



# Washington State Auditor's Office

Government that works for citizens

## **Financial Statements and Federal Single Audit Report**

# **The Housing Authority of the City of Bremerton**

## **(Bremerton Housing Authority)**

**Kitsap County**

**For the period October 1, 2014 through September 30, 2015**

**Published May 23, 2016**

**Report No. 1016625**





## Washington State Auditor's Office

May 23, 2016

Board of Commissioners  
Bremerton Housing Authority  
Bremerton, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Bremerton 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

## TABLE OF CONTENTS

Federal Summary .....	4
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 .....	6
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133.....	9
Independent Auditor's Report On Financial Statements .....	12
Financial Section.....	16
About The State Auditor's Office.....	94

## FEDERAL SUMMARY

**Bremerton Housing Authority  
Kitsap County  
October 1, 2014 through September 30, 2015**

The results of our audit of the Bremerton 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 basic 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 reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

## Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
14.182	Section 8 Project-Based Cluster – Section 8 New Construction and Substantial Rehabilitation
14.195	Section 8 Project-Based Cluster – Section 8 Housing Assistance Payments Program
14.249	Section 8 Project-Based Cluster – Section 8 Moderate Rehabilitation Single Room Occupancy

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$3,000,000.

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

**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**

**Bremerton Housing Authority  
Kitsap County  
October 1, 2014 through September 30, 2015**

Board of Commissioners  
Bremerton Housing Authority  
Bremerton, 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 Bremerton Housing Authority, Kitsap County, Washington, as of and for the year ended September 30, 2015, 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 May 5, 2016. Our report includes a reference to other auditors who audited the financial statements of the Bay Vista West LLLP Tax Credit Partnership and the Bay Vista South LLLP Tax Credit 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 Bay Vista West LLLP Tax Credit Partnership and Bay Vista South LLLP Tax Credit 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 the Bay Vista West LLLP Tax Credit Partnership and Bay Vista South LLLP Tax Credit Partnership.

As discussed in Note 1 to the financial statements, during the year ended September 30, 2015, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

## 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

May 5, 2016



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

**Bremerton Housing Authority  
Kitsap County  
October 1, 2014 through September 30, 2015**

Board of Commissioners  
Bremerton Housing Authority  
Bremerton, Washington

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

We have audited the compliance of the Bremerton Housing Authority, Kitsap 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 September 30, 2015. 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 September 30, 2015.

## **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

that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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

May 5, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Bremerton Housing Authority Kitsap County October 1, 2014 through September 30, 2015**

Board of Commissioners  
Bremerton Housing Authority  
Bremerton, 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 Bremerton Housing Authority, Kitsap County, Washington, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

### **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 Bay Vista West LLLP Tax Credit Partnership, which represents 55 percent, 57 percent and 47 percent, or the Bay Vista South LLLP Tax Credit Partnership which represents 45 percent, 43 percent, and 53 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 Bay Vista West LLLP Tax Credit Partnership and the Bay Vista South LLLP Tax Credit 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 of material misstatement. The financial statements of the Bay Vista West LLLP Tax Credit Partnership and Bay Vista South LLLP Tax Credit 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 Bremerton Housing Authority, as of September 30, 2015, 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 1 to the financial statements, in 2015, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 17 through 27 and pension plan information on pages 62 through 65 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 forms 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.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2016 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.

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

May 5, 2016

## **FINANCIAL SECTION**

**Bremerton Housing Authority  
Kitsap County  
October 1, 2014 through September 30, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015

Statement of Revenues, Expenses and Changes in Net Position – 2015

Statement of Cash Flows – 2015

Notes to Financial Statements – 2015

### **REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2/3 – 2015

### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015

Financial Data Schedule – 2015

Actual Modernization Cost Certificate – WA19P003501-11 – 2015

Actual Modernization Cost Certificate – WA19R003502-13 – 2015



**HOUSING AUTHORITY OF THE CITY OF BREMERTON**  
**Management's Discussion and Analysis**  
Year Ended September 30, 2015

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As management of the Housing Authority of the City of Bremerton (Housing Authority), we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the year ended September 30, 2015. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the Housing Authority's financial statements and the notes to the financial statements which follow.

The Housing Authority administers a broad range of federally and locally financed housing programs within the limits of the City of Bremerton. The Housing Authority owns or manages 373 units of housing, provides rental subsidies to 1,603 additional households, and administers 329 vouchers for Housing Kitsap. The Housing Authority is also a performance-based contract administrator (PBCA) for Washington State, Utah, and Nebraska. The Housing Authority also holds subcontracts and performs many of these same PBCA duties for the state of Hawaii. The Housing Authority contracted with National Housing Coalition (NHC) to subcontract the HAP payment portion of the PBCA work for Georgia and Illinois in October 2014. These PBCA contracts provide housing for approximately 27,435 households.

The financial performance discussed in the following analyses does not include tax credit partnerships. The tax credit partnerships, with 2 sites and 137 units, are owned by separate limited partnerships with the Housing Authority acting as general partner. These separate legal entities are not carried directly on the books of the Housing Authority but are listed as component units in the Housing Authority's financial statements and are detailed in portions of the notes to the financial statements (Note 1, Note 3, Note 4, Note 5, Note 6, Note 7, Note 8, and Note 10). With those exceptions, neither these units, nor their financial data, are included in the analysis and financial reports that follow.

### **Financial Highlights**

- Assets exceeded liabilities (net position) at the close of the fiscal year by \$49.92 million for the Housing Authority, which is a decrease of \$4.9 million, or 9.8%. Of this amount \$30.68 million is the net investment in capital assets, \$4.77 million is restricted to meet externally imposed obligations, and \$14.47 million is unrestricted to meet ongoing obligations to tenants and creditors. The decrease is due partly to a conveyance of roads and infrastructure at the Bay Vista Development over to the City of Bremerton in the amount of \$1.47 million. The other main reason for the decrease in net position is due to the \$3.7 million of net pension liability which was recorded per implementation of GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 this fiscal year.
- The cash balances increased from the previous year by \$0.56 million, or 5.1%, with Unrestricted Cash increasing by \$1.28 million and Restricted Cash decreasing by \$0.72 million. The main reason for the decrease in Restricted Cash was the spending of \$0.46 million from the Tara Heights Rehabilitation Reserve which was set up as part of the conversion from public housing to Project based Section 8 units through the Rental Assistance Demonstration (RAD) project. The main reason for the increase in Unrestricted Cash was the initial funding of the Replacement Reserve at several of the properties of \$1.25 million. An increase in Restricted Demo/Dispo proceeds of \$0.34 million from the sale of a parcel of land at the Bay Vista Development were offset in part by use of HOPE VI program income funds for approved Bay Vista Development expenditures, payment of retention, and usage of the HOPE VI Endowment Trust.
- Total liabilities of the Housing Authority increased by 12.9%, or \$3.3 million, mainly due to \$3.7 million of net pension liability recorded by the Housing Authority as required for the implementation of GASB 68.

