless of when cash was received or paid. Collectively, the statements provide the results of the Housing Authority's operations and cash flows and information regarding its financial condition as of June 30, 2014.

Spokane Housing Authority

Management's Discussion and Analysis (continued)

The Housing Authority's basic financial statements include:

- **Statement of Net Position** - present the assets, liabilities, deferred outflow of resources, deferred inflow of resources and net position of the Housing Authority at the end of the fiscal year. The difference between the total assets and deferred outflow of resources and the total liabilities and deferred inflow of resources equals the Housing Authority's net position. Assets and liabilities are presented in the order of liquidity and are classified as "current" (convertible to cash within one year) and "noncurrent". Over time, increases or decreases in net position may serve as useful indicators of the Housing Authority's financial health.
- **Statement of Revenues, Expenses, and Changes in Net Position** - present information showing how SHA's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported for some items that will only result in cash flows in future years.
- **Statement of Cash Flows** report how SHA's cash and cash equivalents were used in and provided by its operating, noncapital financing, capital and related financing, and investing activities during the period reported. The net of these activities is added to the beginning year cash balance to reconcile to the cash and cash equivalents balances as of June 30, 2014. SHA uses the direct method of presenting cash flows, which includes a reconciliation of operating activities to operating income. These statements provide answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the year.
- **Notes to the Basic Financial Statements** provide financial statement disclosures that are an integral part of the basic financial statements. Such disclosures are essential to a comprehensive understanding of the information provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net position decreased by approximately \$691 thousand (14%) from 2013 to 2014.
 - Restricted net position increased by \$171 thousand. This increase is primarily the offsetting result of restricted net position changes within the Housing Choice Voucher Program (HCV) and Westfall Village Apartments. The Housing Choice Voucher (HCV) Program restricted net position increased \$428 thousand from disbursements made by HUD to the Housing Authority that were over the amount of Housing Assistance Payments (HAP) made by the Housing Authority, and the restricted net position of Westfall Village decrease of \$262 thousand is from the spend down of restricted project funds for planned rehabilitation.
 - The deficit in invested in capital assets increased by \$452 thousand. The current deficit is related to properties where a portion of the related debt issued has been set aside in restricted assets for future debt payment or capital reserves of the properties and estimated depreciation.
 - Unrestricted net position decreased by \$410 thousand primarily from expensing \$385 thousand in debt issuance costs as a prior period adjustment in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (see Note4).

Spokane Housing Authority

Management's Discussion and Analysis (continued)

- The assets of SHA exceeded liabilities at June 30, 2014 by approximately \$4.09 million (net position). Of this amount, approximately \$980 thousand (unrestricted net position and invested in capital assets) may be used to meet ongoing obligations, and \$3.11 million is restricted as to its allowable usage.
- Current and noncurrent liabilities decreased by approximately \$279 thousand (1.16%) from the prior year in 2014. The changes are due to fluctuations in the timing of due dates and subsequent payments of liabilities as well as payments made on long-term debt.
- Total revenues increased in comparison to 2013 by approximately \$653 thousand (2.02%). Government grants comprised mainly of the HCV Program and Public Housing Operating Subsidy increased by approximately \$904 thousand (3.3%). Tenant revenue increased over prior year by approximately \$189 thousand (4.6%). Other operating revenues decreased from 2013 by approximately \$432 thousand (43%), from developer fees received from the Martindale Apartments Limited Partnership in 2013.
- Total expenses decreased by approximately \$630 thousand (2.02%) from 2013 expense levels. Housing assistance payments decreased by \$836 thousand. Other general expenses increased by \$510 thousand primarily from a required transfer of restricted cash from the HCV program to the Department of Housing and Urban Development (HUD) held program reserve. This reserve is available for future disbursement to the Housing Authority for future housing assistance payment needs. Ordinary maintenance and operations decreased by \$179 thousand.

FINANCIAL ANALYSIS

Statement of Net Position

The following table represents the condensed Statement of Net Position:

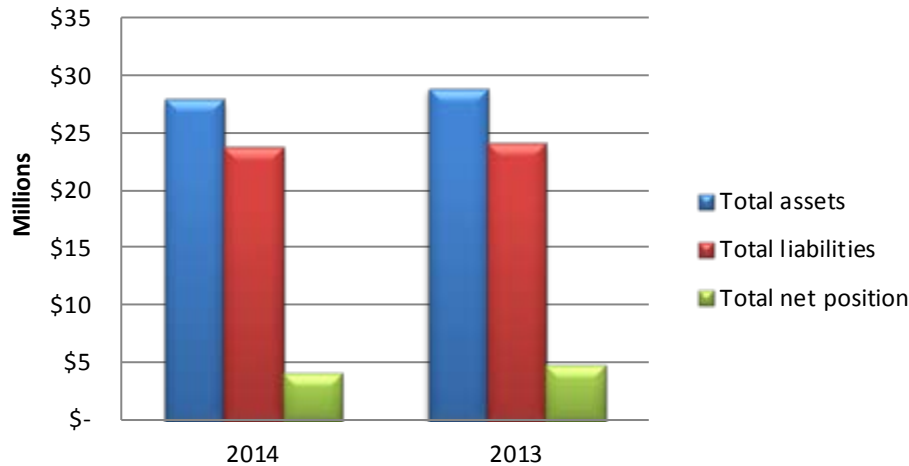
	2014	2013
Assets		
Current assets, unrestricted	\$ 4,525,522	\$ 4,426,090
Other current assets, restricted	1,998,915	1,839,112
Noncurrent assets, restricted	1,339,934	1,334,450
Other noncurrent assets	120,548	487,573
Capital assets, net	19,879,345	20,747,417
Total assets	<u>\$ 27,864,264</u>	<u>\$ 28,834,642</u>
Liabilities		
Current and other liabilities	\$ 2,486,104	\$ 1,507,221
Long-term liabilities	21,291,524	22,549,506
Total liabilities	<u>\$ 23,777,628</u>	<u>\$ 24,056,727</u>
Net Position		
Invested in capital assets	(1,369,308)	(917,474)
Restricted	3,106,784	2,935,960
Unrestricted	2,349,160	2,759,429
Total net position	<u>\$ 4,086,636</u>	<u>\$ 4,777,915</u>

Spokane Housing Authority

Management's Discussion and Analysis (continued)

The following presents the Statement of Net Position in graphical form:

Statement of Net Position



- Unrestricted current assets are comprised of unrestricted cash, receivables, prepaid items and inventories. Unrestricted current assets increased by \$99 thousand or 2.2% from June 30, 2013 to June 30, 2014. This increase is primarily a receivable due from HUD for eligible administrative fees for the HCV program.
- Restricted current assets are comprised of cash that is restricted for repayment of security deposits and other contractual obligations related to federal funding that was unspent at the end of the year. In 2014, restricted current assets increased by approximately 8.69% or \$160 thousand. The increase primarily relates to an increase of \$428 thousand in the Housing assistance payment reserves for the Housing Choice Voucher (HCV) Program from disbursements made by HUD to the Housing Authority that were over the amount of Housing Assistance Payments (HAP) made by the Housing Authority. It is offset by a decrease in the restricted cash of Westfall Village of \$262 thousand from spending down restricted project funds for planned rehabilitation.
- Noncurrent assets, restricted are comprised of debt service reserves that are required for the defeasance of debt and other long term contractually restricted reserves. The slight increase from previous year represent interest earnings.
- Other noncurrent assets are comprised of tax credit partnership fees receivables and costs of bond issuance net of amortization. Other noncurrent assets decreased by \$367 thousand or 75.28% from a prior period adjustment writing off debt issuance costs in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (see Note4).
- Capital assets include land, buildings, furniture, equipment and machinery, and construction in progress and are shown net of accumulated depreciation. Capital assets decreased by approximately 4.18% or \$868 thousand from June 30, 2013 to June 30, 2014. This decrease is primarily related to management estimated capital asset depreciation.

Spokane Housing Authority

Management's Discussion and Analysis (continued)

- Total liabilities of SHA, which are segregated between current and noncurrent portions, amounted to \$23,777,628 at June 30, 2014.
- Current liabilities consist of accounts payable, tenant security deposits, accrued wages and payroll taxes, compensated absences, accrued interest, unearned revenue and current portion of capital leases and notes payable. Current liabilities increased by 65% from 2013 to 2014, a change of approximately \$979 thousand. Fluctuations are primarily a result of the timing of payments to vendors and other government entities, however both the Hifumi En Apartments promissory note and McDonald Manor promissory note with balances of \$465,091 and \$509,015 respectively, mature in fiscal year 2015.
- Long-term liabilities consist of notes payable and the long-term portion of compensated absences. Decreases in long-term liabilities were approximately \$1.3 million from 2013 to 2014 which reflect scheduled payments of principal, and current maturities of the Hifumi En Apartments and McDonald Manor promissory notes as discussed previously.
- Net position represents the equity of SHA after liabilities and deferred inflows are subtracted from assets and deferred outflows. Net position is reported in three major categories.
 - Net investment in capital assets - Invested in capital assets, shows SHA's deficit in land, buildings, furniture, equipment and machinery, and construction in progress, net of related outstanding debt.
 - Restricted net position – Restricted net position, has external limitations on the way in which assets can be used.
 - Unrestricted net position – Unrestricted Net position is available to be used for any lawful and prudent SHA purpose.

Total net position of SHA decreased by approximately \$691 thousand from 2013 to 2014.

The following table presents details regarding the changes in unrestricted net position during the year:

Unrestricted net position - June 30, 2013	\$ 2,759,429
Change in net position	(306,755)
Adjustments:	
Depreciation (1)	1,592,110
Prior period adjustments	(384,524)
Adjusted change in net position	900,831
Payments on capital asset long-term debt borrowings	(451,689)
Additions to capital asset long-term debt borrowings	35,451
Capital asset additions	(725,759)
Capital asset disposals	1,721
Increase in restricted net position	(170,824)
Unrestricted net position - June 30, 2014	<u>\$ 2,349,160</u>

(1) Depreciation is treated as an expense and reduces the net investment in capital assets, but does not have an impact on unrestricted net position.

Spokane Housing Authority

Management's Discussion and Analysis (continued)

As of June 30, 2014, there are no restrictions, commitments or other limitations that would significantly affect the availability of resources for future use.

While operating results are a significant measure of the Housing Authority's activities, the analysis of the changes in unrestricted net position provide another picture of the change in financial well-being.

- SHA's current ratio reflects the relationship between current assets and current liabilities and is a measure of SHA's ability to pay short-term obligations. At June 30, 2014, SHA's current ratios were 2.62:1. This means that for every dollar in current liabilities there is \$2.62 in current assets.

Revenues, Expenses and Changes in Net Position

The following table compares the revenues and expenses for the current and previous fiscal years:

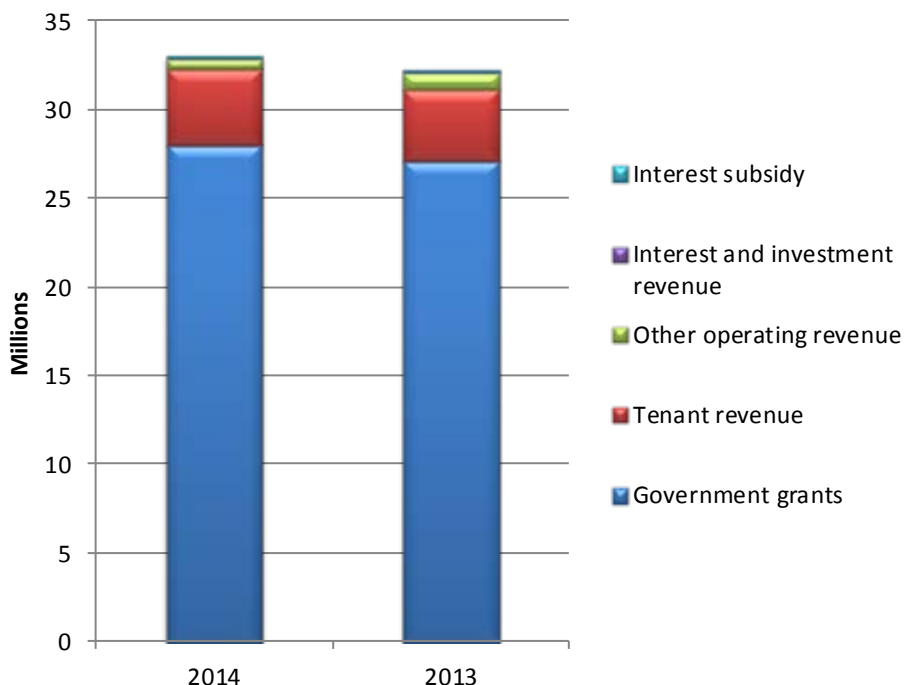
	2014	2013
Operating Revenue:		
Government grants	\$ 27,997,903	\$ 27,093,868
Tenant revenue	4,315,680	4,127,110
Other operating revenue	572,363	1,004,420
Non-operating Revenue:		
Interest and investment revenue	16,207	15,969
Interest subsidy	104,137	112,412
Total revenue	<u>33,006,290</u>	<u>32,353,779</u>
Expenses:		
Operating expenses	32,282,891	32,867,053
Non-operating expenses	<u>1,161,890</u>	<u>1,208,150</u>
Total expenses	<u>33,444,781</u>	<u>34,075,203</u>
Income (Loss) Before Contributions, Transfers,		
Extraordinary and Special Items	(438,491)	(1,721,424)
Contributions, special/extraordinary items, transfers	<u>131,736</u>	<u>146,134</u>
Change in Net Position	(306,755)	(1,577,991)
Net position, beginning of year	4,777,915	6,355,906
Prior Period Adjustments	<u>(384,524)</u>	<u>(2,701)</u>
Net position end of year	<u>\$ 4,086,636</u>	<u>\$ 4,777,915</u>

Revenues increased by approximately \$653 thousand, or 2.02% in 2014, due primarily to an increase in governmental grants of approximately \$904 thousand, an increase in tenant revenues of \$189 thousand, and a decrease in other operating revenues of \$432 thousand. Other operating revenues in the previous year included developer fees earned from the development of the Agnes Kehoe Place.

Spokane Housing Authority

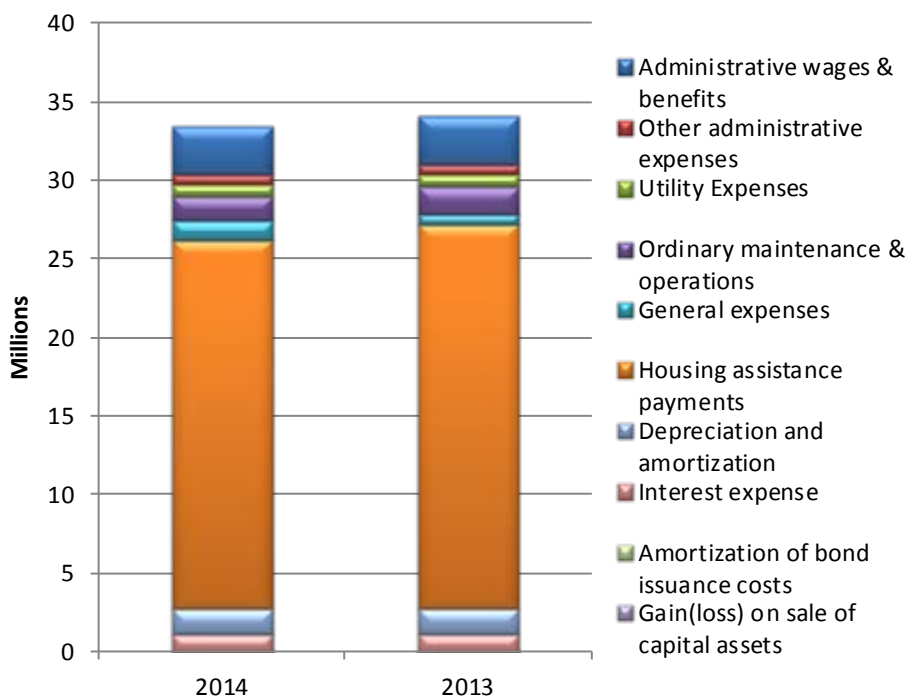
Management's Discussion and Analysis (continued)

The following compares the revenues for the current and previous fiscal years in graphical format:



Total expenses decreased by approximately \$630 thousand, or 1.85% from 2013 to 2014.

The following compares the expenses for the current and previous fiscal years in graphical format:



Spokane Housing Authority

Management's Discussion and Analysis (continued)

- Administrative wages and benefits decreased by 1.20% (approximately \$37 thousand) in 2014 attributed to a reduction in staff levels of 1 FTE and a position and wage freeze for the fiscal year.
- Other operating expenses remained in line with 2013 with a modest \$8,925 decrease in 2014.
- Utility expenses slightly increased by approximately 1.28% (\$9 thousand) across the agency.
- Ordinary maintenance and operations expenses decreased by 10.32% (approximately \$179 thousand) mainly with contract costs reductions in the HCV program and reduced maintenance costs within the Public Housing programs.
- General expenses increased by 69% (approximately \$510 thousand) primarily from a required transfer of restricted cash from the HCV program to the Department of Housing and Urban Development (HUD) held program reserve.
- Housing assistance payments (HAP) decreased by 3.44% (approximately \$836 thousand) as the Housing Choice Voucher program voucher utilization was lower in fiscal year 2014 at an annual average of 95.7% utilized compared to a 2013 annual voucher utilization of 99.8%.
- Depreciation decreased by 2.56% (approximately \$42 thousand).
- Interest expense decreased by 1.43% (approximately \$17 thousand).
- In accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for fiscal year 2014 bond issuance costs are no longer amortized and expensed over the life of the loan resulting in a \$26 thousand decrease in amortization of bond issuance costs.
- Gain (loss) on sale of capital assets decreased by 84% (approximately \$4 thousand) which will be variable from year to year.

Capital Assets

SHA's capital assets are summarized in the table below:

	June 30, 2014	June 30, 2013
Land	\$ 2,765,539	\$ 2,765,539
Buildings	28,669,830	28,669,830
Furniture, equipment & machinery - dwellings	1,712,974	1,669,389
Furniture, equipment & machinery - administration	858,756	970,178
Leasehold improvements	5,353,101	4,770,155
Construction in progress	44,427	4,900
Total capital assets	39,404,627	38,849,991
Less accumulated depreciation	(19,525,282)	(18,102,574)
Net capital assets	<u>\$ 19,879,345</u>	<u>\$ 20,747,417</u>

At June 30, 2014, the Housing Authority had \$19,879,345 in capital assets, which represents a decrease of \$868 thousand or 4.18% from 2013 to 2014. The following reconciliation summarizes the change in capital assets from June 30, 2013 to June 30, 2014.