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- Total revenues (operating and non-operating) increased by 1.9%, or \$3.21 million. This increase is mainly due to three factors. First, an increase in Contract Management Services (CMS) revenue items including administrative fees of \$0.9 million resulting from the new NHC PBCA subcontract work (which began in October 2014); an increase in CMS HAP revenue of \$3.1 million; an increase in administrative fees of \$0.4 million on the PBCA contracts administered by CMS, and a decrease in administrative fees from the conclusion of the LA LOMOD subcontracted PBCA work (which ended February 28, 2014) of \$2.4 million. Second, an increase of \$0.7 million in Housing Choice Voucher which included \$0.75 million increase in HAP, an increase of \$0.15 million of administrative fees, and a decrease of port-in HAP and administrative fees of \$0.2 million due to the absorption of most of port-in tenants into the BHA voucher program. Third, there was a \$0.3 million gain on the sale of a parcel of land at the Bay Vista Development.
  - Total expenses (operating and non-operating) increased by 1.2%, or \$2.0 million for the Housing Authority mostly due to a CMS HAP increase of \$3.1 million and a \$0.23 million increase in HAP payments made for the Housing Choice Voucher (HCV) program. The pension entry required by GASB 68 was a credit of \$0.35 million for the current year. There was also less severance payouts in the current year of \$0.33 million, \$0.3 million less in interest expense in the current year with the payoff of the Government Center loan during the previous year, and \$0.27 million less in CMS salaries and benefits. The CMS reduction is composed of a decrease of wages and benefits in the current year of \$0.7 million with the loss of the LA LOMOD contract during the previous year and an increase of \$0.4 million with the start of the National Housing Coalition contract at the beginning of the current fiscal year.
  - The Housing Authority's HCV program voucher utilization rates for the fiscal year increased from 82.7% (17,846 of 21,576 unit months available) to 84.7% (18,309 of 21,611 unit months available). The leasing for this program increased throughout the fiscal year but was still short of spending all of the HUD allocated HAP for calendar year 2015. The Housing Authority received additional set-aside funding of \$0.36 million during the last half of the year which was not all able to be spent by the conclusion of the fiscal year. As a result the Net Restricted Assets and HUD held Program Reserves increased by \$0.2 million and the combined percentage of these two items to budgeted HAP received from HUD increased from 6.9% to 8.5%.
  - The occupancy of public housing properties was as follows. Occupancy at the Summit at Bay Vista Apartments for the 47 public housing units located there was 91.5% for the year. The 22 public housing units at Winfield Apartments had occupancy at 87.1% for the year. The Shadow Creek Apartment's 17 units of public housing had an occupancy rate of 95%.
  - The occupancy of the affordable properties was as follows. Occupancy at the Summit for the 36 affordable units was 91.4%. The Shadow Creek 17 affordable units had occupancy for the year at 85.8%. Occupancy at the 82 unit Tamarack property was 97.5% and for the 60 units at the Firs property was 92.1%. The assisted living facility, Bay Vista Commons, had occupancy of 95.5% for the 72 units available. Finally, Tara Heights had occupancy of 93.4% for the 21 units at this property which was converted from public housing to Project Based Section 8 during the last fiscal year under the Rental Assistance Demonstration program.

## Overview of the Financial Statements

The Housing Authority's financial statements consist of two parts – the MD&A (this section) and the basic financial statements. The basic financial statements are those of a special-purpose government engaged only in business-type activities and include government-wide financial statements and notes to the financial statements.

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The government-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into a columnar format, presenting totals by category for the entire Housing Authority. Similar to the methods used in the private sector, the Housing Authority uses the full accrual basis of accounting.

The Housing Authority's government-wide financial statements include:

- Statement of Net Position - The Statement of Net Position reports all financial and capital resources as well as obligations of the Housing Authority. The statement is presented in the format where assets minus liabilities equal *Net Position* (formerly referred to as equity). Assets and liabilities are presented in order of liquidity, and are classified as *Current* (convertible into cash within one year), and *Non-current*.

The Statement of Net Position is designed to represent the available liquid (non-capital) assets, net of liabilities, for the entire Housing Authority. Net Position is reported in three categories:

- ✓ Net Investments in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - ✓ Restricted Net Position: This component of Net Position consists of restricted assets where constraints have been placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. net of any offsetting, associated liabilities.
  - ✓ Unrestricted Net Position: This component of Net Position consists of Net Position that does not meet the definitions of *Net Investment in Capital Assets* or *Restricted Net Position*.
- Statement of Revenues, Expenses and Changes in Net Position - This Statement includes operating revenues, such as rental income, operating expenses, such as administrative expenses, utilities, and maintenance expenses, and depreciation; and non-operating revenue and expenses, such as grant revenue, investment income and interest expense. This statement presents information showing how the Housing Authority's net position changed during the year.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the *Change in Net Position*, which is similar to Net Income or Loss. 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.

- Statement of Cash Flows – This Statement discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities, and investing activities. This statement shows where cash came from, how it was used and the change in the cash balance during the year.

The Housing Authority's basic financial statements also include notes to the financial statements that explain some of the information in the government-wide financial statements and provide more data supporting the numbers in these statements.

**HOUSING AUTHORITY OF THE CITY OF BREMERTON**  
**Management's Discussion and Analysis**  
Year Ended September 30, 2015

**Condensed Government-wide Statements and Analysis of Overall Financial Position**

The following table<sup>1</sup> summarizes the Statement of Net Position as of September 30, 2015 and 2014 for the Housing Authority. The table does not include the Component Units.