Spokane Housing Authority

Management's Discussion and Analysis (continued)

Balance at June 30, 2013	\$ 20,747,417
Additions	725,759
Transfers/Retirements - net	(1,721)
Depreciation expense	<u>(1,592,110)</u>
Net capital assets	<u>\$ 19,879,345</u>

Additional information on SHA's capital assets can be found in Note 8 to the basic financial statements.

Outstanding Debt

As of June 30, 2013 SHA had outstanding debt of \$21,221,830, a decrease of approximately \$443 thousand. SHA's outstanding debt is summarized in the table below:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenue Bonds:		
Cedar West Apartments Housing	\$ 2,070,000	\$ 2,150,000
Heritage Heights Apartments	1,681,083	1,703,308
McDonald Manor Apartments	121,112	125,982
Valley 206 Apartments	8,091,001	8,264,073
Westfall Village Apartments	3,057,604	3,098,029
Woodhaven Apartments	2,424,270	2,492,514
Promissory Notes:		
McDonald Manor Apartments	509,015	523,793
Authority Office Building	415,160	434,902
Hifumi En Apartments	465,091	485,839
Deferred and Other Debt:		
Heritage Heights	200,000	200,000
Westfall Village	350,000	350,000
Cedar West Apartments	525,843	523,222
Courtview Apartments	127,220	133,642
Hifumi En Apartments	1,032,431	1,027,587
Newark Apartments	<u>152,000</u>	<u>152,000</u>
	<u>\$ 21,221,830</u>	<u>\$ 21,664,891</u>

All debt service payments were made in 2014 and 2013 as scheduled and no new debt was issued. Additional information on SHA's outstanding debt can be found in Note 11 to the basic financial statements.

ECONOMIC FACTORS AFFECTING SHA'S FUTURE

The majority of SHA's funding is from Federal agencies in the form of operating subsidies, capital fund grants, Housing Choice Vouchers, and other various grants. HUD funding is dependent on congressional appropriations and related budget priorities and are based on a calendar year; however, SHA has a fiscal year ending June 30th.

Spokane Housing Authority

Management's Discussion and Analysis (continued)

During 2014 HUD funding was below 100% of eligibility and is expected to continue to be underfunded in 2015 due to federal budget cuts. The following funding impacts were seen in 2014 and are expected for 2015:

- The Public Housing Program operating subsidy was funded by HUD at 81.9% of the Housing Authority's eligibility for the calendar year 2013 and 88.79% for calendar year 2014.
- The administrative portion of the HCV Program funding was funded at 69% of eligibility during 2013 and funded at 79% of eligibility for 2014.
- The Housing Choice Voucher HAP funding was funded at 94% of eligibility in 2013 and 99% of eligibility in 2014.

The Housing Authority continues to pursue its strategy to convert the ownership structure on several of its apartment complexes within its portfolio from Housing Authority owned to ownership by limited partnership with the Housing Authority as general managing partner using the Low Income Housing Tax Credit program. The federal income tax credits awarded under the Low Income Tax Credit program allow the limited partnerships to receive equity contributions to fund redevelopment activities and reduce dependency on HUD financing. The Housing Authority is also pursuing conversion of its public housing units to project-based Section 8 funding under the Rental Assistance Demonstration (RAD) program, which would allow for leveraging of private capital to meet physical needs of these projects.

Housing authorities across the country continue to be impacted by continued decline in Federal and State support for housing while facing a decrease in rental income and increase in HAP to landlords. Local inflationary, recessionary and employment trends can affect resident incomes and therefore the amount of rental incomes of the Housing Authority, as well as the amount of HAP paid by the Housing Authority.

SHA continues to monitor congressional budgetary developments, however it is anticipated that most HUD programs will continue to see decreases in renewal funding including the Housing Choice Voucher Program, which is SHA's largest program, serving over 5,049 households. Strategic focus of maintaining and strengthening existing programs and seeking long term solutions to the decline in federal support while providing housing for low-income residents is continuing.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of SHA's finances and to demonstrate SHA's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer of the Spokane Housing Authority. The Housing Authority's offices are located at 55 W. Mission Avenue, Spokane, WA 99201.

Spokane Housing Authority
Statement of Net Position
June 30, 2014

	Housing Authority	Component Units
ASSETS		
<i>Current Assets:</i>		
Cash - unrestricted	\$ 3,988,467	\$ 168,377
Receivables, net of allowance	260,775	9,007
Prepays and other assets	76,831	12,639
Inventories	663	-
Interprogram due from	198,786	51
	<u>4,525,522</u>	<u>190,074</u>
<i>Restricted Assets:</i>		
Cash - other restricted	1,766,850	1,190,002
Cash - tenant security deposits	232,065	37,900
	<u>1,998,915</u>	<u>1,227,902</u>
Total current assets	<u>6,524,437</u>	<u>1,417,976</u>
<i>Noncurrent Assets:</i>		
Restricted cash and cash equivalents	1,339,934	-
Capital assets:		
Land	2,765,539	626,941
Buildings	28,669,830	28,064,451
Furniture, equipment & machinery - dwellings	1,712,974	358,272
Furniture, equipment & machinery - administration	858,756	151,594
Leasehold improvements	5,353,101	148,115
Construction in progress	44,427	-
Accumulated depreciation	(19,525,282)	(4,375,578)
Other noncurrent assets	120,548	350,044
Total noncurrent assets	<u>21,339,827</u>	<u>25,323,839</u>
TOTAL ASSETS	<u>\$ 27,864,264</u>	<u>\$ 26,741,815</u>

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

Spokane Housing Authority
Statement of Net Position (continued)
June 30, 2014

	Housing Authority	Component Units
LIABILITIES		
<i>Current Liabilities:</i>		
Accounts payable	\$ 169,953	\$ 48,597
Accounts payable - other govt.	7,155	-
Tenant security deposits	232,065	37,900
Accrued wages & payroll taxes	141,300	-
Accrued compensated absences, current portion	35,206	-
Accrued interest payable	216,866	1,078
Unearned revenue	52,913	2,262
Current liabilities - other	48,870	20,503
Current portion long-term debt	1,417,734	53,730
Current portion of capital leases	5,071	-
Interprogram due to	158,971	43,889
Total current liabilities	<u>2,486,104</u>	<u>207,959</u>
<i>Noncurrent Liabilities:</i>		
Long-term debt, net of current	19,804,096	6,120,642
Capital leases, net of current	21,752	-
Accrued compensated absences, net of current	209,942	-
Noncurrent liabilities - other	1,255,734	165,092
Total noncurrent liabilities	<u>21,291,524</u>	<u>6,285,734</u>
TOTAL LIABILITIES	<u>\$ 23,777,628</u>	<u>\$ 6,493,693</u>
NET POSITION		
Net Investment in Capital Assets	(1,369,308)	18,799,423
Restricted net position:		
Housing assistance payments	1,733,135	-
Debt service reserves	1,203,174	-
Project reserves	170,475	-
Replacement reserves	-	318,672
Operating reserves	-	621,318
Services reserves	-	250,012
Unrestricted net position	<u>2,349,160</u>	<u>258,697</u>
TOTAL NET POSITION	<u>\$ 4,086,636</u>	<u>\$ 20,248,122</u>

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

Spokane Housing Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Housing Authority	Component Units
OPERATING REVENUES:		
Tenant revenue	\$ 4,158,853	\$ 799,246
HUD operating grants and subsidies	27,616,034	-
Other governmental grants	381,869	-
Other tenant revenue	156,827	37,096
Other revenue	572,363	293
Total operating revenues	32,885,946	836,635
OPERATING EXPENSES:		
<i>Administrative:</i>		
Administrative wages	2,235,105	59,263
Auditing Fees	31,586	25,500
Employee benefit contributions - administrative	799,108	24,097
Management & bookkeeping fees	160,737	62,548
Other operating expenses- administrative	439,847	51,970
Tenant services	3,093	18,010
	3,669,476	241,388
<i>Utilities:</i>		
Electricity	192,774	59,043
Water	111,831	7,222
Sewer	391,554	88,005
Other utilities expense	40,617	26,640
	736,776	180,910
<i>Ordinary maintenance and operations:</i>		
Contract costs	759,176	75,360
Maintenance and operations wages	455,186	69,677
Employee benefit contributions	183,636	28,256
Materials and other	157,741	17,066
	1,555,739	190,359
<i>General expenses:</i>		
Housing assistance payments	23,477,847	-
Insurance premiums	119,480	27,386
Other general expenses	1,131,463	56,697
Depreciation and amortization	1,592,110	1,093,271
	26,320,900	1,177,354
Total operating expenses	32,282,891	1,790,011
OPERATING INCOME (LOSS)	\$ 603,055	\$ (953,376)

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

Spokane Housing Authority

Statement of Revenues, Expenses and Changes in Net Position (continued)

For the Year Ended June 30, 2014

	Housing Authority	Component Units
OPERATING INCOME (LOSS)	\$ 603,055	\$ (953,376)
NONOPERATING REVENUES (EXPENSES):		
Gain (loss) on sale of capital assets	(685)	(422)
Interest expense	(1,161,205)	(41,999)
Interest subsidy	104,137	-
Amortization of bond issuance costs	-	(31,166)
Investment revenue - unrestricted	16,207	3,051
Total nonoperating revenues (expenses)	<u>(1,041,546)</u>	<u>(70,536)</u>
Income (Loss) Before Contributions, Transfers, Extraordinary and Special Items	(438,491)	(1,023,912)
Capital grants and contributions	<u>131,736</u>	<u>759,037</u>
CHANGE IN NET POSITION	(306,755)	(264,875)
NET POSITION, BEGINNING OF YEAR	4,777,915	20,512,997
PRIOR PERIOD ADJUSTMENTS	<u>(384,524)</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 4,086,636</u>	<u>\$ 20,248,122</u>

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

Spokane Housing Authority
Statement of Cash Flows
For the Year Ended June 30, 2014

	Housing Authority	Component Units
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from tenants and others	\$ 4,314,772	\$ 832,153
Receipts from other govt entities	27,834,189	-
Housing assistance payments	(23,477,847)	-
Payments to employees	(3,680,881)	(181,293)
Payments to vendors and suppliers	(3,377,413)	(940,677)
Other receipts (payments)	557,364	293
Net cash provided (used) by operating activities	<u>2,170,184</u>	<u>(289,524)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from related parties	195	3,144
Net cash provided (used) by noncapital financing activities	<u>195</u>	<u>3,144</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contribution (distribution)	-	759,037
Capital grants received	136,819	-
Purchases of capital assets	(725,759)	(15,412)
Proceeds from capital debt	35,451	-
Principal paid on capital debt	(451,689)	(53,467)
Capital debt interest subsidy received	104,354	-
Interest paid on capital debt	(1,046,675)	(13,296)
Net cash provided (used) by capital and related financing activities	<u>(1,947,499)</u>	<u>676,862</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	16,206	3,051
Net cash provided by investing activities	<u>16,206</u>	<u>3,051</u>
Net Increase (Decrease) in Cash and Cash Equivalents	239,086	393,533
Cash and Cash Equivalents, Beginning of Year	<u>7,088,230</u>	<u>1,002,746</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,327,316</u>	<u>\$ 1,396,279</u>
<i>Cash and Cash Equivalents consist of:</i>		
Cash - unrestricted	\$ 3,988,467	\$ 168,377
Cash - other restricted	3,106,784	1,190,002
Cash - tenant security deposits	232,065	37,900
	<u>\$ 7,327,316</u>	<u>\$ 1,396,279</u>

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

Spokane Housing Authority
Statement of Cash Flows (continued)
For the Year Ended June 30, 2014

	Housing Authority	Component Units
RECONCILIATION OF NET OPERATING INCOME (LOSS)		
TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income (loss)	\$ 603,055	\$ (953,376)
<i>Adjustments to Reconcile Net Income (Loss) to Net Cash provided (used) by Operating Activities:</i>		
Depreciation	1,592,110	1,093,271
Increase (decrease) in cash due to changes in assets and liabilities:		-
Receivables	(127,533)	(2,329)
Prepaid expenses	78,304	1,708
Inventories	938	-
Other assets	(17,500)	-
Accounts payable	49,628	(38,567)
Accounts payable - other government	(11,333)	-
Tenant security deposits	(5,537)	(2,050)
Accrued wages and taxes payable	(19,053)	-
Compensated absences	11,207	-
Unearned revenue	11,009	198
Accrued liabilities - other	4,889	(388,379)
Net adjustments	1,567,129	663,852
<i>Net Cash provided (used) by Operating Activities</i>	<u>\$ 2,170,184</u>	<u>\$ (289,524)</u>

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

Spokane Housing Authority

Notes to Basic Financial Statements

For the year ended June 30, 2014

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Spokane Housing Authority (SHA) 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 accounting policies.

A. Reporting Entity:

The Spokane Housing Authority (SHA) was established in 1972 pursuant to the laws of the State of Washington in order to provide affordable, safe, and sanitary housing for persons of low income. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the Public Housing Program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make loans to assist the authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for maintaining the low-rent character of the local housing programs.

In 2003, the Spokane Housing Authority became a joint city-county housing authority pursuant to RCW 35.82.300, by authorization of the cities of Spokane and Spokane Valley, and Spokane County. The Housing Authority serves the geographical area of the cities of Spokane and Spokane Valley and all unincorporated areas of Spokane County. It also serves the cities of Millwood, Deer Park, Medical Lake (effective 1988), Airway Heights (effective 1989), Spangle (effective 1989), and Cheney (effective 1990) through cooperative agreements. The Housing Authority can be dissolved if both the Spokane and Spokane Valley city councils and the Spokane County Board of Commissioners all adopt identical resolutions pursuant to RCW 35.82.310.

The Housing Authority is governed by a six member Board of Commissioners, appointed by the Mayors of the cities of Spokane and Spokane Valley, and the Chairperson of the Spokane County Commissioners. Each member serves a five-year term of office, with terms rotating in such a manner that one appointment is made each year.

As required by generally accepted accounting principles (GAAP), management has considered all potential component units in defining the reporting entity. The decision to include a component unit in the reporting entity is governed by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organization are Component Units*. The financial statements present the Spokane Housing Authority (the primary government) and its component units. The six-member board appointed to the Housing Authority governs all of the tax credit limited partnerships. The partnerships are legally separate from the Spokane Housing Authority and are discretely presented from the primary government in the financial statements. All properties owned by the limited partnerships are accounted for on a calendar year basis rather than the Housing Authority's fiscal year ending June 30th. The sole purpose of the limited partnerships is to provide affordable housing to low income families. See Note 13 for additional information on the tax credit limited partnerships.

Discretely Presented Component Units:

Cornerstone II – The Borning Building Limited Partnership – SHA is the sole general partner of the tax credit partnership, which was created in order to develop and manage the Cornerstone Courtyard Apartments. The 50 affordable units were placed in service February 2008.

Cornerstone II – The Helena Apartments, Limited Partnership – SHA became the general partner of this tax credit partnership in 2008, which was created in order to develop and manage the Pearl on Adams Apartments. The 35 affordable units were placed in service in November 2009.

The Martindale Apartments, Limited Partnership – SHA became the general partner of this tax credit partnership in 2010, which was created in order to develop and manage the Agnes Kehoe Place Apartments. The 51 affordable units were placed in service in January 2012.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Basis of Presentation

The financial statements (i.e., the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) report information on all of the activities of the primary government and its component units.

The Housing Authority accounts for and records its financial position and operating results for fifteen separate programs. These programs segregate activity by type of HUD assistance, miscellaneous grants, and other properties.

The accounting records of the Housing 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 Housing 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 accounts of SHA are reported as a single enterprise proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. An operating activity generally arises from providing services in connection with the fund's principal activity. The operating revenues of the Housing Authority consist primarily of rental charges to tenants and operating grants from the U.S. Department of Housing and Urban Development ("HUD"), and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses. Operating expenses for the Housing Authority include the cost of administrative, maintenance, utilities, tenant services, general operations, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, except for capital contributions, which are presented separately.

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes a flow of economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The basis of accounting used is similar to businesses in the private sector; thus, these funds are maintained on the accrual basis of accounting.

Revenues are recognized when earned and expenses are recorded in the period incurred. For financial reporting purposes, the Housing Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than non-operating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after non-operating activity on the accompanying statement of revenues, expenses and changes in net position.

The accompanying basic financial statements include the activities of several Housing Programs subsidized by HUD as well as various other Agencies. A summary of each significant program is provided below. Each program has a fiscal year ending as of June 30th with the exceptions of Heritage Heights Apartments, Westfall Village Apartments, and Valley 206 Apartments which report on a calendar year ending December 31st.

Housing Choice Voucher Program

SHA administers the Housing Choice Voucher Program, Moderate Rehabilitation Single Room Occupancy Program and the Veterans' Affairs Supportive Housing Program, which utilizes existing privately owned family rental housing units to provide decent and affordable housing to low-income families. Funding of the program is provided by federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants. The Housing Authority has administrative responsibility for the Housing Choice Voucher programs in Spokane, Stevens, Pend Oreille, Whitman, and Lincoln Counties.

SHA received HOME entitlement grant funds from the City of Spokane, Spokane County, and the Washington State Department of Commerce for additional tenant based rental assistance, and administers a twelve county State funded housing program for persons with AIDS (HOPWA).

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 1 —SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Public Housing Program

SHA's Public Housing Program consists of two asset management projects ("AMPS"), which collect both operating and capital fund subsidy. AMP 1 is the 50 unit Parsons Apartment complex and AMP 2 is an accumulation of 75 housing units referred to as scattered sites and is located within the City of Spokane, City of Spokane Valley, and Spokane County. Each AMP is accounted for as a separate entity, and is reported in the Combining Statements.

The purpose of the Public and Indian Housing Program is to provide decent and affordable housing to low income families at reduced rents. The developments are owned, maintained and managed by the Housing Authority. The developments/units acquired, developed and modernized under HUD's Development and Capital Fund programs. Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

Capital Fund Programs (CFP):

Funds from the CFP provided by HUD are used to maintain and improve the Public Housing portfolio. Substantially all additions to land, structures and equipment for these properties are accomplished through the capital grant funds.

Other Properties:

SHA has purchased or developed the properties listed below and is responsible for leasing, operating, and maintaining the housing units with the exception of the Newark Apartments. The lease terms are generally for one year.

Courtview Apartments – Is a 14 unit apartment building which was purchased in 1992 and is operated solely on the income generated by the property.

Sharon Lord Apartments – Consists of 2 duplexes which were constructed in 2003 on land owned by the Housing Authority. The duplexes are dedicated to housing families with very low income (at or below 30% of area median income).

Newark Apartments – Is a 6 unit property which was purchased in 1993 and is presently leased to the Salem Arms, a Spokane non-profit organization, as housing for its clients.

Woodhaven Apartments – Is a 72 unit complex which was purchased in 2001 with housing revenue bonds issued by the Housing Authority.

Valley 206 Apartments – Consists of a 207 unit affordable housing property, which was purchased in 1998 through the issuance of housing revenue bonds. The bonds were refinanced through a private placement bond issue in 2009.

Cedar West Apartments – Is a 74 unit complex which was purchased in 1999 through the issuance of housing revenue bonds.

Hifumi En Apartments – Is a 41 unit apartment complex which was purchased in 2004. This property is a Section 8 project based development for low income senior and/or disabled persons.

McDonald Manor Apartments – Is a 16 unit complex which was purchased in 2005 financed with a mortgage and a seller promissory note. The seller promissory note was refinanced through a private placement bond issue in 2010.

Heritage Heights Apartments – Is a 62 unit tax credit apartment complex which was purchased in 2010 from the Heritage Heights Limited Partnership with Build America bonds issued by the Housing Authority.

Westfall Village Apartments – Is a 110 unit tax credit apartment complex which was purchased in 2010 from the Heritage Heights Limited Partnership with Build America bonds issued by the Housing Authority.

C. Cash and cash equivalents — It is the Housing Authority's policy to invest all temporary cash surpluses in low-risk short-term investments of a liquid nature. This amount is classified on the Statement of Net Assets as cash and cash equivalents. Cash held for future payment of long-term liabilities is classified as a Noncurrent asset. For purposes of the Statement of Cash Flows, the Housing Authority considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- D. Receivables** — Accounts receivable consist primarily of amounts due from tenants for rent and other charges and cost reimbursements due from grantors. Annually, tenant receivable balances are analyzed and the allowance for doubtful accounts is estimated and adjusted in accordance with historical experience. Other receivable allowances are established for uncertain collectibles. No allowances existed at June 30th, 2014, other than the allowance for tenant accounts receivable.
- E. Prepaid and other assets** — Prepaid and other assets represent amounts paid in advance of the period which the expenses benefit. Prepays consist primarily of the current portion of insurance premiums, ongoing maintenance and service contracts, and postage.
- F. Inventories** — Inventories belonging to the Spokane Housing Authority as of June 30, 2014 consisted of office supplies of \$633. Inventories are valued by the FIFO method, which approximates the market value.
- G. Restricted assets** — Restricted assets contain cash or cash equivalents that are restricted by federal or state regulation or statute to the use of particular programs or grants. The total of the Housing Authority restricted cash as of June 30, 2014 was \$3,338,849. Component Units as of December 31, 2013 had restricted cash of \$1,227,902. The balances consist of the following:

	Housing Authority	Component Units
Section 8 reserves	\$ 1,725,980	\$ -
Bond debt service reserves	1,203,174	-
Other reserves	170,475	1,190,002
Tenant security deposits	232,065	37,900
Grants	7,155	-
Total	<u>\$ 3,338,849</u>	<u>\$ 1,227,902</u>

- H. Capital assets** — Capital assets include property, plant, and equipment and are defined by the Housing Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year, or, a major appliance with a cost of less than \$1,000, having an estimated useful life in excess of one year. All such assets are recorded at historical cost when purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays of capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Management reviews property, plant, and equipment for possible impairment to determine if a decline in service utility is significant and unexpected. If a capital asset is considered impaired the amount of impairment loss is determined in accordance with GASB Statement No. 42 using either the Restoration Cost Approach, the Service Units Approach, or the Deflated Depreciated Replacement Cost Approach.

Capital Assets of the Housing Authority, as well as the discretely presented component units, are depreciated using the straight-line method over the following estimated useful lives:

Land is not depreciated	
New construction & building acquisition	29-40 years
Furniture, equipment & machinery	3-7 years
Modernization of Buildings and improvements	10-25 years
Construction in progress is not depreciated	

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

- I. **Compensated absences** — Compensated absences are absences for which employees will be paid such as vacation and sick leave. Regular Housing Authority employees accrue paid time off leave based on the number of years of service. The paid time off leave balances accumulated by employees represent a liability for future payment for compensated absences. The dollar value of the Housing Authority's liability for future payment of compensated absences is recorded as a liability on the financial statements. The total value of the paid time off leave obligation at June 30, 2014 was \$245,148. It is the policy of the Housing Authority when an employee separates to pay accumulated unused paid time off up to a maximum of 400 hours at the employee's current pay rate. The liability for other compensated absences does not vest and is not considered material.
- J. **Unearned revenues** — Unearned revenues are operating grant funds and tenant rent payments that have been received or advanced and have not yet been earned or expended. At the time those funds are earned or expended revenue will be recognized.
- K. **Revenue Recognition** — Operating subsidies received from HUD and other grantors are generally recognized during the periods to which they relate and all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted. Receipts from the Public Housing Capital Grant Program and other reimbursement based grants are recognized when the related expenses are incurred. Tenant revenues are recognized during the period of occupancy. Expenses are recognized when incurred.
- L. **Revenue and expenses** — All revenues and expenses related to the operations of the Housing Authority and its component units are classified as operating revenues and expenses. Non-operating revenues include capital grants, interest revenue, and interest subsidy. Non-operating expenses include interest expense, amortization of bond issuance costs, and gain (loss) on sale of capital assets.
- M. **Tax status** — The Housing Authority is qualified as a tax-exempt organization under the provisions of Section 115(1) of the Internal Revenue Code. Under state law (RCW 35.82.210) the Housing Authority is exempt from all taxes imposed by cities, counties, the state or any political subdivision thereof. Accordingly, no provision for income taxes is reflected in the accompanying statements. Pursuant to agreements with the City of Spokane and Spokane County, the Housing Authority makes a Payment in Lieu of Taxes (PILOT) to reimburse the City and County for services provided.
- The component units, as partnerships, are required to file IRS form 1065, U.S. Return of Partnership Income and Schedule K-1 which reports the taxable income or loss to be reported by the respective partners allocated in accordance with their percentage of ownership. Management of the partnerships have evaluated the Partnerships' tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of FASB ASC 740-10, regarding the reporting of uncertainty in income taxes. With few exceptions, the Partnerships are no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2010.
- N. **Use of estimates** — The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions the Housing Authority may undertake in the future. Actual results may ultimately differ from those estimates.
- O. **Budgetary Accounting and Control**— The Housing Authority prepares an annual budget which is presented to the Board of Commissioners and adopted through the passage of a budget resolution prior to the beginning of the fiscal year. Budgets are not, however, legally adopted nor required for financial statement presentation. The Housing Authority maintain budgetary control by not permitting total operating expenses and expenditures for individual programs to exceed their respective budget amounts without the appropriate approvals. All budget amounts lapse at year-end. Encumbrance accounting is not used as an extension of formal budget control.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

State laws and certain bond and loan covenants require that the Housing Authority maintain occupancy in housing projects at specified numbers of low-income families. During the fiscal year, the Housing Authority satisfied all compliance requirements specified in its bond and loan covenants. There have been no material violations of finance-related legal or contractual provisions.

NOTE 3 — ACCOUNTING AND REPORTING CHANGES:

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, all debt issuance costs, with the exception of prepaid insurance associated with the issuance of debt, do not meet the definition of an asset or a deferred outflow of resources and such costs should be expensed when incurred. This expensing is required for reporting period beginning no later than December 15, 2012. This is a change in accounting principle as in prior reporting periods all debt issuance costs were in conformity with GAAP capitalized as assets and amortized (expensed) on a straight-line basis over the life of the related debt issuance.

The implementation of GASB Statement No. 65 resulted in a Prior Period Adjustment on the Statement of Revenues, Expenses and Changes in Net Position. For details of this Prior Period Adjustment, please see Note 4.

NOTE 4 — PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments are made to correct errors in prior year financial statements.

As a result of implementing GASB Statement No. 65, the Housing Authority reported a prior period adjustment to expense the 6/30/2013 unamortized debt issuance costs, which totaled \$384,524.

In the judgment of the Housing Authority, the net effect of the Prior period adjustment did not possess the materiality warranted to make restating the 2013 Annual Financial Statements practicable.

NOTE 5 — DEPOSITS:

As required by State law, all deposits of the Housing Authority are deposits with Washington State banks. The deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). All investments are insured, registered or held by the Housing Authority or its agent in the Housing Authority's name.

Cash and cash equivalents consist of the following at June 30, 2014 for the Housing Authority and December 31, 2013 for the Component Units:

	<u>Housing Authority</u>	<u>Component Units</u>
Cash in demand deposits	\$ 5,925,339	\$ 1,396,279
Local government investment pool	757,701	-
US Government Obligations	644,276	-
Total deposits	<u>\$ 7,327,316</u>	<u>\$ 1,396,279</u>

The Local Government Investment Pool (LGIP) is an investment pool managed and operated by the Washington State Treasurer's Office for the benefit of government entities in the State of Washington. The assets and liabilities of the LGIP are included in the comprehensive Annual Financial Report of the State of Washington. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission and invests in high-quality, short-term investments. All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services. Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and the portfolio maintains a weighted average maturity of 90 days or less. Investments with the LGIP meet the criteria of cash and cash equivalents because of these can be liquidated upon demand.

Spokane Housing Authority
Notes to Basic Financial Statements (continued)
For the year ended June 30, 2014

NOTE 6 — RECEIVABLES

Receivables consisted of the following amounts due to the Housing Authority and the Component Units as of June 30, 2014:

	<u>Housing Authority</u>	<u>Component Units</u>
HUD - Housing Choice Voucher Program	\$ 100,097	\$ -
HUD - Public Housing Capital Grant Program	5,083	
HUD - Other programs	18,262	-
Other Governments	84,666	-
IRS - Interest Subsidy	18,533	
Tenants accounts receivable - net	28,760	8,892
Other accounts receivable	5,374	115
Total receivables, net of allowance	<u>\$ 260,775</u>	<u>\$ 9,007</u>

NOTE 7 — INTER-PROGRAM RECEIVABLES AND PAYABLES

At June 30, 2014, the Housing Authority had short-term receivables and payables within the related programs. All balances resulted from the time lag between the dates that (1) inter-program goods and services are provided and reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between programs are made. All balances are expected to be collected within 12 months of the financial statement date. The inter-program balances for the Housing Authority at June 30, 2014 before eliminations are as follows:

	<u>Housing Authority</u>		<u>Component Units</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>Receivables</u>	<u>Payables</u>
Section 8 program	\$ -	\$ 104,551	\$ -	\$ -
Public housing	310	28,921	-	-
Other projects	1,420,737	1,247,760	51	43,889
Total receivables	<u>\$ 1,421,047</u>	<u>\$ 1,381,232</u>	<u>\$ 51</u>	<u>\$ 43,889</u>

Spokane Housing Authority
Notes to Basic Financial Statements (continued)
For the year ended June 30, 2014

NOTE 8 — CAPITAL ASSETS:

Capital assets are stated at cost less accumulated depreciation. Depreciation is computed for financial reporting purposes by use of the straight-line method. Land is not depreciated. Changes in capital assets of the primary government during the year ended June 30, 2014 are shown below:

	July 1, 2013	Additions	Transfer/ retirements	June 30, 2014
Capital assets not depreciated:				
Land	\$ 2,765,539	\$ -	\$ -	\$ 2,765,539
Construction in progress	4,900	44,426	(4,899)	44,427
Total capital assets not depreciated	<u>2,770,439</u>	<u>44,426</u>	<u>(4,899)</u>	<u>2,809,966</u>
Capital assets being depreciated:				
Buildings	28,669,830	-	-	28,669,830
Improvements	4,770,155	578,047	4,899	5,353,101
Machinery and equipment	2,639,567	103,286	(171,123)	2,571,730
Total capital assets being depreciated	<u>36,079,552</u>	<u>681,333</u>	<u>(166,224)</u>	<u>36,594,661</u>
Accumulated depreciation:				
Buildings	13,578,106	1,047,113	-	14,625,219
Improvements	2,516,602	354,129	-	2,870,731
Machinery and equipment	2,007,866	190,868	(169,402)	2,029,332
Total accumulated depreciation	<u>18,102,574</u>	<u>1,592,110</u>	<u>(169,402)</u>	<u>19,525,282</u>
Total capital assets	<u>\$ 20,747,417</u>	<u>\$ (866,351)</u>	<u>\$ (1,721)</u>	<u>\$ 19,879,345</u>

Preliminary costs incurred for proposed projects are postponed pending construction of the project. Costs relating to projects ultimately constructed are transferred to the project. Charges that relate to abandoned projects are expensed.

The \$726 thousand in capital asset additions are primarily attributable to improvements and rehabilitation made at Heritage Heights and Westfall Village and small improvements made throughout the Housing Authority's property portfolio.

Net capital asset transfers and retirements include the retirement of five Housing Authority fleet vehicles, outdated computer equipment, and various dwelling appliances.

During the year ended June 30, 2014, the Housing Authority incurred no interest costs related to the acquisition and construction of capital assets.

Spokane Housing Authority
Notes to Basic Financial Statements (continued)
For the year ended June 30, 2014

NOTE 8 — CAPITAL ASSETS (continued):

Changes in capital assets of the component units as of December 31, 2013 are shown below:

	January 1, 2013	Additions	Transfer/ retirements	December 31, 2013
Capital assets not depreciated:				
Land	\$ 626,941	\$ -	\$ -	\$ 626,941
Construction in progress	-	-	-	-
Total capital assets not depreciated	626,941	-	-	626,941
Capital assets being depreciated:				
Buildings	28,064,451	-	-	28,064,451
Improvements	134,985	13,130	-	148,115
Machinery and equipment	514,283	2,282	(6,699)	509,866
Total capital assets being depreciated	28,713,719	15,412	(6,699)	28,722,432
Accumulated depreciation:				
Buildings	2,944,259	1,020,524	-	3,964,783
Improvements	32,610	11,731	-	44,341
Machinery and equipment	311,716	61,016	(6,278)	366,454
Total accumulated depreciation	3,288,585	1,093,271	(6,278)	4,375,578
Total capital assets	\$ 26,052,075	\$ (1,077,859)	\$ (421)	\$ 24,973,795

NOTE 9 — CONSTRUCTION COMMITMENTS:

The Housing Authority has no construction commitments as of June 30, 2014.

NOTE 10 — NONCURRENT ASSETS:

Noncurrent assets consist of the following at June 30, 2014 for the Housing Authority and December 31, 2013 for the Component Units:

	Housing Authority	Component Units
Financing Costs, Net of Accumulated Amortization	\$ 18,048	\$ 350,044
Partnership Management Fee Receivable		
Cornerstone Courtyard	90,000	-
The Pearl on Adams	7,500	-
Agnes Kehoe Place	5,000	-
Total noncurrent assets	\$ 120,548	\$ 350,044

Spokane Housing Authority
Notes to Basic Financial Statements (continued)
For the year ended June 30, 2014

NOTE 11 — LONG-TERM DEBT:

A. Long-Term Debt

A summary of changes in SHA's long-term debt for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014	Due Within One Year
Revenue Bonds:					
Cedar West Apartments Housing	\$ 2,150,000	\$ -	\$ (80,000)	\$ 2,070,000	\$ 85,000
Heritage Heights Apartments	1,703,308	-	(22,225)	1,681,083	23,695
McDonald Manor Apartments	125,982	-	(4,870)	121,112	4,491
Valley 206 Apartments	8,264,073	-	(173,072)	8,091,001	186,882
Westfall Village Apartments	3,098,029	-	(40,425)	3,057,604	43,097
Woodhaven Apartments Housing	2,492,514	-	(68,244)	2,424,270	73,244
Total Bond Payable	17,833,906	-	(388,836)	17,445,070	416,409
Promissory Notes:					
Inland Northwest Bank					
McDonald Manor Apartments	523,793	-	(14,778)	509,015	509,015
Washington Trust Bank					
Authority Office Building	434,902	-	(19,742)	415,160	20,733
Hifumi En Apartments	485,839	-	(20,748)	465,091	465,091
Total Promissory Notes	1,444,534	-	(55,268)	1,389,266	994,839
Intergovernmental Loans					
City of Spokane:					
Heritage Heights	200,000	-	-	200,000	-
Westfall Village	350,000	-	-	350,000	-
State of Washington Department of Commerce					
Cedar West	523,222	2,621	-	525,843	-
Courtview Apartments	133,642	-	(6,422)	127,220	6,486
Hifumi En Apartments	1,027,587	4,844	-	1,032,431	-
Newark Apartments	152,000	-	-	152,000	-
Total Intergovernmental Loans	2,386,451	7,465	(6,422)	2,387,494	6,486
Total long-term debt	21,664,891	7,465	(450,526)	21,221,830	1,417,734
Capital leases	-	27,986	(1,163)	26,823	5,071
Accrued Compensated absences	233,941	286,929	(275,722)	245,148	35,206
Noncurrent liabilities - other	1,135,554	120,180	-	1,255,734	-
Total noncurrent liabilities	\$23,034,386	\$ 442,560	\$ (727,411)	\$22,749,535	\$1,458,011

Cedar West Apartments Housing Revenue Bonds – Issued January 2000 to purchase Cedar West Apartments; Series A principal amount of \$2,835,000 and Series B principal amount of \$225,000; total amount issued \$3,060,000; annual installments of \$217,219 to \$283,762; interest rates ranging from 4.25% to 5.75%; debt service paid from revenues of the Cedar West Apartments. Final payment is due in 2029. The Series B bonds were redeemed in fiscal year ending June 30, 2005, leaving only the Series A bonds outstanding.