<b>COMPARATIVE CONDENSED STATEMENT OF NET POSITION</b>		
	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Current and Other Assets	\$ 25,706,705	\$ 25,310,238
Capital Assets	50,176,169	51,778,133
Deferred Outflow of Resources	<u>296,171</u>	
Total Assets	76,179,045	77,088,371
<b>Liabilities</b>		
Current Liabilities	1,188,941	1,493,290
Noncurrent Liabilities	24,383,259	20,775,766
Deferred Inflow of Resources	<u>689,918</u>	-
Total Liabilities	26,262,118	22,269,056
<b>Net Position</b>		
Net Investment in Capital Assets	30,681,046	31,419,389
Restricted	4,763,068	5,370,423
Unrestricted	<u>14,472,813</u>	<u>18,029,503</u>
Total Net Position	\$ 49,916,927	\$ 54,819,315

During the fiscal year ended September 30, 2015, the Housing Authority implemented GASB Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement No. 71 (GASB 71), Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, which had a material impact on the Housing Authority's Statement of Net Position. The Housing Authority as a cost-sharing employer is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the retirement plans) – the collective net pension liability. The Housing Authority is also required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to these pension plans for its proportionate shares of collective pension expense and collective deferred outflows of resource and deferred inflows of resources related to those retirement plans. The initial implementation of GASB Statement No. 68 also

<sup>1</sup> For more detailed information please see the Statement of Net Position.

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required an adjustment to Net Position for the proportionate shares of the collective beginning net pension liability for these plans because they relate to prior periods. For the year ended September 30, 2015, the Housing Authority recorded \$3,718,792 of net pension liability, with \$4,460,504 of that as an adjustment to net position for the prior period portion; \$347,965 was credited to pension expense; \$296,171 recorded as deferred outflows of resources; and \$689,918 recorded as deferred inflows of resources, for its proportionate share of the collective pension plan liability.

Total Assets decreased by \$0.91 million (1.2%) during the fiscal year primarily due to the conveyance to the City of Bremerton of site improvements including streets, utilities, and other infrastructure at the Bay Vista Development in the amount of \$1.47 million.

Total liabilities of the Housing Authority increased by 15.2%, or \$3.99 million, mainly due to the \$3.7 million of pension liability recorded per the GASB 68 and GASB 71 implementation.

Current assets exceed current liabilities by \$11.73 million for a current ratio of 10.87 which is an increase from the prior year current ratio of 9.26. The increase is mostly due to the reduction in Accounts Payable as of fiscal year end compared to the prior year outstanding balances. The Accounts Payable reduction results from retention payments being released and paid now that the Bay Vista Development work has concluded as of early fiscal year 2015. The current ratio is a measure of the ability to pay debts as they become due and generally a current ratio of 1 or less suggests that obligations may not be paid when they are due.

The Housing Authority's Net Investment in Capital Assets decreased by \$1.6 million (3.2%). This is primarily the result of the conveyance of \$1.47 million of roads and infrastructure at the Bay Vista Development site to the City of Bremerton. There was also a sale of land with a reduction of \$0.07 million in land with the remaining reduction of \$0.06 million the result of capital purchases at the various properties netted against annual depreciation.

**HOUSING AUTHORITY OF THE CITY OF BREMERTON**  
**Management's Discussion and Analysis**  
Year Ended September 30, 2015

The following table<sup>2</sup> summarizes revenues, expenses, and changes in net position for the years ended September 30, 2015 and 2014 for the Housing Authority. The table does not include the component units.

<b>COMPARATIVE CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>		
	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Operating Revenue		
Tenant Revenue	\$ 2,237,378	\$ 2,278,962
Other Revenues	3,392,588	4,618,295
Non-Operating Revenue		
Operating Grants	161,116,806	157,119,910
Investment Income	150,052	162,585
Gains (Losses) on Capital Asset Disposition	307,015	5,196
Total Revenue	<u>167,203,839</u>	<u>164,184,948</u>
<b>Expenses</b>		
Operating Expenses		
Administrative	7,558,538	8,698,769
Tenant Services	1,381,640	1,392,324
Utilities	486,940	494,782
Ordinary Maintenance and Operations	1,198,425	1,273,899
Housing Assistance Payments	153,226,902	149,818,009
Depreciation and Amortization	1,309,041	1,247,566
Other General Expenses	906,731	1,001,394
Non-Operating Expenses		
Interest	381,005	518,540
Total Expenses	<u>166,449,222</u>	<u>164,445,283</u>
Excess (Deficiency) of Revenues over Expenses	<u>754,617</u>	<u>(260,335)</u>
<b>Capital Grants and Contributions</b>	339,749	151,389
<b>Special Items</b>	<u>(1,491,895)</u>	<u>(11,882)</u>
<b>Change in Net Position</b>	<u>(397,529)</u>	<u>(120,828)</u>
<b>Prior Period Adjustment</b>	(44,355)	(34,000)
<b>Cummulative effect of a change in accounting principle</b>	(4,460,504)	
<b>Net Position, Beginning of Year</b>	<u>54,819,315</u>	<u>54,974,143</u>
<b>Net Position, End of Year</b>	<u><u>\$ 49,916,927</u></u>	<u><u>\$ 54,819,315</u></u>

<sup>2</sup> For more detailed information please see the Statement of Revenues, Expenses and Changes in Net Position



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Gain on the Sale of Capital Assets increased from the prior year with the sale of a parcel of land at the Bay Vista Development site. The prior year gain consisted of the sale of two vehicles.

The \$4 million increase in operating grant revenue is mostly the result of Contract Management Services (CMS) HAP revenue increases of \$3.1 million and an increase in administrative fees of \$0.4 million on the PBCA contracts administered by CMS. There was also an increase of \$0.9 million in Housing Choice Voucher revenues which included \$0.75 million increase in HAP, and an increase of \$0.15 million of administrative fees.

Total expenses increased by \$2 million mostly due to increased HAP payments from the CMS PBCA contracts of \$3.1 million and an increase in Section 8 HAP payments of \$0.23 million. Another contributing factor was the \$0.34 million increase in administrative costs which mostly consists of a decrease of \$0.96 million in wages, benefits, and management fees with the conclusion of the PBCA subcontract work with LA LOMOD (included in the previous year costs), a \$0.53 increase in wages, benefits, and management fees from the of new NHC contract for the current year, and a decrease in pension costs of \$0.35 million which is the Housing Authority's proportionate share of the statewide cost-sharing, multiple-employer public employee retirement plan's pension expense, as required with the implementation of GASB 68 and GASB 71. A reduction in office supplies of \$0.33 million resulted from incurring start-up expenses for the NHC contract and the new administrative building office expenses during the prior year, which were not repeated in the current fiscal year. Finally, a decrease of \$0.13 million in interest resulted from the early retirement at the end of the prior year of the mortgage loan obligation for the Norm Dicks Government Center.