Heritage Heights Build America Revenue Bonds – Issued August 2010 to purchase and rehabilitate the Heritage Heights Apartments, principal amount of \$1,747,895. Quarterly payments of \$33,724 include interest at 6.65% per annum. These are IRS subsidized bonds, where the IRS reimburses the Housing Authority for 35% of the interest payment at the time of debt service payment. Debt service is paid from revenues of the Heritage Heights Apartments. The bond matures on August 11, 2025.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 11 — LONG-TERM DEBT (continued):

McDonald Manor Apartments – In the original amount of \$140,092, issued February 26, 2010 to pay off the existing Mortgage Note payable to Konstantinos and Dionesia Geranios for the purchase of McDonald Manor Apartments. Payments of \$913 per month include interest at 4.85% for the first 60 months. Interest and payment will reset every 60 months. The bond matures on March 5, 2030.

Valley 206 Apartments Housing Revenue Bond, Series 2008 – Issued July 2008 to refund the 1998 Valley 206 Apartments Housing Revenue Series A & B Bonds and rehabilitate Valley 206 Apartments, principal amount of \$9,075,230 with a bond issuance discount of \$113,400. Monthly payments of \$45,641 include interest at 4.40% per annum with debt service paid from revenues of the Valley 206 Apartments. Final payment is due in 2028.

Westfall Village Build America Revenue Bonds – Issued August 2010 to purchase and rehabilitate the Westfall Village Apartments, principal amount of \$3,179,125. Quarterly payments of \$61,338 include interest at 6.65% per annum. These are IRS subsidized bonds, where the IRS reimburses the Housing Authority for 35% of the interest payment at the time of debt service payment. Debt serviced is paid from revenues of the Westfall Village Apartments. The bond matures on August 11, 2025.

Woodhaven Apartments Housing Revenue Bonds – Issued December 2001 to purchase Woodhaven Apartments; Series A principal \$2,715,000 less discount of \$52,680; Series B principal \$450,000; annual installments of \$210,010 to \$229,360; interest rates ranging from 4.2% to 6.0%; debt service paid from revenues of the Woodhaven Apartments. Final payment is due in 2033.

Inland Northwest Bank – McDonald Manor Apartments – Original amount of \$624,000, issued January 2005 to finance the purchase of the McDonald Manor Apartments. Payments of \$3,130 per month include interest at 4.29% per annum. Loan matures January 10, 2015. Please refer to Note 18 – Subsequent Events for more information.

Washington Trust Bank – Housing Authority Office Building – Issued September 1998 in the original amount of \$567,000, to purchase the office building at 55 West Mission for the administrative offices of the Housing Authority with monthly payments of \$3,981 per month at 5.75% interest per annum. On December 23, 2008, an additional \$154,170 was added to the existing note for improvements to the administrative offices of the Housing Authority for total principal due of \$517,167. The interest rate on the new note is the Five-Year Federal Home Loan Bank Long Term Fixed Rate plus 2.75% adjusted at the five year anniversary. As of June 30, 2014, the rate was 4.84% with monthly payments of \$3,323. The final payment is due December 23, 2018.

Washington Trust Bank – Hifumi En Apartments – Issued June 30, 2004 for \$690,000 for rehabilitation of the Hifumi En Apartments. Monthly payments of \$3,504 including interest at 4.47% began as funds were drawn from the loan. The loan matures on October 5, 2014. Please refer to Note 18 – Subsequent Events for more information.

City of Spokane – Heritage Heights – Intergovernmental loan issued for the purchase of the land upon which the Heritage Heights Apartments were built; in the amount of \$200,000; interest at 7.13%. Principal and interest payment may be deferred until 2017, after which equal monthly payments in an amount to fully amortize the loan in ten years are required. SHA purchased the Heritage Heights Apartments in August 2010 and assumed the existing note.

City of Spokane – Westfall Village – Intergovernmental loan issued for the purchase of the land upon which the Westfall Village Apartments were built; in the amount of \$350,000; interest at 7.13%. Principal and interest payment may be deferred until 2017, after which equal monthly payments in an amount to fully amortize the loan in ten years are required. SHA purchased the Westfall Village Apartments in August 2010 and assumed the existing note.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 11 — LONG-TERM DEBT (continued):

State of Washington Department of Commerce – Cedar West – In the amount of \$498,342 to remediate mold at the Cedar West Apartments, at 0.5% annual interest, compounded quarterly. Payments are deferred for 20 years after which quarterly payments in the amount of \$7,238 will be due. The loan matures on June 30, 2044. During fiscal year, ending June 30, 2014, capitalized deferred interest totaling \$2,621 was added to the principal balance of the loan.

State of Washington Department of Commerce – Courtview Apartments – Purchase Courtview Apartments, for \$140,000 at 1.0% interest, deferred payments begun in 2013, in the amount of \$7,758 per year.

State of Washington Department of Commerce – Hifumi En Apartments – Purchase the Hifumi En Apartments, for \$995,000. A portion of the note, \$450,000, accrues interest at 1.0% compounded quarterly. This portion of the note is deferred for thirty years until July 1, 2036 at which time payments of \$15,971 are due quarterly thereafter. The remainder of the note, \$545,000, reverts into a grant after forty years if the use of the property does not change from its current use as housing for the low income and disabled. Deferred interest totaling \$4,844 was capitalized during the year. No change in the use of the property had taken place as of the end of fiscal year ended June 30, 2014.

State of Washington Department of Commerce – Newark Apartments – Purchase Newark Apartments, for \$152,000, at interest rate of 0.0%. The loan reverts to a grant if the property is retained by the Housing Authority and continued to be used for low-income housing until the year 2043. No change in the use of the property had taken place as of the end of fiscal year ended June 30, 2014.

The annual requirements to amortize outstanding debt, including interest, are as follows:

Year ended June 30,	Principal	Interest	Total
2015	1,417,734	994,432	2,412,166
2016	451,510	951,043	1,402,553
2017	476,342	1,010,493	1,486,835
2018	508,590	1,233,118	1,741,708
2019	540,407	1,205,424	1,745,831
2020-2024	3,183,313	5,577,311	8,760,624
2025-2029	12,151,726	2,475,380	14,627,106
2030-2034	1,071,087	129,122	1,200,209
2035-2039	315,712	20,697	336,409
2040-2044	553,846	40,636	594,482
2045-2049	551,563	121,203	672,766
	<u>\$21,221,830</u>	<u>\$13,758,859</u>	<u>\$34,980,689</u>

B. Arbitrage Compliance – SHA periodically monitors for the existence of any rebate of arbitrage interest associated with its tax-exempt debt. The rebate is based on the differential between the interest earnings from the investment of bond proceeds as compared to the interest expense associated with the respective bonds. As of June 30, 2014, the Housing Authority estimates that no arbitrage rebate exists in conjunction with its debt reserve funds, and therefore no liability exists.

C. Conduit Debt – RCW 35.82 provides that Housing Authorities are authorized to facilitate the issuance of tax-exempt non-recourse revenue bonds to finance housing projects. Conduit revenue bonds issued by the Housing Authority are payable from revenues derived as a result of the project activities funded by the revenue bonds and are secured by deeds of trust on the underlying projects. The bonds are neither a liability nor contingent liability of the Housing Authority nor a lien on any of its properties or revenues other than for the project for which they are issued. The outstanding revenue bonds are not recorded in the Housing Authority's financial statements, as they represent conduit debt obligation under GASB Interpretation No. 2. The Spokane Housing Authority as of June 30, 2014 is not participating in conduit debt transactions.

Spokane Housing Authority
Notes to Basic Financial Statements (continued)
For the year ended June 30, 2014

NOTE 11 — LONG-TERM DEBT (continued):

D. Long Term Debt – Component Units

Long-term debt of the component units includes notes and mortgages payable and intergovernmental loans. The following is a summary of changes in long-term debt for the component units for the year ended December 31, 2013.

	Balance at January 1, 2013	Additions	Reductions	Balance at December 31, 2013	Due Within One Year
Intergovernmental Loans					
City of Spokane:					
Agnes Kehoe Place	500,000	-	-	500,000	-
Cornerstone Courtyard	250,000	-	(3,467)	246,533	3,730
Cornerstone Courtyard	88,477	-	-	88,477	-
Washington State Department of Commerce					
Agnes Kehoe Place	2,235,830	-	-	2,235,830	-
Cornerstone Courtyard	1,225,000	-	(35,000)	1,190,000	35,000
Pearl on Adams	1,065,000	-	(15,000)	1,050,000	15,000
Federal Home Loan Bank					
Cornerstone Courtyard	200,000	-	-	200,000	-
Washington State HFC					
Agnes Kehoe Place	663,532	-	-	663,532	-
Total Intergovernmental Loans	6,227,839	-	(53,467)	6,174,372	53,730
Total long-term debt	6,227,839	-	(53,467)	6,174,372	53,730
Non-current liabilities - Other	149,845	51,297	(36,050)	165,092	-
Total noncurrent liabilities	\$6,377,684	\$ 51,297	\$ (89,517)	\$6,339,464	\$ 53,730

City of Spokane – Agnes Kehoe Place – Intergovernmental loan issued in 2010 in the amount of \$500,000 for remediation of lead based paint at the Agnes Kehoe Apartments, with simple interest rate of 0.75%. Payments of principal and interest are deferred until forty-one years from January 31, 2012. One payment of \$500,000 will be due and payable on January 31, 2053.

City of Spokane – Cornerstone Courtyard – Intergovernmental loan issued in 2006 in the amount of \$250,000 for rehabilitation of the Cornerstone Courtyard, interest rate at 5.32%. Payments of principal and interest were deferred until December 1, 2007, after which time monthly payments of \$1,397 shall be made for the 30-year term of the note, applied to deferred interest than principal.

City of Spokane – Cornerstone Courtyard – Intergovernmental loan issued in 2007 in the amount of \$88,477 for the purpose of lead abatement during the development of the Cornerstone Courtyard Apartments, at 0% interest, deferred for 41 years, due and payable in full on December 31, 2048.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 11 — LONG-TERM DEBT (continued):

State of Washington Department of Commerce – Agnes Kehoe Place – Intergovernmental loan issued in 2010 in the amount of \$2,500,000 for rehabilitation of the Agnes Kehoe Place. The loan shall be deferred for forty years at 0.75% simple interest. The full amount shall be due and payable on or before December 31, 2052. A payment of \$314,170 was made on December 14, 2012 utilizing capital contributions received from the Limited Partner.

State of Washington Department of Commerce – Cornerstone Courtyard – Intergovernmental loan issued in 2006 in the amount of \$1,400,000 for rehabilitation of the Borning Building, renamed the Cornerstone Courtyard, at 0% interest. Quarterly payments in the amount of \$8,750 began on June 30, 2008 for a total of 40 years. The final payment will be due on December 31, 2047.

State of Washington Department of Commerce Housing Trust Fund – Pearl on Adams – Intergovernmental loan issued in 2008 in the amount of \$1,395,000 for rehabilitation of the Helena, renamed the Pearl on Adams, at 0% interest. The first portion of the loan, \$600,000, shall require quarterly payments in the amount of \$3,750 which began on June 30, 2011 for a total of 40 years. The second portion of the loan, \$795,000, is deferred for 40 years, at which point the full principal amount will be due on December 31, 2049.

Federal Home Loan Bank – Cornerstone Courtyard – Intergovernmental loan issued July 31, 2006 in the amount of \$200,000 for rehabilitation of the Borning Building, renamed the Cornerstone Courtyard, with the interest rate of 1.5%. Principal and interest payments are deferred for 40 years, until July 31, 2046 at which time the entire unpaid principal balance and accrued interest is due.

Washington State Housing Finance Commission – Agnes Kehoe Place – Issued in 2008 in the amount of \$663,532 refinancing the Washington Trust Loan used to acquire the Martindale Apartments. The loan is issued at 0% interest with payments deferred for 40 years. Accordingly, payment will be due on December 31, 2048.

The annual requirements to amortize outstanding debt, including interest, are as follows:

Year ended December 31,	Principal	Interest	Total
2014	\$ 53,730	\$ 13,034	\$ 66,764
2015	53,952	12,812	66,764
2016	54,155	12,609	66,764
2017	54,387	12,377	66,764
2018	54,624	12,140	66,764
2019-2023	277,188	56,632	333,820
2024-2028	285,443	48,377	333,820
2029-2033	296,226	37,594	333,820
2034-2038	310,275	23,545	333,820
2039-2043	306,553	5,915	312,468
2044-2048	415,000	162,970	577,970
2049-2053	1,277,009	-	1,277,009
2054-2058	2,735,830	915,000	3,650,830
	<u>\$6,174,372</u>	<u>\$1,313,005</u>	<u>\$7,487,377</u>

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 12 — LEASES:

A. Operating Leases

The Housing Authority leases various office equipment under non-cancelable operating leases. The total costs for such leases was \$27,678 for the year ended June 30, 2014. Future lease commitments are as follows:

Year Ending June 30,		
2015	\$	22,938
2016		22,582
2017		22,404
2018		16,803
2019		-
	\$	<u>84,727</u>

B. Capital Leases

The Housing Authority has entered into a lease agreement for the financing of an office telephone system. The lease agreement qualifies as a capital lease for accounting purposes, therefore, had been recorded at the present value of the future minimum lease payments as of the inception date. The recorded value of the telephone system is \$27,986 less accumulated depreciation of \$5,598.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2014 were as follows:

Year Ending June 30,		
2015	\$	6,924
2016		6,924
2017		6,924
2018		6,924
2019		4,616
Total Minimum Lease Payments	\$	<u>32,312</u>
Less: Interest	\$	<u>(5,068)</u>
Present Value of Minimum Lease Payments	\$	<u>27,244</u>

NOTE 13 — PENSION PLAN:

Substantially all Spokane Housing 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publically 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, Communication Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 12 —PENSION PLAN (continued):

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local government. Approximately 50 percent of PERS salaries are accounted for by statement employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, or at the age of 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 12 —PENSION PLAN (continued):

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by 3 percent for each year before age 65.
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 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.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, or a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' fiscal year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 12 —PENSION PLAN (continued):

- If they have a least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate of a PERS member who dies in the line of service as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of said member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	<u>263,347</u>

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 12 —PENSION PLAN (continued):

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of covered payroll as of June 30, 2014, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%
Employer-Local Government*	9.21%	9.21%	9.21%
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Government	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

*** Minimum rate.

Both the Spokane Housing Authority and the employees made the required contributions. The Spokane Housing Authority required contributions for the years ended June 30th were as follows:

	2014	2013	2012
PERS Plan 1	\$ 3,622	\$ 6,114	\$ 6,046
PERS Plan 2	346,955	307,828	298,776
PERS Plan 3	33,477	27,929	15,468
Total	<u>\$ 384,054</u>	<u>\$ 341,871</u>	<u>\$ 320,290</u>

NOTE 13— COMPONENT UNITS:

Pursuant to Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, (GASB-14), the limited partnerships are defined as component units and are discretely presented in the financial statements of the Housing Authority. The fiscal year end of all the tax credit limited partnerships is December 31st. Accordingly, the financial results included in the accompanying financial statements are for the year ended December 31, 2013.

Cornerstone II – The Borning Building Limited Partnership – was formed on December 20, 2004 pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. Spokane Housing Authority is the general partner, with a .01% share of the ownership, and the initial limited partner was Washington Housing Equity Alliance, with ownership of 99.99%. On May 22, 2007, U.S. Bancorp Community Development Corporation was admitted as the new limited partner.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 13— COMPONENT UNITS (continued):

The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, long-term appreciation, and tax deductions from depreciation.

The Cornerstone Courtyard Apartments (formerly the Borning Building) was completed in February 2008. Funding was provided by Low-Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, the Washington State Housing Trust Fund, the City of Spokane, and the Federal Home Loan Bank.

The Spokane Housing Authority holds legal title to the property, and on June 7, 2006 a financing lease agreement was entered into between the Housing Authority and Cornerstone II – The Borning Building Limited Partnership. The lease allows the limited partnership (LP) to remain the owner for federal income tax purposes, and gives the LP an equity interest in all improvements to the property plus debt service payments.

The partnership agreement for the Cornerstone Courtyard stipulates that partnership management fees be paid to the general partner (the Housing Authority) in the amount of \$15,000 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall accrue. For the year ended December 31, 2013 the partnership management fee expense was \$15,000. Total partnership management fees owed as of December 31, 2013 were \$90,000. Pursuant to the Property Management and Operating Agreement for the Cornerstone Courtyard, the partnership is required to pay the general partner (the Housing Authority) a monthly management fee for its daily operation of the project. Effective June 2008, the fee equals 8% of the project's monthly gross rental income excluding vacancies and concessions. For the year ended December 31, 2013 the property management fee incurred and paid was \$25,540.

Cornerstone II – Helena Apartments Limited Partnership – was formed on December 9, 2008 for the purpose of acquiring, developing, leasing, operating and managing the Pearl on Adams Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. Northwest Housing Group LLC, of which Spokane Housing Authority is the only member, is the general partner, with a .01% share of ownership in the project, and the limited partner is U.S. Bancorp Community Development. The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The Pearl on Adams Apartments was completed November 2009 and has 35 one-bedroom units for low income, homeless and disabled tenants. Funding was provided by Low-Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, the Washington State Housing Trust Fund, the City of Spokane, U.S. Bank National Association, and Bank of America.

The Spokane Housing Authority holds legal title to the property, and on September 9, 2008 a financing lease agreement was entered into between the Housing Authority and Cornerstone II – Helena Apartments, LP. The lease allows the limited partnership (LP) to remain the owner for federal income tax purposes, and gives the LP an equity interest in all improvements to the property plus debt service payments.

The partnership agreement for the Pearl on Adams stipulates that partnership management fees be paid to the general partner (the Housing Authority) in the amount of \$7,500 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall not accrue. For the year ended December 31, 2013 the partnership management fee expense was \$7,500. Total partnership management fees owed as of December 31, 2013 were \$7,500.

Pursuant to the Property Management and Operating Agreement for the Pearl on Adams, the partnership is required to pay the general partner (the Housing Authority) a monthly management fee for its daily operation of the project. Effective in 2009, the fee equals 7% of the project's monthly gross rental income excluding vacancies and concessions. For the year ended December 31, 2013 the property management fee incurred and paid was \$13,592.

Martindale Apartments Limited Partnership – was formed on November 12, 2010 for the purpose of acquiring, developing, leasing, operating and managing the Agnes Kehoe Place Apartments. The partnership was formed pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10. Martindale Manager, LLC, of which Spokane

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 13— COMPONENT UNITS (continued):

Housing Authority is the only member, is the general partner, with a .01% share of ownership in the project, and the limited partner was U.S. Bancorp Community Development Corporation. On December 6, 2013, U.S. Bancorp Community Development Corporation withdrew from the partnership and LIHTC Fund 2013-5, LLC was admitted as the replacement limited partner. The partnership is organized to comply with Section 42 of the IRS Tax Code and applicable federal, state and local regulations and with loan conditions required by the project documents in order to obtain low income housing tax credits, cash income, and tax deductions from depreciation.