The decrease in other revenues is mostly due to a decrease in administrative fees from the ending of the LA LOMOD PBCA sub contract work of \$2.4 million along with an increase in fees for the NHC PBCA sub contract work of \$0.9 million which started at the beginning of the current fiscal year.

Capital grant revenue increased by \$0.19 million with \$0.28 million for the purchase of the Winfield duplex apartments and improvements made to the parking lot area adjacent to the duplex and a reduction of \$0.13 million at Tara Heights related to the RAD conversion costs included in the previous year.

The Special Items amount of \$1.49 million consists of two items. The Housing Authority entered into a loan agreement with Kitsap Community Resources on November 1, 1994. The loan of \$0.02 million was to be forgivable twenty years after this date if conditions defined in the agreement were met. The loan was cancelled after Kitsap Community Resources confirmed that the conditions regarding the loan were met throughout the twenty year time period. The other amount of \$1.47 million was for the conveyance of roads and infrastructure improvements at the Bay Vista Development site to the City of Bremerton per the Deed of Conveyance provided by the City.

The cumulative effect of a change in accounting principle in the amount of \$4.46 million is to record the beginning net pension liability as of September 30, 2014 with the implementation of GASB 68 and GASB 71 by the Housing Authority.

The prior period adjustment of \$0.04 million is for the restatement of the beginning of the year balances in repayment agreements to an allowance account. These amounts were recorded prior to the current fiscal year as revenue and this was reversed and the balances remaining on the repayment agreements have been reclassified to an allowance account until the funds are received.

**HOUSING AUTHORITY OF THE CITY OF BREMERTON**  
**Management's Discussion and Analysis**  
Year Ended September 30, 2015

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**Capital Asset and Long-Term Liability Activity**

Capital Assets

During the current fiscal year the Housing Authority had the following significant changes in capital assets:

- Construction-In-Progress (CIP) increased by \$0.08 million as a result of the progress payments for the construction of an Americans With Disabilities Act (ADA) compliant ramp at the Firs property.
- Building increases of \$1.19 million are mostly attributable to \$0.48 million in costs being reclassified from leasehold improvements to building costs for improvements of the 2<sup>nd</sup> floor of the Norm Dicks Government Center (NDGC). There was also \$0.42 million of costs for the Tara Heights RAD conversion rehab.
- Improvements decreases of \$1.67 million were mostly caused by the \$1.47 million conveyance of roads and infrastructure at the Bay Vista Development site to the City of Bremerton as well as the transfer of \$0.48 million from leasehold improvements to building as mentioned above for NDGC office improvements.
- Equipment cost increases of \$0.14 million consist mostly of administrative building items including installation of historical displays and the relocation of the back up power generator to the new administration building.

The following table<sup>3</sup> summarizes the changes in capital assets between fiscal years ended September 30, 2015 and 2014 for the Housing Authority and excludes the Component Units.

	<b>Housing Authority</b>		<b>Net Change</b>
	<b>2015</b>	<b>2014</b>	
Land	\$ 12,535,107	\$ 12,567,081	\$ (31,974)
Construction-In-Progress	121,132	44,212	76,920
Buildings	36,410,156	35,216,744	1,193,412
Improvements	8,079,330	9,745,993	(1,666,663)
Machinery and Equipment	4,500,974	4,365,591	135,383
Totals	61,646,699	61,939,621	(292,922)
Accumulated Depreciation	(11,470,530)	(10,161,488)	(1,309,042)
<b>Capital Assets, Net</b>	<b>\$ 50,176,169</b>	<b>\$ 51,778,133</b>	<b>\$ (1,601,964)</b>

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<sup>3</sup> For more detailed information on Capital Assets please see Note 4 to the Financial Statements



**HOUSING AUTHORITY OF THE CITY OF BREMERTON**  
**Management's Discussion and Analysis**  
Year Ended September 30, 2015

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Long-Term Liability Activity

The Housing Authority typically issues various types of debt obligations, including installment notes, bonds, and mortgages to finance the acquisition and construction of assets. During the current fiscal year, the Housing Authority had the following significant changes in long-term liabilities:

Total long-term liabilities increased \$3.62 million from the prior year. The main reason for the increase was the pension liability that was recorded in the amount of \$3.72 million as required by the implementation of GASB 68 and GASB 71. The revenue bonds and mortgages were reduced by monthly principal payments made throughout the year. The notes payable line reduced a small amount as a result of principal payments made on the Housing Trust Fund loan. The balance of this loan was \$0.25 million at year end. The remainder of the notes payable is comprised of two loans. One is the TCAP loan balance outstanding is \$12,477,337 which is a forgivable loan after 40 years, with no principal or interest payments due if the terms and conditions of the loan agreement are met. Until matured, this loan remains a liability of the Housing Authority. This loan is secured by a Deed of Trust on the Summit at Bay Vista. The second item is an Affordable Housing Program (AHP) loan in the amount of \$690,000. The notes payable to Bank of America is a forgivable loan at the end of the loan term, 15 years, if the conditions are met per the agreement. Until matured, this loan remains a liability of the Housing Authority. This loan is secured by a Deed of Trust on the Bay Vista West properties.

The other line in the table below consists of compensated absences and FSS escrow amounts which both increased year over year.

The following table<sup>4</sup> summarizes the changes in long-term liabilities (including current portions) between fiscal years ended September 30, 2015 and 2014 for the Housing Authority and excludes the Component Units.

	<b>Housing Authority</b>		<b>Net Change</b>
	<b>2015</b>	<b>2014</b>	
Revenue Bonds, Net	\$ 6,335,606	\$ 6,488,316	\$ (152,710)
Mortgages	427,718	442,731	(15,013)
Capital Lease Payable	-	-	-
Notes Payable	13,421,799	13,427,697	(5,898)
Pension Liability	3,718,792	-	3,718,792
Other	694,398	622,783	71,615
<b>Total long-term liabilities</b>	<b>\$ 24,598,313</b>	<b>\$ 20,981,527</b>	<b>\$ 3,616,786</b>

All debt payments for the fiscal year were made as scheduled and on time.