The Agnes Kehoe Place Apartments was completed in January 2012 and has 51 one-bedroom units for low income, homeless and disabled tenants. Funding was provided by Low-Income Housing Tax Credits, Federal Historic Rehabilitation Tax Credits, the Washington State Housing Trust Fund, the City of Spokane, and U.S. Bank National Association.

The Spokane Housing Authority holds legal title to the property, and on June 22, 2010 a financing lease agreement was entered into between the Housing Authority and Martindale Apartments Limited Partnership. The lease allows the limited partnership (LP) to remain the owner for federal income tax purposes, and gives the LP an equity interest in all improvements to the property plus debt service payments.

Pursuant to the developer services agreement dated November 12, 2010, the Martindale Apartments, L.P. agreed to pay the general partner (Spokane Housing Authority) a total fee of \$1,064,037 for services relating to the development of the Agnes Kehoe Place Apartments. The unpaid development fee is unsecured, does not bear interest and is payable out of the fourth capital contribution from the limited partner. On March 22, 2013 the fourth capital contribution from the limited partner was received and the unpaid development fee of \$394,037 was paid.

The partnership agreement for the Agnes Kehoe Place stipulates that an annual noncumulative partnership management fee be paid to the general partner (the Housing Authority) in an amount up to \$25,000 annually for services rendered in managing the business of the partnership. The fee is to be paid to the extent cash flow is available and if net cash flow is not available, the fee shall not accrue. For the year ended December 31, 2013 the partnership management fee expense was \$5,000. Total partnership management fees owed as of December 31, 2013 were \$5,000.

Pursuant to the Property Management and Operating Agreement for the Agnes Kehoe Place, the partnership is required to pay the general partner (the Housing Authority) a monthly management fee for its daily operation of the project. Effective in 2012, the fee equals 7.5% of the project's monthly gross rental income excluding vacancies and concessions. For the year ended December 31, 2013 the property management fee incurred and paid was \$23,416.

NOTE 14 —RISK MANAGEMENT:

The Housing Authority is exposed to all of the common perils associated with the ownership and rental of real estate property. A risk management program is currently in place to minimize loss occurrence and to transfer risk through various levels of insurance. All common risks relating to property, casualty, employee and public official's liability are covered by insurance, subject to appropriate deductibles. Claims that the Housing Authority have settled have not exceeded insurance coverage during the past three years.

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

New members originally contract for a three-year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the three-year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate 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.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 14— RISK MANAGEMENT (continued):

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

Coverage limits for General Liability, Errors & Omissions and Property are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. Limits for Automobile Liability are \$1,000,000/ \$1,000,000.

HARRP self-insures the full layer of coverage for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains \$2,000,000 and \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

NOTE 15 — CONTINGENCIES AND LITIGATION:

The Spokane Housing Authority has recorded in its financial statements all material liabilities. There are no material contingent liabilities to record. In the opinion of management, the Housing Authority's insurance policies are adequate to pay all known or pending claims.

The Housing Authority participates in a number of federal assisted programs. These grants are subject to audit by the grantors or their representatives. Such audit could result in requests for reimbursement to grantor agencies for expenditures disallowed under terms of the grants. The Housing Authority's management believes that such disallowance, if any, would be immaterial.

NOTE 16 — PROPERTY MANAGEMENT FOR SPOKANE COUNTY:

The Spokane Housing Authority contracted with Spokane County to do property management for their transitional housing property, the Phoenix Apartments. The contract provided the Housing Authority with an additional \$1,600 per month of earned property management fee revenue. This contract expired September 30, 2014 and was not renewed.

NOTE 17 — EXTRAORDINARY ITEMS:

Significant transactions or events that are either unusual in nature or infrequent in occurrence, and are also not within the control of management are classified as extraordinary items. In fiscal year ending June 30, 2014 there were no extraordinary items to report.

NOTE 18 — SUBSEQUENT EVENTS:

On September 23, 2014, a tax-exempt revenue note, Hifumi En Apartments Project, 2014, was issued in the principal amount of \$459,779, which refunded the Washington Trust Bank – Hifumi En Apartments promissory note originally issued on June 30, 2004 for \$690,000 that matured on October 5, 2014.

On November 5, 2014, the Inland Northwest Bank – McDonald Manor Apartments promissory note in the original amount of \$624,000 and maturing on January 10, 2015 was extended for 90 days to April 10, 2015.

Spokane Housing Authority

Notes to Basic Financial Statements (continued)

For the year ended June 30, 2014

NOTE 18— SUBSEQUENT EVENTS (continued):

On October 9, 2014, an option agreement was executed for an exclusive option to acquire the Housing Authority owned Courtview Apartments. The option is subject to the optionee's receipt of Community Development Block Grant Funding and the Washington State Department of Commerce approval of the assignment and assumption of the promissory note on the property. The option period expires on August 1, 2015.

NOTE 19 — ADOPTION OF NEW ACCOUNTING STANDARDS:

The Governmental Accounting Standards Board issued three new statements, which SHA adopted during the year ended June 30, 2014, with little impact on SHA's financial statements:

Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing GASB Statement No. 65, the Housing Authority reported a prior period adjustment to expense the 6/30/2013 unamortized debt issuance costs, which totaled \$384,524.

Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62., *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This guidance was effective for SHA beginning July 1, 2013. There was no significant impact to the financial reporting upon adoption of this guidance.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, improves to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This guidance was effective for SHA beginning July 1, 2013. There was no significant impact to the financial reporting upon adoption of this guidance.

The Governmental Accounting Standards Board also issued five new statements, which will be effective for SHA in subsequent years:

Statements No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, improve financial reporting by state and local governmental pension plans to provide decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This guidance will be effective for SHA beginning July 1, 2014. SHA participates in the Washington State Department of Retirement System (DRS) Public Employees' Retirement System. Management believes there will be an impact on SHA's financial reporting and disclosure upon adoption of this guidance, and is expecting further information from DRS.

Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations to include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This guidance will be effective for SHA beginning July 1, 2014. SHA does not believe there will be any significant impact to the financial reporting upon adoption of this guidance.

Spokane Housing Authority
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2014

Federal Program Name	CFDA Number	Other Identification Number	Expenditures from:		Total
			Pass-through Awards	Direct Awards	
U.S. Department of Housing and Urban Development (HUD):					
Moderate Rehab Single Room Occupancy	14.249	WA055SRO003	\$ -	\$ 115,300	\$ 115,300
Moderate Rehab Single Room Occupancy	14.249	WA055SRO006	-	290,350	290,350
Public and Indian Housing	14.850	WA055-000001/ WA055-000002	-	343,992	343,992
Housing Choice Voucher Program	14.871	WA055VO/ WA055AF	-	26,302,884	26,302,884
Public Housing Capital Fund	14.872	WA19P055501	-	146,373	146,373
Multifamily Service Coordinator Grant	14.191	WA19HS10006	-	49,738	49,738
			-	27,248,637	27,248,637
Pass-through from Washington Department of Commerce:					
Housing Opportunities for Person with Aids	14.241	11-46201-11	91,532	-	91,532
Housing Opportunities for Person with Aids	14.241	13-46201.01	85,530	-	85,530
			177,062	-	177,062
Pass-through from County of Spokane:					
HOME Investment Partnership Program	14.239	10-0031	12,879	-	12,879
			12,879	-	12,879
Pass-through from City of Spokane:					
Shelter Plus Care	14.238	OPR2012-0224	4,930	-	4,930
Continuum of Care	14.267	OPR2013-0594	70,967	-	70,967
Continuum of Care	14.267	OPR2013-0595	60,303	-	60,303
HOME Investment Partnership Program	14.239	OPR2012-0843	51,337	-	51,337
			187,537	-	187,537
Total Federal Expenditures			\$ 377,478	\$ 27,248,637	\$ 27,626,115

Spokane Housing Authority

Notes to the Schedule of Expenditures of Federal Awards

For the year ended June 30, 2014

NOTE 1 — BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Housing Authority's financial statements. The Housing Authority uses the accrual basis to report on the Schedule of Expenditures of Federal Awards. For the purposes of the Schedule, depreciation expense is not recorded and the cost of fixed asset additions are included as an expenditure.

NOTE 2 — PROGRAM COSTS:

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

NOTE 3 — AMOUNTS AWARDED TO SUBRECIPIENTS:

The following expenditures of the Housing Choice Voucher Program (CFDA 14.871) were passed through to sub recipients:

Housing Assistance Payments	\$ 2,797,599
Fraud Recoveries	\$ 1,583
Administration fees	197,739
	<hr/>
	\$ 2,996,921
	<hr/>

Spokane Housing Authority

Financial Data Schedules

Line Item #	Account description	Low Rent					
		Parsons Apts WA055000001	Scattered Sites WA055000002	14.871 Housing Choice Vouchers	6.1 Component Units - Discretely Presented	2 State/ Local	1 Business Activities
111	Cash-unrestricted	\$ 128,805	\$ 269,934	\$ 526,573	\$ 168,377	\$ -	\$ 1,864,689
112	Cash-restricted-modernization and development	-	-	-	-	-	33,715
113	Cash-other restricted	-	-	1,725,980	1,190,002	-	1,203,174
114	Cash-tenant security deposits	9,267	23,593	-	37,900	-	199,205
115	Cash - Restricted for payment of current liability	-	-	1,883	-	-	-
100	Total Cash	138,072	293,527	2,254,436	1,396,279	-	3,300,783
121	Accounts receivable - PHA projects	-	-	77	-	-	-
122	Accounts receivable - HUD other projects	-	5,083	100,097	-	-	-
124	Account receivable - other government	-	-	-	-	-	-
125	Account receivable - miscellaneous	-	165	2,409	115	-	21,333
126	Accounts receivable - tenants	-	1,611	-	15,910	-	29,244
126.1	Allowance for doubtful accounts - tenants	-	-	-	(7,018)	-	(2,095)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-
120	Total receivables, net of allowance for doubtful accounts	-	6,859	102,583	9,007	-	48,482
131	Investments - unrestricted	-	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-
142	Prepaid expenses and other assets	1,778	621	3,910	12,639	-	20,628
143	Inventories	-	-	-	-	-	-
143.1	Allowance for obsolete inventories	-	-	-	-	-	-
144	Inter program - due from	310	-	-	51	14,000	111,330
145	Assets held for sale	-	-	-	-	-	-
150	Total Current Assets	140,160	301,007	2,360,929	1,417,976	14,000	3,481,223
161	Land	10,000	750,000	-	626,941	-	1,737,976
162	Buildings	2,466,515	4,512,120	-	28,064,451	-	20,515,296
163	Furniture, equipment and machinery - dwellings	161,639	190,276	-	358,272	-	1,361,059
164	Furniture, equipment and machinery - administration	91,196	58,394	112,689	151,594	-	170,882
165	Leasehold improvements	736,152	1,792,128	48,925	148,115	-	2,619,335
166	Accumulated depreciation	(2,772,905)	(4,732,383)	(158,035)	(4,375,578)	-	(10,870,081)
167	Construction in progress	35,358	9,069	-	-	-	-
168	Infrastructure	-	-	-	-	-	-
160	Total capital assets, net of accumulated depreciation	727,955	2,579,604	3,579	24,973,795	-	15,534,467
171	Notes, Loans, & mortgages receivable – Non-current	-	-	-	-	-	-
172	Grants receivable – Non-current	-	-	-	-	-	-
173	Grants receivable – Non-current	-	-	-	-	-	-
174	Other assets	-	-	-	350,044	-	-
176	Investment in joint venture	-	-	-	-	-	-
180	Total Non-current Assets	727,955	2,579,604	3,579	25,323,839	-	15,534,467
190	Total Assets	868,115	2,880,611	2,364,508	26,741,815	14,000	19,015,690
200	Deferred outflow of Resources	-	-	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	\$ 868,115	\$ 2,880,611	\$ 2,364,508	\$ 26,741,815	\$ 14,000	\$ 19,015,690

June 30, 2014

14.249 Section 8																	
14.239 HOME			14.241 Housing			14.249 Section 8		14.191									
Investment		Opportunities		8 Other		Rehabilitation		Multifamily									
14.267 Continuum	14.238 Shelter	Partnerships	for Person	Federal	Single Room	Housing Service											
of Care Program	Plus Care	Program	with Aids	Program 1	Occupancy	Coordinators	COC	Subtotal	ELIM	Total							
\$	-	\$	-	\$	73,745	\$	31,090	\$	-	\$	1,093,631	\$	4,156,844	\$	-	\$	4,156,844
-	-	-	-	-	-	-	-	-	-	-	-	-	33,715	-	-	-	33,715
-	-	-	-	-	-	-	-	-	-	-	136,760	-	4,255,916	-	-	-	4,255,916
-	-	-	-	-	-	-	-	-	-	-	-	-	269,965	-	-	-	269,965
-	-	-	-	-	-	5,272	-	-	-	-	-	-	7,155	-	-	-	7,155
-	-	-	-	73,745	36,362	-	-	1,230,391	8,723,595	-	-	-	-	-	-	-	8,723,595
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	77	-	-	-	77
-	-	-	-	4,531	174	13,557	-	-	123,442	-	-	-	123,442	-	-	-	123,442
55,190	-	18,690	10,709	-	-	-	-	-	84,589	-	-	-	84,589	-	-	-	84,589
-	-	-	-	-	-	-	-	-	24,022	-	-	-	24,022	-	-	-	24,022
-	-	-	-	-	-	-	-	-	46,765	-	-	-	46,765	-	-	-	46,765
-	-	-	-	-	-	-	-	-	(9,113)	-	-	-	(9,113)	-	-	-	(9,113)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	24,502	24,502	24,502	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	282	282	282	-	-	-	-	-	-	-
55,190	-	18,690	10,709	4,531	174	13,557	-	24,784	294,566	24,784	-	-	269,782	-	-	-	269,782
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	49,894	89,470	-	-	89,470	-	-	-	89,470
-	-	-	-	-	-	-	-	663	663	-	-	-	663	-	-	-	663
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	1,295,407	1,421,098	1,222,261	-	-	198,837	-	-	-	198,837
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
55,190	-	18,690	10,709	78,276	36,536	13,557	-	2,601,139	10,529,392	1,247,045	-	-	9,282,347	-	-	-	9,282,347
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55,190	-	18,690	10,709	78,276	36,536	13,557	-	2,601,139	10,529,392	1,247,045	-	-	9,282,347	-	-	-	9,282,347
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Spokane Housing Authority

Financial Data Schedules (continued)

Line Item #	Account description	Low Rent					
		Parsons Apts WA055000001	Scattered Sites WA055000002	14.871 Housing Choice Vouchers	6.1 Component Units - Discretely Presented	2 State/ Local	1 Business Activities
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable <= 90 days	10,359	10,630	11,830	48,597	-	85,763
313	Accounts payable > 90 days past due	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-	-
322	Accrued compensated absences - current portion	855	1,283	3,372	-	-	-
324	Accrued contingency liability	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	1,078	-	216,866
331	Accounts payable - HUD PHA Programs	-	-	1,883	-	-	-
332	Accounts payable - PHA Projects	-	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-	-
341	Tenant security deposits	9,267	23,593	-	37,900	-	199,205
342	Unearned Revenue	803	1,186	-	2,262	14,000	36,924
343	Current portion of long-term debt - capital projects/mortgage revenue bonds	-	-	-	53,730	-	1,397,001
344	Current portion of long-term debt - operating borrowings	-	-	-	-	-	24,502
345	Other current liabilities	329	69	-	20,503	-	11,905
346	Accrued liabilities - other	-	-	-	-	-	-
347	Inter program - due to	10,342	18,579	104,551	43,889	-	287,017
348	Loan liability - current	-	-	-	-	-	-
310	Total Current Liabilities	31,955	55,340	121,636	207,959	14,000	2,259,183
351	Capital Projects/ Mortgage Revenue Bonds	-	-	-	6,120,642	-	19,409,669
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	85,879
353	Non-current liabilities - other	-	-	-	165,092	-	1,256,016
354	Accrued compensated absences- Non-current	6,806	10,208	47,411	-	-	-
355	Loan liability - Non-current	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-
357	Accrued Pension and OPEB Liability	-	-	-	-	-	-
350	Total Non-Current Liabilities	6,806	10,208	47,411	6,285,734	-	20,751,564
300	Total Liabilities	38,761	65,548	169,047	6,493,693	14,000	23,010,747
508.4	Net Investment in Capital Assets	727,955	2,579,604	3,579	18,799,423	-	(5,272,203)
511.4	Restricted Net Position	-	-	1,727,863	1,190,002	-	1,236,889
512.4	Unrestricted Net Position	101,399	235,459	464,019	258,697	-	40,257
513	Total Equity - Net Assets/Position	829,354	2,815,063	2,195,461	20,248,122	-	(3,995,057)
600	Total Liabilities, Deferred Inflow of Resources, and Equity - Net Assets/Position	\$ 868,115	\$ 2,880,611	\$ 2,364,508	\$ 26,741,815	\$ 14,000	\$ 19,015,690

Spokane Housing Authority

Financial Data Schedules (continued)

Line Item #	Account description	Low Rent					
		Parsons Apts WA055000001	Scattered Sites WA055000002	14.871 Housing Choice Vouchers	6.1 Component Units - Discretely Presented	2 State/ Local	1 Business Activities
70300	Net tenant rental revenue	\$ 114,283	\$ 193,774	\$ -	\$ 799,246	\$ -	\$ 3,850,796
70400	Tenant revenue - other	6,166	11,041	-	37,096	-	139,620
70500	Total Tenant Revenue	120,449	204,815	-	836,342	-	3,990,416
70600	HUD PHA operating grants	124,648	233,981	26,622,792	-	-	155,360
70610	Capital grants	70,632	61,104	-	-	-	-
70710	Management Fee	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-
70730	Book-Keeping Fee	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-
70700	Total Fee Revenue	195,280	295,085	26,622,792	-	-	155,360
70800	Other government grants	-	-	-	-	7,897	-
71100	Investment income - unrestricted	408	1,157	2,151	3,051	-	8,076
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71310	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	60,259	-	-	-
71500	Other revenue	13,458	803	99,294	293	-	96,285
71600	Gain or loss on sale of capital assets	-	(81)	-	(422)	-	(604)
72000	Investment income - restricted	-	-	-	-	-	-
70000	Total Revenue	\$ 329,595	\$ 501,779	\$26,784,496	\$ 839,264	\$ 7,897	\$ 4,249,533