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<sup>4</sup> For more details on the long-term liabilities please see Note 8 to the Financial Statements

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## Economic Factors Affecting the Housing Authority

The Housing Authority depends on funding from HUD for Public Housing and Section 8 Housing Choice Voucher programs and to fund much of its administrative and capital needs. In addition, the Housing Authority operates multiple affordable housing properties located in Bremerton, Washington and performs as a Performance-Based Contract Administrator (PBCA) for HUD in multiple states for the oversight and administration of certain HUD housing subsidy contracts with owners of multifamily housing projects. Future operations could be affected by changes in federal low-income housing subsidies; changes in the terms or amount of PBCA contracts held; economic or other changes in the Bremerton geographical area; or by changes in the demand for such affordable housing and related services.

### Federal Low-Income Housing Subsidies

HUD's funding of federal low-income housing subsidies is dependent on congressional appropriations and related budget prioritizations. Federal budget cuts enacted in prior years and expected to occur in future periods, represent the greatest on-going economic challenge for the Housing Authority. The following funding impacts from such actions were experienced in 2015 and are expected for 2016:

- For 2015, funding for the Public Housing operating subsidy was 85.36% of eligibility.
- The administrative cost portion of the Section 8 Housing Choice Voucher program funding was funded at 81.86% of eligibility during 2015, and is expected to be funded at approximately 75% for 2016.
- The Section 8 Housing Choice Voucher program Housing Assistance Payments was funded at 101.2% of eligibility during 2015 and is expected to be funded at 100% for 2016.
- For more than ten years, Capital Fund grants provided by HUD have been insufficient to meet the capital renewal and replacement needs of Housing Authorities and no increase in funding levels are expected in the coming years.

The Housing Authority has responded to these on-going challenges of Federal budget reductions for low-income housing programs in part by securing other sources of funds, primarily through the provision of services to HUD via its PBCA operations, and by redeveloping its largest public housing site. The PBCA fee for services work provides net revenues that are unrestricted and available to fund the Housing Authority's mission of relieving the community's shortage of safe, decent, and affordable housing options. The conversion of ownership structure on certain public housing complexes (part of the large public housing redevelopment project) to ownership by partnerships under the Low Income Housing Tax Credit program brought infusions of capital funding for construction of new affordable housing units through equity contributions by the investors of those partnerships. The investors provided equity contributions to the partnership so that they could then benefit from the federal income tax credits awarded to those projects.

### PBCA

The PBCA state contracts held by the Housing Authority along with substantially all other such contracts nationwide have been in a process of being procured by HUD through several attempted proposal

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processes, none of which have yet been concluded successfully. On March 9, 2012, HUD issued a Fiscal Year 2012 Notice of Funding Availability (“NOFA”) for the PBCA program. The NOFA expressly provided that the new contracts HUD sought to award via the NOFA were cooperative agreements rather than procurement contracts. In addition, HUD also stated that it would reject all bids under the NOFA from out of state entities where an in-state entity bid for the same contract award exists. When HUD’s 2012 NOFA was issued, numerous interested parties, including the Housing Authority, filed bid protests with the Government Accountability Office (“GAO”) to contest HUD’s attempt to reclassify the agreements as “cooperative agreements” to avoid procurement regulations as well as contesting the restriction of competition imposed by the in-state entity only provisions of the NOFA. On August 15, 2012 GAO sustained the timely complaints of the multiple bid protestors and recommended that HUD re-solicit the PBCA contracts in accordance with procurement regulations using a procurement instrument. HUD however ignored the GAO’s decision and moved to proceed with awards under the NOFA. HUD later voluntarily stayed the award announcements after the Housing Authority and others filed a motion for a temporary restraining order and submitted bid protests in the United States Court of Federal Claims in January 2013. On April 19, 2013, the court issued its order finding in HUD’s favor, stating that the 2012 NOFA properly characterized the PBCA contracts as cooperative agreements. The plaintiffs (including the Housing Authority) appealed the decision in the United States Court of Appeals for the Federal Circuit in 2013. The US Court of Appeals for the Federal Circuit ruled on March 25, 2014 in favor of the Plaintiffs. Specifically, the Federal Circuit found that HUD violated federal law when it attempted to re-label contracts as cooperative agreements. HUD petitioned the US Court of Appeals for the Federal Circuit for a hearing or rehearing En Banc of this decision, which was denied. HUD filed an appeal of the decision to the United States Supreme Court, which decided not to take up the matter. Accordingly, the litigation of this matter is now concluded and HUD is required to follow procurement regulations in the next competitive proposal process it undertakes for the PBCA contracts. It is expected that another procurement process will be initiated by HUD in the near future. The outcome of a potential re-solicitation of PBCA contracts in accordance with procurement regulations has the potential to significantly reduce the available funding for the Housing Authority from its current level of PBCA administration fee revenues earned. For the fiscal year 2015, CMS administrative fees funded 42.3% of the Housing Authority’s operating expenses and CMS profits funded 24.2% of Housing Authority expenses excluding the CMS operations. If the outcome of these processes is adverse financially for the Housing Authority, operations in both the CMS department and the general Housing Authority support services areas will be reduced to levels appropriate and sustainable for the reduced level of funding provided.

### Local Economy and Conditions

Local inflationary, recessionary, and in particular employment trends, can affect resident incomes and therefore the amount of rental incomes received by the Housing Authority, as well as the amount of Housing Assistance Payments paid out by the Housing Authority. Unemployment in the Bremerton-Silverdale Washington metropolitan statistical area increased 0.3% from 5.2% in September 2014 to 5.5% in September 2015 according to the U.S. Bureau of Labor Statistics ([www.bls.gov](http://www.bls.gov)).

### **Contacting the Housing Authority’s Financial Management**

This financial report is designed to provide a general overview of the Housing Authority’s finances and to demonstrate accountability for its resources. Any questions concerning the information presented here should be addressed to the Deputy Executive Director/Chief Financial Officer for the Housing Authority of the City of Bremerton. The Housing Authority’s offices are located at 600 Park Avenue, Bremerton, WA 98337. The telephone number is (360) 479-3694.