June 30, 2014

14.249 Section 8										
14.239 HOME 14.241 Housing 14.249 Section 8 14.191										
Investment Opportunities 8 Other Rehabilitation Multifamily										
Partnerships for Person Federal Single Room Housing Service										
14.267 Continuum of Care Program	14.238 Shelter Plus Care	Partnerships Program	Opportunities for Person with Aids	8 Other Federal Program 1	Rehabilitation Single Room Occupancy	14.191 Multifamily Housing Service Coordinators	COCC	Subtotal	ELIM	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,958,099	\$ -	\$ 4,958,099
-	-	-	-	-	-	-	-	193,923	-	193,923
-	-	-	-	-	-	-	-	5,152,022	-	5,152,022
-	-	-	-	310,981	117,636	50,636	-	27,616,034	-	27,616,034
-	-	-	-	-	-	-	-	131,736	-	131,736
-	-	-	-	-	-	-	988,858	988,858	748,474	240,384
-	-	-	-	-	-	-	15,000	15,000	15,000	-
-	-	-	-	-	-	-	438,054	438,054	438,054	-
-	-	-	-	-	-	-	40,455	40,455	18,270	22,185
-	-	-	-	-	-	-	27,500	27,500	-	27,500
-	-	-	-	310,981	117,636	50,636	1,509,867	29,257,637	1,219,798	28,037,839
126,760	5,651	64,364	177,197	-	-	-	-	381,869	-	381,869
-	-	-	-	286	137	-	7,401	22,667	3,409	19,258
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-	-	-	-	-	-	-	-	60,259	-	60,259
-	-	-	-	-	-	-	12,195	222,328	-	222,328
-	-	-	-	-	-	-	-	(1,107)	-	(1,107)
-	-	-	-	-	-	-	-	-	-	-
\$ 126,760	\$ 5,651	\$ 64,364	\$ 177,197	\$ 311,267	\$ 117,773	\$ 50,636	\$ 1,529,463	\$ 35,095,675	\$ 1,223,207	\$ 33,872,468

Spokane Housing Authority

Financial Data Schedules (continued)

Line Item #	Account description	Low Rent					
		Parsons Apts WA055000001	Scattered Sites WA055000002	14.871 Housing Choice Vouchers	6.1 Component Units - Discretely Presented	2 State/ Local	1 Business Activities
91100	Administrative salaries	\$ 30,924	\$ 45,012	\$ 913,551	\$ 59,263	\$ -	\$ 219,217
91200	Auditing fees	936	1,119	23,113	25,500	-	3,150
91300	Management Fee	35,521	48,946	531,136	62,548	600	281,920
91310	Book-Keeping Fee	4,328	6,593	420,203	-	-	-
91400	Advertising and Marketing	330	-	-	13,706	-	34,447
91500	Employee benefit contributions - administrative	12,510	18,955	365,055	24,097	-	93,185
91600	Office Expenses	14,475	5,670	58,010	28,496	-	58,867
91700	Legal Expense	1,140	1,224	2,314	2,272	-	8,502
91800	Travel	2,892	2,141	4,551	3,141	-	1,626
91810	Allocated Overhead	-	-	-	-	-	-
91900	Other	492	1,746	-	4,355	7,297	18,081
91000	Total Operating-Administrative	103,548	131,406	2,317,933	223,378	7,897	718,995
92000	Asset Management Fee	6,000	9,000	-	-	-	-
92100	Tenant services - salaries	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-
92300	Employee benefit contributions - tenant services	-	-	-	-	-	-
92400	Tenant services - other	684	144	-	18,010	-	2,265
92500	Total Tenant Services	6,684	9,144	-	18,010	-	2,265
93100	Water	3,067	20,530	-	7,222	-	87,503
93200	Electricity	18,762	1,884	-	59,043	-	149,568
93300	Gas	6,224	227	-	23,617	-	24,582
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	32,366	45,167	-	88,005	-	312,920
93700	Employee benefit contributions - utilities	-	-	-	-	-	-
93800	Other utilities expense	1,470	-	-	3,023	-	3,809
93000	Total Utilities	61,889	67,808	-	180,910	-	578,382
94100	Ordinary maintenance and operations - labor	29,221	53,896	-	69,677	-	298,214
94200	Ordinary maintenance and operations - materials and other	9,115	16,476	53	17,066	-	117,132
94300	Ordinary Maintenance and Operations Contracts	28,089	52,095	256,179	75,360	-	359,903
94500	Employee benefit contribution - ordinary maintenance	11,822	22,696	-	28,256	-	127,164
94000	Total Maintenance	78,247	145,163	256,232	190,359	-	902,413
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services - other contract costs	944	281	-	2,060	-	3,749
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions - protective services	-	-	-	-	-	-
95000	Total Protective Services	944	281	-	2,060	-	3,749
96110	Property Insurance	4,774	12,506	-	13,778	-	61,885
96120	Liability Insurance	733	1,057	-	7,364	-	3,241
96130	Workmen's Compensation	-	-	-	-	-	-
96140	All other Insurance	583	4,791	14,903	6,244	-	2,400
96100	Total Insurance Premiums	6,090	18,354	14,903	27,386	-	67,526

Spokane Housing Authority

Financial Data Schedules (continued)

Line Item #	Account description	Low Rent					
		Parsons Apts WA055000001	Scattered Sites WA055000002	14.871 Housing Choice Vouchers	6.1 Component Units - Discretely Presented	2 State/ Local	1 Business Activities
96200	Other general expenses	\$ -	\$ -	\$ 945,686	\$ 40,580	\$ -	\$ 14,859
96210	Compensated absences	-	-	-	-	-	-
96300	Payments in lieu of taxes	412	8,712	-	-	-	-
96400	Bad debt - tenant rents	1,498	2,960	-	14,057	-	39,413
96500	Bad debt - mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96000	Total Other General Expenses	1,910	11,672	945,686	54,637	-	54,272
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	41,999	-	1,035,685
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	3,409
96730	Amortization of Bond Issue Costs	-	-	-	31,166	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	73,165	-	1,039,094
96900	Total Operating Expenses	259,312	383,828	3,534,754	769,905	7,897	3,366,696
97000	Excess Revenue Over Operating Expenses	70,283	117,951	23,249,742	69,359	-	882,837
97100	Extraordinary maintenance	-	1,303	-	-	-	6,989
97200	Casualty losses- Non-capitalized	-	-	-	-	-	107,949
97300	Housing assistance payments	-	-	22,676,352	-	-	-
97350	HAP Portability-in	-	-	91,778	-	-	-
97400	Depreciation expense	52,662	319,447	2,981	1,093,271	-	1,107,443
97500	Fraud losses	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-
97700	Debt Principal Payments - Governmental Funds	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
90000	Total Expenses	311,974	704,578	26,305,865	1,863,176	7,897	4,589,077
10010	Operating transfer in	-	-	-	-	-	-
10020	Operating transfer out	-	-	-	-	-	-
10030	Operating transfers from / to primary government	-	-	-	759,037	-	-
10040	Operating transfers from / to component unit	-	-	-	-	-	-
10050	Proceeds from Notes, Loans & Bonds	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-
10070	Extraordinary items, net gain/loss	-	-	-	-	-	-
10080	Special items, net gain/loss	-	-	-	-	-	-
10091	Inter Project Excess Cash Transfer In	35,000	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	(35,000)	-	-	-	-
10093	Transfers between Programs and Projects - in	-	-	-	-	-	-
10094	Transfers between Programs and Projects - out	-	-	-	-	-	-
10100	Total other financing sources (uses)	35,000	(35,000)	-	759,037	-	-
10000	Excess (Deficiency) of Revenue Over (Under) Expenses	\$ 52,621	\$ (237,799)	\$ 478,631	\$ (264,875)	\$ -	\$ (339,544)

June 30, 2014

14.249 Section 8																	
		14.239 HOME	14.241 Housing	8 Other		Moderate	14.191										
		Investment	Opportunities	8 Other	Rehabilitation	Multifamily											
14.267 Continuum	14.238 Shelter	Partnerships	for Person	Federal	Single Room	Housing Service											
of Care Program	Plus Care	Program	with Aids	Program 1	Occupancy	Coordinators	C OCC	Subtotal	ELIM	Total							
\$	-	\$	-	\$	-	\$	-	\$	5,000	\$	1,006,125	-	\$	1,006,125			
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	-		-		-		-		21,383		1,133,642	3,409		1,130,233			
	9,480		359		4,951		19,958		20,989		17,674		49,738	1,695,003	10,140,544	1,223,207	8,917,337
	117,280		5,292		59,413		157,239		290,278		100,099		898	(165,540)	24,955,131	-	24,955,131
	-		-		-		-		-		-		6,329	14,621	-	14,621	
	-		-		-		-		-		-		-	107,949	-	107,949	
	121,790		4,571		59,265		157,104		269,361		97,626		-	23,386,069	-	23,386,069	
	-		-		-		-		-		-		-	91,778	-	91,778	
	-		-		-		-		-		-		109,577	2,685,381	-	2,685,381	
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	131,270		4,930		64,216		177,062		290,350		115,300		49,738	1,810,909	36,426,342	1,223,207	35,203,135
	-		11,105		-		-		-		-		-	11,105	11,105	-	-
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	-		-		-		-		-		-		-	759,037	-	759,037	-
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	-		11,105		-		-		-		-		-	759,037	-	759,037	-
\$	(4,510)	\$	11,826	\$	148	\$	135	\$	20,917	\$	2,473	\$	898	\$ (292,551)	\$ (571,630)	\$ -	\$ (571,630)

Spokane Housing Authority

Financial Data Schedules (continued)

Line Item #	Account description	Parsons	Low Rent	14.871 Housing	6.1 Component	2 State/	1 Business
		Apts WA055000001	Scattered Sites WA055000002	Choice Vouchers	Units - Discretely Presented	Local	Activities
11020	Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ 35,000	\$ -	\$ 437,939
11030	Beginning equity	776,733	3,052,862	1,716,830	20,512,997	-	(3,270,989)
11040	errors	-	-	-	-	-	(384,524)
11170	Administrative Fee Equity	-	-	467,598	-	-	-
11180	Housing Assistance Payments Equity	-	-	1,727,863	-	-	-
11190	Number of Unit Months Available	600	900	58,905	1,632	-	7,272
11210	Unit Months Leased	577	879	56,027	1,490	-	7,019
11270	Excess Cash	85,472	206,767	-	-	-	-
11610	Land Purchases	-	-	-	-	-	-
11620	Building Purchases	-	-	-	-	-	-
11630	Furniture & Equipment-Dwelling Purchases	1,419	2,793	-	-	-	-
11640	Furniture & Equipment-Administrative Purchases	748	-	-	-	-	-
11650	Leasehold Improvements Purchases	85,037	84,492	-	-	-	-
11660	Infrastructure Purchases	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-

June 30, 2014

14.249 Section 8													
14.239 HOME Investment Partnerships			14.241 Housing Opportunities for Person with Aids		8 Other Federal Program 1		14.249 Section 8 Moderate Rehabilitation Single Room Occupancy		14.191 Multifamily Housing Service Coordinators				
14.267 Continuum of Care Program	14.238 Shelter Plus Care	Program	Program	Program	Program	Program	Program	Program	COCC	Subtotal	ELIM	Total	
\$	-	\$	-	\$	-	\$	-	\$	20,498	\$	493,437	\$	493,437
-	(20,581)	(22,352)	2,215	57,359	28,791	896	2,456,151	25,290,912	-	25,290,912	-	25,290,912	
(2,093)	8,755	-	-	-	-	-	(6,662)	(384,524)	-	(384,524)	-	(384,524)	
-	-	-	-	-	-	-	-	467,598	-	467,598	-	467,598	
-	-	-	-	-	-	-	-	1,727,863	-	1,727,863	-	1,727,863	
309	14	101	389	624	300	-	-	71,046	-	71,046	-	71,046	
309	14	101	389	609	291	-	-	67,705	-	67,705	-	67,705	
-	-	-	-	-	-	-	-	292,239	-	292,239	-	292,239	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	4,212	-	4,212	-	4,212	
-	-	-	-	-	-	-	32,970	33,718	-	33,718	-	33,718	
-	-	-	-	-	-	-	15,715	185,244	-	185,244	-	185,244	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	-	-	-	

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2014)

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: Spokane Housing Authority	Modernization Project Number: WA19PO55501-12
---------------------------------------	---

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	\$ 140,762.00
B. Funds Disbursed	\$ 140,762.00
C. Funds Expended (Actual Modernization Cost)	\$ 140,762.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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  11/3/14

For HUD Use Only

The Cost Certificate is approved for audit:

Approved for Audit (Director, Office of Public Housing / ONAP Administrator) X 	Date: 06-30-2014
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The audited costs agree with the costs shown above:

Verified: (Designated HUD Official) X	Date:
Approved: (Director, Office of Public Housing / ONAP Administrator) X	Date:

form HUD-53001 (10/96)
ref Handbooks 7485.1 & 3

Spokane Housing Authority

Combining Statement of Net Position

	Section 8	Parsons Apts	Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
ASSETS								
<i>Current Assets:</i>								
Cash - unrestricted	\$ 631,408	\$ 128,805	\$ 269,934	\$ 93,353	\$ 24,910	\$ 57,017	\$ 218,745	\$ 309,476
Receivables, net of allowance	107,288	-	6,859	50	194	-	335	13,694
Prepays and other assets	3,910	1,778	621	-	-	-	-	11,130
Inventories	-	-	-	-	-	-	-	-
Interprogram due from	-	310	-	-	-	-	-	257
	<u>742,606</u>	<u>130,893</u>	<u>277,414</u>	<u>93,403</u>	<u>25,104</u>	<u>57,017</u>	<u>219,080</u>	<u>334,557</u>
<i>Restricted Assets:</i>								
Cash - other restricted	1,733,135	-	-	-	-	-	-	-
Cash - tenant security deposits	-	9,267	23,593	4,455	1,200	-	31,280	73,831
	<u>1,733,135</u>	<u>9,267</u>	<u>23,593</u>	<u>4,455</u>	<u>1,200</u>	<u>-</u>	<u>31,280</u>	<u>73,831</u>
Total current assets	<u>2,475,741</u>	<u>140,160</u>	<u>301,007</u>	<u>97,858</u>	<u>26,304</u>	<u>57,017</u>	<u>250,360</u>	<u>408,388</u>
<i>Noncurrent Assets:</i>								
Restricted cash & cash equivalents	-	-	-	-	-	-	300,569	558,898
<i>Capital assets:</i>								
Land	-	10,000	750,000	38,000	-	20,000	307,900	620,000
Buildings	-	2,466,515	4,512,120	289,137	378,240	127,901	1,920,025	8,406,880
Furniture, equipment and machinery - dwellings	-	161,639	190,276	35,187	5,486	4,669	62,802	909,369
Furniture, equipment and machinery - administration	118,585	91,196	58,394	3,227	-	-	23,668	45,186
Leasehold improvements	50,529	736,152	1,792,128	96,278	14,759	73,597	335,232	811,713
Construction in progress	-	35,358	9,069	-	-	-	-	-
Accumulated depreciation	(165,535)	(2,772,905)	(4,732,383)	(368,238)	(174,405)	(162,775)	(883,709)	(5,693,019)
Other noncurrent assets	-	-	-	-	-	-	-	-
Total noncurrent assets	<u>3,579</u>	<u>727,955</u>	<u>2,579,604</u>	<u>93,591</u>	<u>224,080</u>	<u>63,392</u>	<u>2,066,487</u>	<u>5,659,027</u>
TOTAL ASSETS	<u>\$2,479,320</u>	<u>\$ 868,115</u>	<u>\$ 2,880,611</u>	<u>\$ 191,449</u>	<u>\$ 250,384</u>	<u>\$120,409</u>	<u>\$2,316,847</u>	<u>\$ 6,067,415</u>

June 30, 2014

Cedar West Apts	Hifumi En Apts	McDonald Manor	Heritage Heights	Westfall Village	Grants	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 157,882	\$ 112,147	\$ 20,424	\$ 347,451	\$ 523,284	\$ -	\$ 1,093,631	\$ 3,988,467	\$ -	\$ 3,988,467
5,630	2,064	-	9,594	16,921	98,146	24,784	285,559	(24,784)	260,775
-	-	-	3,089	6,409	-	49,894	76,831	-	76,831
-	-	-	-	-	-	663	663	-	663
61	-	-	-	111,012	14,000	1,295,407	1,421,047	(1,222,261)	198,786
163,573	114,211	20,424	360,134	657,626	112,146	2,464,379	5,772,567	(1,247,045)	4,525,522
-	-	-	-	33,715	-	-	1,766,850	-	1,766,850
30,265	6,722	5,450	15,326	30,676	-	-	232,065	-	232,065
30,265	6,722	5,450	15,326	64,391	-	-	1,998,915	-	1,998,915
193,838	120,933	25,874	375,460	722,017	112,146	2,464,379	7,771,482	(1,247,045)	6,524,437
343,707	-	-	-	-	-	136,760	1,339,934	-	1,339,934
250,200	50,000	49,000	112,157	290,719	-	267,563	2,765,539	-	2,765,539
2,917,895	1,395,820	702,422	1,590,791	2,786,185	-	1,175,899	28,669,830	-	28,669,830
193,520	47,178	14,100	12,032	76,716	-	-	1,712,974	-	1,712,974
4,151	42,249	-	28,084	24,317	-	419,699	858,756	-	858,756
217,106	68,720	69,803	420,880	511,247	-	154,957	5,353,101	-	5,353,101
-	-	-	-	-	-	-	44,427	-	44,427
(1,933,189)	(655,491)	(303,196)	(262,542)	(433,517)	-	(984,378)	(19,525,282)	-	(19,525,282)
-	-	-	-	-	-	206,427	206,427	(85,879)	120,548
1,993,390	948,476	532,129	1,901,402	3,255,667	-	1,376,927	21,425,706	(85,879)	21,339,827
<u>\$2,187,228</u>	<u>\$1,069,409</u>	<u>\$558,003</u>	<u>\$ 2,276,862</u>	<u>\$ 3,977,684</u>	<u>\$ 112,146</u>	<u>\$ 3,841,306</u>	<u>\$29,197,188</u>	<u>\$ (1,332,924)</u>	<u>\$27,864,264</u>