**Housing Authority of the City of Bremerton**  
**Statement of Net Position**  
**September 30, 2015**

	<b>Housing Authority</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets		
Cash and Cash Equivalents	\$ 6,715,652	\$ 90,271
Investments	1,628,651	
Receivables (Net):		
HUD	617,926	
Other Governments	567,012	
Tenants	142,443	11,518
Other	7,268	
Interest Receivable from Component Units	159,202	
Prepaid and Other Current Assets	189,824	30,252
Restricted Assets:		
Cash and Cash Equivalents	2,894,809	353,117
Total Current Assets	<u>12,922,787</u>	<u>485,158</u>
Noncurrent Assets		
Restricted Cash	1,380,603	1,133,846
Investments - Debt Service Reserves	685,539	
Investment in Joint Venture		
Notes Receivable from Component Units	10,716,151	
Notes Receivable Noncurrent	1,625	
Capital Assets:		
Land	12,535,107	
Buildings	36,410,156	25,445,695
Improvements Other than Buildings	8,079,330	6,723,967
Equipment	4,500,974	400,131
Construction In Progress	121,132	
Accumulated Depreciation	(11,470,530)	(2,837,193)
Total Capital Assets (Net)	<u>50,176,169</u>	<u>29,732,600</u>
Other Assets		319,622
Total Noncurrent Assets	<u>62,960,087</u>	<u>31,186,068</u>
<b>TOTAL ASSETS</b>	<u>75,882,874</u>	<u>31,671,226</u>
DEFERRED OUTFLOW OF RESOURCES-PENSIONS	296,171	
<b>TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES</b>	<u>\$ 76,179,045</u>	<u>\$ 31,671,226</u>

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

**Housing Authority of the City of Bremerton**  
**Statement of Net Position**  
**September 30, 2015**

	Housing Authority	Component Units
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 594,489	\$ 37,001
Construction Retainage Payable	32,631	
Accrued Liabilities	266,064	22,581
Current Portion of Compensated Absences	30,033	
Current Portion of Long-Term Debt	185,021	
Tenant Security Deposits	75,278	33,313
Unearned Revenue	5,425	3,663
Other Current Liabilities	-	1,436
Total Current Liabilities	<u>1,188,941</u>	<u>97,994</u>
Noncurrent Liabilities		
Compensated Absences	574,391	
Long-Term Debt	20,000,102	
Notes Payable to Housing Authority		10,724,532
Accrued Interest Payable to Housing Authority		103,084
FSS Escrows	89,974	
Pension Liability	3,718,792	
Total Noncurrent Liabilities	<u>24,383,259</u>	<u>10,827,616</u>
<b>TOTAL LIABILITIES</b>	<u>25,572,200</u>	<u>10,925,610</u>
 DEFERRED INFLOW OF RESOURCES-PENSIONS	 689,918	
 <b>NET POSITION</b>		
Net Investment in Capital Assets	30,681,046	19,008,068
Restricted	4,763,068	1,453,450
Unrestricted	14,472,813	284,098
<b>TOTAL NET POSITION</b>	<u>\$ 49,916,927</u>	<u>\$ 20,745,616</u>
 <b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND EQUITY/NET POSITION</b>	 <u>\$ 76,179,045</u>	 <u>\$ 31,671,226</u>

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

**Housing Authority of the City of Bremerton**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Year Ended September 30, 2015**

	<b>Housing Authority</b>	<b>Component Units</b>
<b>OPERATING REVENUES</b>		
Net Tenant Rental Revenue	\$ 2,072,069	\$ 377,189
Tenant Revenue - Other	165,309	25,626
Medicaid Revenue	734,610	
PBCA Subcontract Admin Fees	1,709,610	
Other Fees For Service	216,959	
Other Operating Revenue	731,409	524,201
<b>TOTAL OPERATING REVENUES</b>	<u>5,629,966</u>	<u>927,016</u>
 <b>OPERATING EXPENSES</b>		
Administration	7,558,538	187,361
Tenant Services	1,381,640	20,712
Utilities	486,940	151,978
Ordinary Maintenance and Operations	1,198,425	330,059
Housing Assistance Payments	153,226,902	
Depreciation and Amortization	1,309,041	1,009,152
Other Operating Expenses	906,731	139,847
<b>TOTAL OPERATING EXPENSES</b>	<u>166,068,217</u>	<u>1,839,109</u>
 <b>OPERATING INCOME (LOSS)</b>	<u>\$ (160,438,251)</u>	<u>\$ (912,093)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>		
HUD Subsidies and Grant Revenue	160,967,017	
Other Government Grants	149,789	
Investment Income	150,052	2,399
Interest Expense	(381,005)	(125,151)
Gains (Losses) on Capital Asset Disposition	307,015	
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>161,192,868</u>	<u>(122,752)</u>
 <b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS</b>	<u>754,617</u>	<u>(1,034,845)</u>
 <b>CAPITAL GRANT CONTRIBUTIONS SPECIAL ITEMS</b>	<u>339,749</u> <u>(1,491,895)</u>	
 <b>CHANGE IN NET POSITION</b>	<u>(397,529)</u>	<u>(1,034,845)</u>
 <b>NET POSITION - BEGINNING OF YEAR</b>	54,819,315	21,780,461
<b>PRIOR PERIOD ADJUSTMENT</b>	(44,355)	
<b>CHANGE IN ACCOUNTING PRINCIPLE</b>	(4,460,504)	
<b>NET POSITION - BEGINNING RESTATED</b>	<u>50,314,456</u>	<u>21,780,461</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 49,916,927</u>	<u>\$ 20,745,616</u>

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

**Housing Authority of the City of Bremerton**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2015**

	<b>Housing Authority</b>	<b>Component Units</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 2,206,025	\$ 198,130
Payments to Employees	(7,566,032)	(223,154)
Payments to Suppliers	(3,650,749)	(465,493)
Housing Assistance Payments	(153,226,902)	
Other Receipts (Payments)	3,062,605	404,251
<b>NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES</b>	<u>(159,175,053)</u>	<u>(86,266)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Notes and Mortgages Receivable	(1,511)	
HUD Operating Grants	160,904,843	6,691
Other Government Operating Grants	87,486	
Prior Period Adjustments	(392,320)	
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>160,598,498</u>	<u>6,691</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Contributions	339,749	
Purchase of Capital Assets	(1,344,594)	
Principal Payments on Capital Debt	(173,621)	(813,761)
Proceeds from Sale of Capital Assets	307,015	
Interest Payments on Capital Debt	(381,073)	(125,151)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(1,252,524)</u>	<u>(938,912)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Sale (Purchase) of Investments	314,745	
Interest and Dividends	5,009	2,399
Payments Received on Note Receivables from Component Units	8,381	
Interest Received from Component Units	58,000	
<b>NET CASH PROVIDED/(USED) BY INVESTING ACTIVITIES</b>	<u>386,135</u>	<u>2,399</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	557,056	(1,016,088)
<b>CASH AT BEGINNING OF YEAR</b>	10,434,008	2,593,322
<b>CASH AT END OF YEAR</b>	<u>\$ 10,991,064</u>	<u>\$ 1,577,234</u>

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

**Housing Authority of the City of Bremerton**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2015**

	<b>Housing Authority</b>	<b>Component Units</b>
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (160,438,251)	\$ (912,093)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/(Used):		
Depreciation Expense & Amortization	1,309,041	1,009,152
Changes in Assets and Liabilities:		
Decrease (Increase) in Receivables	72,811	(7,327)
Decrease (Increase) in Prepaid Expenses	(39,847)	(532)
Increase (Decrease) in Accounts Payable	(200,819)	8,637
Increase (Decrease) in Other Payables	122,012	(184,103)
Total Adjustments	<u>1,263,198</u>	<u>825,827</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (159,175,053)</u>	<u>\$ (86,266)</u>

There are no non-cash investing, capital, or financing activities to report

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



**HOUSING AUTHORITY OF THE CITY OF BREMERTON**  
Notes to Financial Statements  
Year Ended September 30, 2015

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Housing Authority of the City of Bremerton (Housing Authority) conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Implementation of new accounting standards

During the fiscal year ended September 30, 2015, four new accounting standards (Statements No. 68 through No. 71) issued by the GASB became effective and were implemented by the Housing Authority where necessary or applicable. GASB Statement No. 69, Government Combinations and Disposals of Government Operations, and GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, are currently not applicable to the Housing Authority and did not have any impact on the financial statements. Implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68, did have a material impact on the Housing Authority's financial statements.

GASB Statement No. 68 as amended by GASB Statement No. 71, requires the liability of employers for defined benefit pensions (net pension liability) to be measured and recorded as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The statements require that most changes in the net pension liability be included in pension expense in the period of the change. The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. Changes in net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions. Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources. Substantially all of the Housing Authority's full-time and qualifying part-time employees participate in statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The Housing Authority as a cost-sharing employer is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the retirement plans) – the collective net pension liability. The Housing Authority is also required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to these pension plans for its proportionate shares of collective pension expense and collective deferred outflows of resource and deferred inflows of resources related to those retirement plans. The initial implementation of GASB Statement No. 68 also required an adjustment to Net Position for the proportionate shares of the collective beginning net pension liability for these plans because they relate to prior periods. For the year ended September 30, 2015, the Housing Authority recorded \$3,718,792 of net pension liability, with \$4,460,504 of that as an adjustment to net position for the prior period portion; a credit to expense of \$347,965; \$296,171 recorded as deferred outflows of resources; and \$689,918 recorded as deferred inflows of resources, for its proportionate share of the collective pension plan liability. Additional information and individual plan amounts are provided in Note 9.

The following is a summary of the most significant accounting policies:

a. Reporting Entity

The Housing Authority of the City of Bremerton was created on July 17, 1940 as a municipal corporation under the provisions of the State Housing Authorities Law (RCW 35.82) and the Housing Cooperation Law (RCW 35.83) in response to the Federal Housing Act of 1937. The Housing Authority is governed by a six member Board of Commissioners, appointed by the Mayor of the City of Bremerton.

As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. The Housing Authority is not financially dependent on the City of Bremerton and is not a component unit of the City.

Discretely presented component units

The Housing Authority has two component units, which are discretely presented and consolidated into the "Component Units" column in the financial statements. The Housing Authority is the 0.01% owner and the general partner in these two component units. The limited partnership/investor member interests are held by third parties unrelated to the Housing Authority. These component units are fiscally dependent on the Housing Authority according to the terms of the partnership/operating agreements. These agreements include a legal obligation for the Housing Authority to fund operating deficits up to specified limits.

The two component units discussed below are included in the Housing Authority's reporting entity since they are fiscally dependent on the Housing Authority and the Housing Authority has financial benefits and potential financial burdens from these entities. These component units do not provide services exclusively or almost exclusively to the benefit of the Housing Authority. In addition, while there is fiscal dependency, the Housing Authority is not responsible or expected to repay the debt of these component units.

In 2010, the Housing Authority became the General Partner of a limited liability limited partnership, Bay Vista South, LLLP. In 2011, the Housing Authority became the General Partner of a limited liability limited partnership, Bay Vista West LLLP. These two partnerships were established to enable participation in the Low Income Housing Tax Credit program authorized under Section 42 of the Internal Revenue Code and administered by the Washington State Housing Finance Commission. The tax credits allocated under this program provided for a major source of funding for the new construction of both Bay Vista South and Bay Vista West. The units constructed are owned by the partnership and managed by Cascade Management, Inc., a subcontractor for the partnership. Construction of Bay Vista South was completed during fiscal year 2011. Construction of Bay Vista West was completed during fiscal year 2012.

The two component units have a December 31 year-end. The financial statements of the component units are audited separately and presented as of December 31, 2014. The audited financial statements of the discretely presented component units are prepared under standards promulgated by the Financial Accounting Standards Board (FASB), not GASB standards. Copies of these audited statements can be obtained by contacting the Housing Authority. Condensed financial information for each of the component units is provided in Note 10.

Blended component unit

The Housing Authority has one component unit, which is blended. Although it is a legally separate 501(c)(3) non-profit corporation, CMS Contract Management Services (CMS) component unit of the

Housing Authority is reported as if it was part of the Housing Authority. CMS is governed by a three member board consisting of officers (Directors and the Executive Director) of the Housing Authority. CMS's sole purpose is to make application to serve as a Performance Based Contract Administrator (PBCA); to enter into contracts in multiple states for PBCA services as may be awarded from such application; and to administer the services required under such contracts for the benefit of the Housing Authority to facilitate the functions of the Housing Authority in support and development of safe and affordable low-income housing. Because the governing body of CMS is appointed by the Housing Authority and CMS's sole purpose is to service and benefit the Housing Authority, its financial statements are blended with those of the Housing Authority.