Spokane Housing Authority

Combining Statement of Net Position (continued)

	Section 8	Parsons Apts	Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
LIABILITIES								
<i>Current Liabilities:</i>								
Accounts payable	\$ 11,830	\$ 10,359	\$ 10,630	\$ 1,587	\$ 775	\$ 470	\$ 8,914	\$ 29,869
Accounts payable - other govt.	7,155	-	-	-	-	-	-	-
Tenant security deposits	-	9,267	23,593	4,455	1,200	-	31,280	73,831
Accrued wages & payroll taxes	-	-	-	-	-	-	-	-
Accrued compensated absences, current portion	3,372	855	1,283	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	73,793	30,968
Unearned revenue	-	803	1,186	800	7	3,240	5,614	14,722
Current liabilities - other	-	329	69	1	150	26	1,813	4,752
Current portion long-term debt	-	-	-	6,486	-	-	73,244	186,882
Current portion of capital leases	-	-	-	-	-	-	-	-
Interprogram due to	104,551	10,342	18,579	1,206	685	1,865	8,932	23,511
Total current liabilities	126,908	31,955	55,340	14,535	2,817	5,601	203,590	364,535
<i>Noncurrent Liabilities:</i>								
Long-term debt, net of current	-	-	-	120,734	-	152,000	2,351,026	7,904,119
Capital leases, net of current	-	-	-	-	-	-	-	-
Accrued compensated absences, net of current	47,411	6,806	10,208	-	-	-	-	-
Noncurrent liabilities - other	-	-	-	-	-	-	-	-
Total noncurrent liabilities	47,411	6,806	10,208	120,734	-	152,000	2,351,026	7,904,119
TOTAL LIABILITIES	\$ 174,319	\$ 38,761	\$ 65,548	\$135,269	\$ 2,817	\$ 157,601	\$2,554,616	\$8,268,654
NET POSITION								
Net Investment in Capital Assets	3,579	727,955	2,579,604	(33,629)	224,080	(88,608)	(658,352)	(2,990,872)
Restricted net position:								
Housing assistance payments	1,733,135	-	-	-	-	-	-	-
Debt service reserves	-	-	-	-	-	-	300,569	558,898
Project reserves	-	-	-	-	-	-	-	-
Unrestricted net position	568,287	101,399	235,459	89,809	23,487	51,416	120,014	230,735
TOTAL NET POSITION	\$ 2,305,001	\$ 829,354	\$2,815,063	\$ 56,180	\$ 247,567	\$ (37,192)	\$ (237,769)	\$ (2,201,239)

June 30, 2014

Cedar West Apts	Hifumi En Apts	McDonald Manor	Heritage Heights	Westfall Village	Grants	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 15,097	\$ 4,899	\$ 690	\$ 7,361	\$ 16,101	\$ 3,943	\$ 47,428	\$ 169,953	\$ -	\$ 169,953
-	-	-	-	-	-	-	7,155	-	7,155
30,265	6,722	5,450	15,326	30,676	-	-	232,065	-	232,065
-	-	-	-	-	-	141,300	141,300	-	141,300
-	-	-	-	-	-	29,696	35,206	-	35,206
59,153	-	-	18,785	34,167	-	-	216,866	-	216,866
6,901	200	33	1,361	4,046	14,000	-	52,913	-	52,913
682	487	1,349	991	1,654	-	36,567	48,870	-	48,870
107,047	467,546	513,506	23,695	43,097	-	20,733	1,442,236	(24,502)	1,417,734
-	-	-	-	-	-	5,071	5,071	-	5,071
8,458	85,248	21,652	118,339	17,121	118,866	841,877	1,381,232	(1,222,261)	158,971
227,603	565,102	542,680	185,858	146,862	136,809	1,122,672	3,732,867	(1,246,763)	2,486,104
2,563,949	1,051,842	129,983	1,857,388	3,364,507	-	394,427	19,889,975	(85,879)	19,804,096
-	-	-	-	-	-	21,752	21,752	-	21,752
-	-	-	-	-	-	145,517	209,942	-	209,942
-	-	282	456,631	799,103	-	-	1,256,016	(282)	1,255,734
2,563,949	1,051,842	130,265	2,314,019	4,163,610	-	561,696	21,377,685	(86,161)	21,291,524
<u>\$2,791,552</u>	<u>\$ 1,616,944</u>	<u>\$672,945</u>	<u>\$ 2,499,877</u>	<u>\$ 4,310,472</u>	<u>\$136,809</u>	<u>\$ 1,684,368</u>	<u>\$25,110,552</u>	<u>\$ (1,332,924)</u>	<u>\$23,777,628</u>
(946,160)	(549,046)	(97,998)	20,319	(151,937)	-	591,757	(1,369,308)	-	(1,369,308)
-	-	-	-	-	-	-	1,733,135	-	1,733,135
343,707	-	-	-	-	-	-	1,203,174	-	1,203,174
-	-	-	-	33,715	-	136,760	170,475	-	170,475
(1,871)	1,511	(16,944)	(243,334)	(214,566)	(24,663)	1,428,421	2,349,160	-	2,349,160
<u>\$ (604,324)</u>	<u>\$ (547,535)</u>	<u>\$ (114,942)</u>	<u>\$ (223,015)</u>	<u>\$ (332,788)</u>	<u>\$ (24,663)</u>	<u>\$ 2,156,938</u>	<u>\$ 4,086,636</u>	<u>\$ -</u>	<u>\$ 4,086,636</u>

Spokane Housing Authority

Combining Statement of Revenues, Expenses, and Changes in Net Position

	Section 8	Parsons Apts	Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
OPERATING REVENUES:								
Tenant revenue	\$ -	\$ 114,283	\$ 193,774	\$ 63,589	\$ 28,366	\$ 38,880	\$ 573,883	\$ 1,411,652
HUD operating grants and subsidies	27,051,409	124,648	233,981	-	-	-	-	-
Other governmental grants	-	-	-	-	-	-	-	-
Other tenant revenue	-	6,166	11,041	1,806	890	416	22,674	50,588
Other revenue	159,553	13,458	803	-	-	-	-	30,760
Total operating revenues	27,210,962	258,555	439,599	65,395	29,256	39,296	596,557	1,493,000
OPERATING EXPENSES:								
<i>Administrative:</i>								
Administrative wages	916,895	30,924	45,012	8,501	2,125	4,251	32,728	55,626
Auditing Fees	23,113	936	1,119	-	-	-	-	3,150
Employee benefit contributions	366,357	12,510	18,955	3,611	920	1,823	14,308	24,752
Management & bookkeeping fees	969,357	45,849	64,539	7,735	2,054	5,529	49,834	71,845
Other operating Expenses- administrative	80,860	19,329	10,781	1,546	685	853	18,846	36,596
Tenant services	-	684	144	197	911	12	153	290
	2,356,582	110,232	140,550	21,590	6,695	12,468	115,869	192,259
<i>Utilities:</i>								
Electricity	-	18,762	1,884	2,355	84	6,121	12,093	37,145
Water	-	3,067	20,530	888	809	784	14,945	38,720
Sewer	-	32,366	45,167	9,065	2,636	3,944	26,407	74,805
Other utilities expense	-	7,694	227	-	-	-	7,446	12,021
	-	61,889	67,808	12,308	3,529	10,849	60,891	162,691
<i>Ordinary maintenance and operations:</i>								
Contract costs	256,193	28,089	52,095	5,230	3,788	3,346	53,035	153,436
Maintenance & operations wages	-	29,221	53,896	6,082	2,708	4,449	36,668	100,523
Employee benefit contributions	-	11,822	22,696	2,583	1,172	1,907	16,030	44,730
Materials and other	53	9,115	17,779	4,102	1,389	795	22,194	49,861
	256,246	78,247	146,466	17,997	9,057	10,497	127,927	348,550
<i>General expenses:</i>								
Housing assistance payments	23,135,117	-	-	-	-	-	-	-
Insurance premiums	14,903	6,090	18,354	1,280	732	550	10,457	21,233
Other general expenses	945,686	2,854	11,953	1,309	-	-	8,650	64,132
Depreciation and amortization	2,981	52,662	319,447	17,738	16,848	8,867	78,889	482,998
	24,098,687	61,606	349,754	20,327	17,580	9,417	97,996	568,363
Total operating expenses	26,711,515	311,974	704,578	72,222	36,861	43,231	402,683	1,271,863
OPERATING INCOME (LOSS)	499,447	(53,419)	(264,979)	(6,827)	(7,605)	(3,935)	193,874	221,137
NONOPERATING REVENUES (EXPENSES):								
Gain (loss) on sale of capital assets	-	-	(81)	(110)	(362)	-	-	(57)
Interest expense	-	-	-	(1,336)	-	-	(151,446)	(373,946)
Interest subsidy	-	-	-	-	-	-	-	-
Investment revenue - unrestricted	2,574	408	1,157	369	88	196	234	3,621
Total nonoperating revenues (expenses)	2,574	408	1,076	(1,077)	(274)	196	(151,212)	(370,382)
<i>Income (Loss) Before Contributions, Transfers,</i>								
<i>Extraordinary and Special Items</i>								
Capital grants and contributions	-	70,632	61,104	-	-	-	-	-
Transfers	-	35,000	(35,000)	-	-	-	-	-
CHANGE IN NET POSITION	502,021	52,621	(237,799)	(7,904)	(7,879)	(3,739)	42,662	(149,245)
NET POSITION, BEGINNING OF YEAR	1,802,980	776,733	3,052,862	64,084	255,446	(33,453)	(221,278)	(1,840,971)
PRIOR PERIOD ADJUSTMENTS	-	-	-	-	-	-	(59,153)	(211,023)
NET POSITION, END OF YEAR	\$ 2,305,001	\$ 829,354	\$ 2,815,063	\$ 56,180	\$ 247,567	\$ (37,192)	\$ (237,769)	\$ (2,201,239)

For the year ended June 30, 2014

Cedar West Apts	Hifumi En Apts	McDonald Manor	Heritage Heights	Westfall Village	Grants	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 503,435	\$ 101,115	\$ 112,588	\$ 352,132	\$ 665,156	\$ -	\$ -	\$ 4,158,853	\$ -	\$ 4,158,853
-	155,360	-	-	-	50,636	-	27,616,034	-	27,616,034
-	-	-	-	-	381,869	-	381,869	-	381,869
22,244	6,228	1,549	10,789	22,436	-	-	156,827	-	156,827
-	-	-	-	65,525	-	1,522,062	1,792,161	(1,219,798)	572,363
525,679	262,703	114,137	362,921	753,117	432,505	1,522,062	34,105,744	(1,219,798)	32,885,946
19,596	27,627	5,867	10,338	52,558	14,755	1,008,302	2,235,105	-	2,235,105
-	-	-	-	-	-	3,268	31,586	-	31,586
8,025	11,809	2,830	4,352	20,755	5,739	302,362	799,108	-	799,108
29,980	17,623	8,428	30,848	58,044	600	-	1,362,265	(1,201,528)	160,737
18,818	5,158	1,317	14,447	23,257	21,420	185,934	439,847	-	439,847
153	243	30	108	168	-	-	3,093	-	3,093
76,572	62,460	18,472	60,093	154,782	42,514	1,499,866	4,871,004	(1,201,528)	3,669,476
10,942	43,946	1,096	13,774	22,012	-	22,560	192,774	-	192,774
6,896	2,560	3,018	6,091	12,792	-	731	111,831	-	111,831
47,900	27,190	11,109	39,604	70,260	-	1,101	391,554	-	391,554
1,175	54	-	3,716	3,979	-	4,305	40,617	-	40,617
66,913	73,750	15,223	63,185	109,043	-	28,697	736,776	-	736,776
29,716	22,308	14,121	31,569	43,354	49,869	31,297	777,446	(18,270)	759,176
34,645	27,053	4,861	21,888	59,337	-	73,855	455,186	-	455,186
14,188	11,563	2,345	9,214	23,432	-	21,954	183,636	-	183,636
13,472	6,234	395	6,679	19,000	-	6,673	157,741	-	157,741
92,021	67,158	21,722	69,350	145,123	49,869	133,779	1,574,009	(18,270)	1,555,739
-	-	-	-	-	342,730	-	23,477,847	-	23,477,847
10,398	3,611	1,769	5,963	11,533	-	12,607	119,480	-	119,480
10,493	2,149	265	3,760	75,212	-	5,000	1,131,463	-	1,131,463
152,824	64,328	36,865	95,438	152,648	-	109,577	1,592,110	-	1,592,110
173,715	70,088	38,899	105,161	239,393	342,730	127,184	26,320,900	-	26,320,900
409,221	273,456	94,316	297,789	648,341	435,113	1,789,526	33,502,689	(1,219,798)	32,282,891
116,458	(10,753)	19,821	65,132	104,776	(2,608)	(267,464)	603,055	-	603,055
(75)	-	-	-	-	-	-	(685)	-	(685)
(123,529)	(26,834)	(28,982)	(156,152)	(281,006)	-	(21,383)	(1,164,614)	3,409	(1,161,205)
-	-	-	36,943	67,194	-	-	104,137	-	104,137
111	90	88	1,229	2,050	-	7,401	19,616	(3,409)	16,207
(123,493)	(26,744)	(28,894)	(117,980)	(211,762)	-	(13,982)	(1,041,546)	-	(1,041,546)
(7,035)	(37,497)	(9,073)	(52,848)	(106,986)	(2,608)	(281,446)	(438,491)	-	(438,491)
-	-	-	-	-	-	-	131,736	-	131,736
-	-	-	-	-	11,105	(11,105)	-	-	-
(7,035)	(37,497)	(9,073)	(52,848)	(106,986)	8,497	(292,551)	(306,755)	-	(306,755)
(597,289)	(510,038)	(98,669)	(116,568)	(172,253)	(39,822)	2,456,151	4,777,915	-	4,777,915
-	-	(7,200)	(53,599)	(53,549)	6,662	(6,662)	(384,524)	-	(384,524)
\$ (604,324)	\$ (547,535)	\$ (114,942)	\$ (223,015)	\$ (332,788)	\$ (24,663)	\$ 2,156,938	\$ 4,086,636	\$ -	\$ 4,086,636

Spokane Housing Authority

Combining Statement of Cash Flows

	Section 8	Parsons Apts	Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from tenants and others	\$ -	\$ 119,777	\$ 203,834	\$ 66,661	\$ 29,088	\$ 42,536	\$ 600,843	\$ 1,469,882
Receipts from other govt entities	26,929,743	124,648	223,815	-	-	-	-	-
Housing assistance payments	(23,135,117)	-	-	-	-	-	-	-
Payments to employees	(1,292,115)	(81,223)	(135,678)	(20,777)	(6,925)	(12,430)	(99,734)	(225,631)
Payments to vendors and suppliers	(2,268,054)	(167,165)	(223,618)	(32,122)	(12,510)	(22,120)	(216,294)	(563,185)
Other receipts (payments)	162,054	13,458	803	-	-	-	-	30,760
Net cash provided (used) by operating activities	396,511	9,495	69,156	13,762	9,653	7,986	284,815	711,826
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Transfers	-	35,000	(35,000)	-	-	-	-	-
Principal on debt received (Issued)	-	-	-	-	-	-	-	-
Payments (to) from related parties	(2,107)	(393)	(26,335)	(1,416)	(937)	(737)	(8,575)	(131,101)
Net cash provided (used) by noncapital financing activities	(2,107)	34,607	(61,335)	(1,416)	(937)	(737)	(8,575)	(131,101)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Capital grants received	-	70,632	66,187	-	-	-	-	-
Purchases of capital assets	(1,341)	(87,204)	(87,287)	(8,061)	(4,094)	(3,006)	(29,775)	(98,122)
Proceeds from capital debt	-	-	-	-	-	-	-	-
Principal paid on capital debt	-	-	-	(6,422)	-	-	(68,244)	(173,072)
Capital debt interest subsidy received	-	-	-	-	-	-	-	-
Interest paid on capital debt	-	-	-	(1,336)	-	-	(153,550)	(374,623)
Net cash provided (used) by capital and related financing activities	(1,341)	(16,572)	(21,100)	(15,819)	(4,094)	(3,006)	(251,569)	(645,817)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Interest received	2,574	408	1,157	369	88	196	234	3,621
Net cash provided by investing activities	2,574	408	1,157	369	88	196	234	3,621
Net Increase (Decrease) in Cash and Cash Equivalents	395,637	27,938	(12,122)	(3,104)	4,710	4,439	24,905	(61,471)
Cash and Cash Equivalents, Beginning of Year	1,968,906	110,134	305,649	100,912	21,400	52,578	525,689	1,003,676
Cash and Cash Equivalents, End of Year	\$ 2,364,543	\$ 138,072	\$ 293,527	\$ 97,808	\$ 26,110	\$ 57,017	\$ 550,594	\$ 942,205
Cash and Cash Equivalents consist of:								
Cash - unrestricted	\$ 631,408	\$ 128,805	\$ 269,934	\$ 93,353	\$ 24,910	\$ 57,017	\$ 218,745	\$ 309,476
Cash - other restricted	1,733,135	-	-	-	-	-	300,569	558,898
Cash - tenant security deposits	-	9,267	23,593	4,455	1,200	-	31,280	73,831
	\$ 2,364,543	\$ 138,072	\$ 293,527	\$ 97,808	\$ 26,110	\$ 57,017	\$ 550,594	\$ 942,205