CMS has a December 31<sup>st</sup> year-end. The financial statements of this blended component unit are not audited separately. The Housing Authority established CMS in April 2011; however, as of the end of the fiscal year 2015 no contracts have been awarded or executed by CMS, consequently there is no financial activity to present for this component unit.

b. Basis of Accounting and Presentation

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 (HUD). 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 Housing Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of a number of programs. These programs (both federally and locally financed housing programs) are designed to provide quality affordable housing opportunities and increase the self-sufficiency of those housed. The primary programs are described as follows:

*Low Income Public Housing* – The Authority owns, operates and maintains 3 projects (The Summit at Bay Vista, Shadow Creek, and Winfield) with 84 units of public housing. The Housing Authority also is the General Partner in the component units listed above currently consisting of 137 units of which 95 are public housing units. The public housing program offers income based rental assistance (subsidy) for elderly, disabled and single families who qualify under the low-income guidelines. Revenues for the projects consist of rents and other fees collected from tenants and an operating subsidy received from HUD. Typically residents pay 30% of their adjusted income in rents. The Housing Authority's subsidy is received under an Annual Contributions Contract to offset the cost of operating the units. HUD also provides funds to maintain and improve the public housing projects under the Capital Fund Program. Substantially all additions and improvements to land, structures and equipment of public housing are accomplished through these capital grant funds.

*Tenant-Based Housing Choice Vouchers* – The Housing Authority provides rental assistance payments to approximately 1,603 households who live in private rental housing. Funded by HUD pursuant to Section 8 of the U.S. Housing Act, this program allows participating families and individuals to choose their own housing with the use of a housing voucher. Generally the participant pays between 30% and 40% of their monthly income towards rent and the Housing Authority pays the remainder. The Housing Authority targets this program to the elderly, disabled households and families that are homeless or at the risk of homelessness. The Housing Authority also administers 329 vouchers for Housing Kitsap (Formerly known as Kitsap County Consolidated Housing Authority).

*Project-Based Section 8 and Multifamily Housing* – Under these programs, subsidies attach to qualifying housing units rather than to qualifying individuals or families. The Housing Authority owns the Firs Apartments, which contains 60 senior/disabled units that are subsidized under the New Construction/Substantial Rehabilitation Section 8 program. The Housing Authority also owns the Tamarack Apartments for which 72 units are New Construction/Substantial Rehabilitation Section 8 units, 10 are project based Section 8 units, and one unit is a manager's unit. The Housing Authority also owns Bay Vista Commons for which 45 of the 72 units are subsidized as project based Section 8 and the Summit at Bay Vista which has 7 project based Section 8 units. The Housing Authority has 17 project based Section 8 units at the Shadow Creek Apartments and 21 units at Tara Heights Apartments. The Housing Authority also is the General Partner in the component units listed above currently consisting of 137 completed units of which 23 are project based Section 8 units.

*Non-Subsidized Housing* – In addition to the above subsidized housing programs, the Housing Authority owns and operates non-subsidized units. The Housing Authority's current non-subsidized housing unit portfolio was financed using tax exempt revenue bonds. State laws governing this type of financing require that fifty percent of the housing be affordable housing. The Housing Authority owns the 72 unit Bay Vista Commons Apartments complex, of which 27 units are non-subsidized. The Tamarack Apartments has 83 units, of which 1 unit is the manager's unit which is non-subsidized.

*Performance-Based Contract Administration* – In December 2000 the Housing Authority was first awarded the HUD contract to become the performance-based contract administrator (PBCA) for Washington State. Under this contract the Housing Authority is responsible for calculating and paying project-based Section 8 subsidies; processing Housing Assistance Payment (HAP) contract renewals, terminations, and expirations; conducting annual Management and Occupancy Reviews; responding to resident's health and safety issues; following up on HUD's Real Estate Assessment Center (REAC) physical inspection findings; and monitoring each property owner's HAP contract compliance. In May of 2004, the Housing Authority subcontracted with the PBCA of Hawaii to assume the PBCA services for the State of Hawaii. In February 2005 HUD also awarded the Housing Authority with the PBCA contracts for the States of Utah and Nebraska. The Housing Authority contracted with the National Housing Coalition to process subsidy payments starting in October 2014.

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

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. This classification includes undeposited receipts, petty cash, cash on deposit in private bank accounts, money market accounts and cash on deposit with fiscal agents.

d. Investments

Investments are stated at fair market value. Fair market value is determined based on quoted market prices for the investments. The Housing Authority invests excess cash not needed for operations in certificates of deposit, the Washington state Local Government Investment Pool, or direct obligations of the U.S. Government pursuant to requirements of Washington State law in Chapter 39.58 RCW and

HUD imposed investment restrictions. At times, the Housing Authority also maintains investments held by trustees. Investments held by trustees are restricted for specific uses including capital additions and improvements and debt service. See Note 3.

e. Receivables

Accounts receivable consist primarily of amounts due from HUD and other governments, from tenants for rent and other charges, notes receivable for repayment agreements, and notes and interest receivable from tax-credit partnerships for development funds loaned to them. A review of uncollectible accounts is made monthly and, subject to approval of the Board of Commissioners, expensed at the end of each month. Annually, the allowances for uncollectible accounts receivable is estimated and adjusted based on historical trends and periodic aging of accounts receivable balances.

f. Prepaid Expenses

Prepaid expenses represent amounts paid in advance of the period which the expenses benefit. Prepaid expenses consist primarily of the current portion of insurance premiums, as well as annual contracts for software and hardware needs.

g. Capital Assets

Major expenses for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred. Capital assets are defined by the Housing Authority as assets with an initial individual cost of more than \$2,000 and estimated useful life in excess of 1 year. Capital assets are recorded at cost where the historical cost is known and at estimated historical cost where no records exist. Donations are recorded at fair market value at the time of donation or the appraised value.

Capital project costs associated with the acquisition, development and construction of a real estate development project, including indirect costs and interest during the period of construction, are capitalized as a cost of the project. There was no capitalized interest during the year ending September 30, 2015.

Preliminary costs incurred for proposed projects are postponed pending construction of the building/facility. Costs related to projects ultimately constructed are transferred to the project; charges