June 30, 2014

Cedar West Apts	Hifumi En Apts	McDonald Manor	Heritage Heights	Westfall Village	Grants	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 523,832	\$ 105,607	\$ 111,634	\$ 357,069	\$ 684,009	\$ -	\$ -	\$ 4,314,772		\$ 4,314,772
-	155,360	-	-	-	400,623	-	27,834,189		27,834,189
-	-	-	-	-	(342,730)	-	(23,477,847)		(23,477,847)
(76,454)	(78,052)	(15,903)	(45,792)	(156,082)	(20,494)	(1,413,591)	(3,680,881)		(3,680,881)
(167,999)	(127,036)	(40,777)	(154,338)	(335,484)	(71,656)	(194,853)	(4,597,211)	1,219,798	(3,377,413)
-	-	-	-	65,525	-	1,504,562	1,777,162	(1,219,798)	557,364
279,379	55,879	54,954	156,939	257,968	(34,257)	(103,882)	2,170,184	-	2,170,184
-	-	-	-	-	17,767	(17,767)	-	-	-
-	-	-	-	-	-	14,888	14,888	(14,888)	-
(7,507)	(745)	(2,225)	114,993	(109,190)	16,490	159,980	195	-	195
(7,507)	(745)	(2,225)	114,993	(109,190)	34,257	157,101	15,083	(14,888)	195
-	-	-	-	-	-	-	136,819		136,819
(21,238)	(13,907)	(4,161)	(74,889)	(243,992)	-	(48,682)	(725,759)		(725,759)
2,621	4,844	-	-	47,780	-	27,986	83,231	(47,780)	35,451
(92,506)	(23,130)	(19,648)	(70,005)	(40,425)	-	(20,905)	(514,357)	62,668	(451,689)
-	-	-	37,020	67,334	-	-	104,354		104,354
(132,379)	(26,834)	(28,869)	(112,670)	(204,927)	-	(21,383)	(1,056,571)	9,896	(1,046,675)
(243,502)	(59,027)	(52,678)	(220,544)	(374,230)	-	(62,984)	(1,972,283)	24,784	(1,947,499)
111	90	88	1,229	2,050	-	13,887	26,102	(9,896)	16,206
111	90	88	1,229	2,050	-	13,887	26,102	(9,896)	16,206
28,481	(3,803)	139	52,617	(223,402)	-	4,122	239,086	-	239,086
503,373	122,672	25,735	310,160	811,077	-	1,226,269	7,088,230	-	7,088,230
\$ 531,854	\$ 118,869	\$ 25,874	\$ 362,777	\$ 587,675	\$ -	\$ 1,230,391	\$ 7,327,316	\$ -	\$ 7,327,316
\$ 157,882	\$ 112,147	\$ 20,424	\$ 347,451	\$ 523,284	\$ -	\$ 1,093,631	\$ 3,988,467	\$ -	\$ 3,988,467
343,707	-	-	-	33,715	-	136,760	3,106,784	-	3,106,784
30,265	6,722	5,450	15,326	30,676	-	-	232,065	-	232,065
\$ 531,854	\$ 118,869	\$ 25,874	\$ 362,777	\$ 587,675	\$ -	\$ 1,230,391	\$ 7,327,316	\$ -	\$ 7,327,316

Spokane Housing Authority

Combining Statement of Cash Flows (Continued)

	Section 8	Parsons Apts	Scattered Sites	Court View Apts	Sharon Lord Apts	Newark Apts	Woodhaven Apts	Valley 206 Apts
RECONCILIATION OF NET OPERATING INCOME (LOSS)								
TO NET CASH FROM OPERATING ACTIVITIES:								
Net operating income (loss)	\$ 499,447	\$ (53,419)	\$ (264,979)	\$ (6,827)	\$ (7,605)	\$ (3,935)	\$ 193,874	\$ 221,137
<i>Adjustments to Reconcile Net Income (Loss) to Net Cash</i>								
<i>provided (used) by Operating Activities:</i>								
Depreciation	2,981	52,662	319,447	17,738	16,848	8,867	78,889	482,998
Increase (decrease) in cash due to changes in assets and liabilities:								
Receivables	(102,483)	1,615	(10,659)	(50)	(164)	-	1,040	3,997
Prepaid expenses	14,843	6,056	16,492	1,280	732	550	10,457	(1,027)
Inventories	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-
Accounts payable	7,852	1,575	4,460	296	(154)	(737)	(4,504)	1,542
Accounts payable - other government	(11,333)	-	-	-	-	-	-	-
Tenant security deposits	-	(1,066)	(553)	525	-	-	925	(2,855)
Accrued wages and taxes payable	-	-	-	-	-	-	-	-
Compensated absences	(8,863)	3,254	4,881	-	-	-	-	-
Unearned revenue	(5,933)	(1,221)	67	791	(4)	3,240	2,321	6,549
Accrued liabilities - other	-	39	-	9	-	1	1,813	(515)
Net adjustments	(102,936)	62,914	334,135	20,589	17,258	11,921	90,941	490,689
<i>Net Cash provided (used) by</i>								
<i>Operating Activities</i>	\$ 396,511	\$ 9,495	\$ 69,156	\$ 13,762	\$ 9,653	\$ 7,986	\$ 284,815	\$ 711,826

June 30, 2014

Cedar West Apts	Hifumi En Apts	McDonald Manor	Heritage Heights	Westfall Village	Grants	Central Office Cost Center	Subtotal	Eliminating Entries	Total
\$ 116,458	\$ (10,753)	\$ 19,821	\$ 65,132	\$ 104,776	\$ (2,608)	\$ (267,464)	\$ 603,055	\$ -	\$ 603,055
152,824	64,328	36,865	95,438	152,648	-	109,577	1,592,110	-	1,592,110
(5,090)	(1,250)	414	(2,724)	(4,190)	(37,485)	29,496	(127,533)	-	(127,533)
10,398	3,611	1,769	(216)	(1,285)	-	14,644	78,304	-	78,304
-	-	-	-	-	-	938	938	-	938
-	-	-	-	-	-	(17,500)	(17,500)	-	(17,500)
1,196	417	(1,001)	1,985	4,564	233	31,904	49,628	-	49,628
-	-	-	-	-	-	-	(11,333)	-	(11,333)
(1,010)	(578)	(1,200)	(1,204)	1,479	-	-	(5,537)	-	(5,537)
-	-	-	-	-	-	(19,053)	(19,053)	-	(19,053)
-	-	-	-	-	-	11,935	11,207	-	11,207
4,253	92	(1,717)	(2,037)	(995)	5,603	-	11,009	-	11,009
350	12	3	565	971	-	1,641	4,889	-	4,889
162,921	66,632	35,133	91,807	153,192	(31,649)	163,582	1,567,129	-	1,567,129
\$ 279,379	\$ 55,879	\$ 54,954	\$ 156,939	\$ 257,968	\$ (34,257)	\$ (103,882)	\$ 2,170,184	\$ -	\$ 2,170,184

Spokane Housing Authority
Combining Statement of Net Position – Component Units
December 31, 2013

	Cornerstone Courtyard	The Pearl on Adams	Agnes Kehoe Place	Total
ASSETS				
<i>Current Assets:</i>				
Cash - unrestricted	\$ 11,527	\$ 76,305	\$ 80,545	\$ 168,377
Receivables, net of allowance	4,800	2,023	2,184	9,007
Prepays and other assets	1,234	4,252	7,153	12,639
Interprogram due from	-	51	-	51
	<u>17,561</u>	<u>82,631</u>	<u>89,882</u>	<u>190,074</u>
<i>Restricted Assets:</i>				
Cash - other restricted	210,508	480,723	498,771	1,190,002
Cash - tenant security deposits	15,550	9,900	12,450	37,900
	<u>226,058</u>	<u>490,623</u>	<u>511,221</u>	<u>1,227,902</u>
Total current assets	<u>243,619</u>	<u>573,254</u>	<u>601,103</u>	<u>1,417,976</u>
<i>Noncurrent Assets:</i>				
<i>Capital assets:</i>				
Land	285,532	225,835	115,574	626,941
Buildings	10,442,344	6,702,274	10,919,833	28,064,451
Furniture, equipment & machinery - dwellings	132,208	88,452	137,612	358,272
Furniture, equipment & machinery - administration	75,496	20,743	55,355	151,594
Leasehold improvements	52,283	94,568	1,264	148,115
Accumulated depreciation	(2,422,366)	(1,118,928)	(834,284)	(4,375,578)
Other noncurrent assets	134,140	103,951	111,953	350,044
Total noncurrent assets	<u>8,699,637</u>	<u>6,116,895</u>	<u>10,507,307</u>	<u>25,323,839</u>
TOTAL ASSETS	<u><u>\$ 8,943,256</u></u>	<u><u>\$ 6,690,149</u></u>	<u><u>\$ 11,108,410</u></u>	<u><u>\$ 26,741,815</u></u>
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts payable	18,296	12,668	17,633	48,597
Tenant security deposits	15,550	9,900	12,450	37,900
Accrued interest payable	1,078	-	-	1,078
Unearned revenue	713	28	1,521	2,262
Current liabilities - other	7,750	1,869	10,884	20,503
Current portion long-term debt	38,730	15,000	-	53,730
Interprogram due to	32,365	3,283	8,241	43,889
Total current liabilities	<u>114,482</u>	<u>42,748</u>	<u>50,729</u>	<u>207,959</u>
<i>Noncurrent Liabilities:</i>				
Long-term debt, net of current	1,686,280	1,035,000	3,399,362	6,120,642
Noncurrent liabilities - other	113,383	7,500	44,209	165,092
Total noncurrent liabilities	<u>1,799,663</u>	<u>1,042,500</u>	<u>3,443,571</u>	<u>6,285,734</u>
TOTAL LIABILITIES	<u><u>\$ 1,914,145</u></u>	<u><u>\$ 1,085,248</u></u>	<u><u>\$ 3,494,300</u></u>	<u><u>\$ 6,493,693</u></u>
NET POSITION				
Net Investment in Capital Assets	6,840,487	4,962,944	6,995,992	18,799,423
<i>Restricted net position:</i>				
Replacement reserves	76,197	120,602	121,873	318,672
Operating reserves	134,311	260,109	226,898	621,318
Services reserves		100,012	150,000	250,012
Unrestricted net position	(21,884)	161,234	119,347	258,697
TOTAL NET POSITION	<u><u>\$ 7,029,111</u></u>	<u><u>\$ 5,604,901</u></u>	<u><u>\$ 7,614,110</u></u>	<u><u>\$ 20,248,122</u></u>

Spokane Housing Authority
Combining Statement of Revenues, Expenses and Changes in Net Position—Component Units
For the year ended December 31, 2013

	Cornerstone Courtyard	The Pearl on Adams	Agnes Kehoe Place	Total
OPERATING REVENUES:				
Tenant revenue	\$ 310,321	\$ 188,852	\$ 300,073	\$ 799,246
Other tenant revenue	13,110	6,798	17,188	37,096
Other revenue	142	-	151	293
Total operating revenues	<u>323,573</u>	<u>195,650</u>	<u>317,412</u>	<u>836,635</u>
OPERATING EXPENSES:				
<i>Administrative:</i>				
Administrative wages	23,146	14,358	21,759	59,263
Auditing Fees	8,500	8,500	8,500	25,500
Employee benefit contributions - admin	9,374	6,061	8,662	24,097
Management & bookkeeping fees	25,540	13,592	23,416	62,548
Other operating expenses- administrative	18,518	13,306	20,146	51,970
Tenant services	201	144	17,665	18,010
	<u>85,279</u>	<u>55,961</u>	<u>100,148</u>	<u>241,388</u>
<i>Utilities:</i>				
Electricity	20,521	10,208	28,314	59,043
Water	2,919	1,298	3,005	7,222
Sewer	32,578	22,848	32,579	88,005
Other utilities expense	11,688	3,557	11,395	26,640
	<u>67,706</u>	<u>37,911</u>	<u>75,293</u>	<u>180,910</u>
<i>Ordinary maintenance and operations:</i>				
Contract Costs	31,696	19,891	23,773	75,360
Maintenance and operations wages	25,458	14,278	29,941	69,677
Employee benefit contributions	10,310	6,027	11,919	28,256
Materials and other	8,283	3,422	5,361	17,066
	<u>75,747</u>	<u>43,618</u>	<u>70,994</u>	<u>190,359</u>
<i>General expenses:</i>				
Insurance premiums	11,316	6,281	9,789	27,386
Other general expenses	26,383	12,788	17,526	56,697
Depreciation and Amortization	385,678	271,869	435,724	1,093,271
	<u>423,377</u>	<u>290,938</u>	<u>463,039</u>	<u>1,177,354</u>
Total operating expenses	<u>652,109</u>	<u>428,428</u>	<u>709,474</u>	<u>1,790,011</u>
OPERATING INCOME (LOSS)	<u>\$ (328,536)</u>	<u>\$ (232,778)</u>	<u>\$ (392,062)</u>	<u>\$ (953,376)</u>

Spokane Housing Authority

Combining Statement of Revenues, Expenses and Changes in Net Position—Component Units (continued)

For the year ended December 31, 2013

	Cornerstone Courtyard	The Pearl on Adams	Agnes Kehoe Place	Total
OPERATING INCOME (LOSS)	\$ (328,536)	\$ (232,778)	\$ (392,062)	\$ (953,376)
NONOPERATING REVENUES (EXPENSES):				
Interest expense	(16,504)	-	(25,495)	(41,999)
Gain (loss) on sale of capital assets	(115)	(307)	-	(422)
Amortization of bond issuance costs	(16,309)	(7,822)	(7,035)	(31,166)
Investment revenue - unrestricted	898	292	1,861	3,051
Total nonoperating revenues (expenses)	<u>(32,030)</u>	<u>(7,837)</u>	<u>(30,669)</u>	<u>(70,536)</u>
<i>Income (Loss) Before Contributions, Transfers, Extraordinary and Special Items</i>	(360,566)	(240,615)	(422,731)	(1,023,912)
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>759,037</u>	<u>759,037</u>
CHANGE IN NET POSITION	(360,566)	(240,615)	336,306	(264,875)
NET POSITION, BEGINNING OF YEAR	7,389,677	5,845,516	7,277,804	20,512,997
PRIOR PERIOD ADJUSTMENTS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 7,029,111</u>	<u>\$ 5,604,901</u>	<u>\$ 7,614,110</u>	<u>\$ 20,248,122</u>

Spokane Housing Authority
Combining Statement of Cash Flows – Component Units
For the year ended December 31, 2013

	Cornerstone Courtyard	The Pearl on Adams	Agnes Kehoe Place	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from tenants and others	\$ 323,766	\$ 195,020	\$ 313,367	\$ 832,153
Payments to employees	(68,288)	(40,724)	(72,281)	(181,293)
Payments to vendors and suppliers	(190,495)	(126,046)	(624,136)	(940,677)
Other receipts (payments)	142	-	151	293
Net cash provided (used) by operating activities	65,125	28,250	(382,899)	(289,524)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payments (to) from related parties	550	154	2,440	3,144
Net cash provided (used) by noncapital financing activities	550	154	2,440	3,144
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital contribution (distribution)	-	-	759,037	759,037
Purchases of capital assets	(9,056)	(6,356)	-	(15,412)
Principal paid on capital debt	(38,467)	(15,000)	-	(53,467)
Interest paid on capital debt	(13,296)	-	-	(13,296)
Net cash provided (used) by capital and related financing activities	(60,819)	(21,356)	759,037	676,862
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	898	292	1,861	3,051
Net cash provided by investing activities	898	292	1,861	3,051
Net Increase (Decrease) in Cash and Cash Equivalents	5,754	7,340	380,439	393,533
Cash and Cash Equivalents, Beginning of Year	231,831	559,588	211,327	1,002,746
Cash and Cash Equivalents, End of Year	<u>\$ 237,585</u>	<u>\$ 566,928</u>	<u>\$ 591,766</u>	<u>\$ 1,396,279</u>
<i>Cash and Cash Equivalents consist of:</i>				
Cash - unrestricted	\$ 11,527	\$ 76,305	\$ 80,545	\$ 168,377
Cash - other restricted	210,508	480,723	498,771	1,190,002
Cash - tenant security deposits	15,550	9,900	12,450	37,900
	<u>\$ 237,585</u>	<u>\$ 566,928</u>	<u>\$ 591,766</u>	<u>\$ 1,396,279</u>

Spokane Housing Authority
Combining Statement of Cash Flows – Component Units (continued)
For the year ended December 31, 2013

	Cornerstone Courtyard	The Pearl on Adams	Agnes Kehoe Place	Total
RECONCILIATION OF NET OPERATING INCOME (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income (loss)	\$ (328,536)	\$ (232,778)	\$ (392,062)	\$ (953,376)
<i>Adjustments to Reconcile Net Income (Loss) to Net Cash provided (used) by Operating Activities:</i>				
Depreciation	385,678	271,869	435,724	1,093,271
Increase (decrease) in cash due to changes in assets and liabilities:				
Receivables	(311)	(1,383)	(635)	(2,329)
Prepaid expenses	74	(5)	1,639	1,708
Accounts payable	(10,184)	(931)	(27,452)	(38,567)
Tenant security deposits	150	750	(2,950)	(2,050)
Unearned revenue	504	3	(309)	198
Accrued liabilities - other	17,750	(9,275)	(396,854)	(388,379)
Net adjustments	393,661	261,028	9,163	663,852
<i>Net Cash provided (used) by Operating Activities</i>	<u>\$ 65,125</u>	<u>\$ 28,250</u>	<u>\$ (382,899)</u>	<u>\$ (289,524)</u>

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER OMB CIRCULAR A-133

Spokane Housing Authority Spokane County July 1, 2013 through June 30, 2014

This schedule presents the corrective action planned by the auditee for findings reported in this report in accordance with OMB Circular A-133. The information in this schedule is the representation of the Spokane Housing Authority.

Finding ref number: 2014-001	Finding caption: The Spokane Housing Authority did not have adequate internal controls to comply with the requirements of its Section 8 Housing Choice Voucher federal grant program.
Name, address, and telephone of auditee contact person: Lori Hays, Chief Financial Officer 55 W. Mission Avenue Spokane WA 99201 (509) 252-7154	
Corrective action the auditee plans to take in response to the finding: <ol style="list-style-type: none"> <i>1. Review errors with staff, supervisors, and management. Errors will be reviewed and discussed with staff.</i> <i>2. Determine course of action to resolve findings including repayment of questioned costs. Consult with HUD about repayment of questioned costs and/or corrections for questioned costs.</i> <i>3. Continue efforts in establishing adequate internal controls to ensure compliance with federal requirements for the Section 8 Housing Choice Vouchers Program including Allowable Costs, and Housing Quality Standards Enforcement. Significant transition of staffing during the previous year contributed to changes in processes along with inadequate training and oversight. Quality Control inspections and monthly audits were not being completed during this period resulting in inspections not being verified as completed and housing assistance payment calculation errors. In November 2014, a Quality Assurance Administrator position was established specifically responsible for compliance and quality control reviews utilizing applicable program regulations, funding source requirements, and SHA policies, systems and practices. The quality control reviews consist of both random quality control HQS inspections and random quality control file audits. This position will also work closely with management to</i> 	

review and recommend changes in policies/procedures, forms and documentation requirements in accordance with review findings and applicable federal, state, local and agency regulations, rules, laws, and procedures.

Anticipated date to complete the corrective action: March 31, 2015

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Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov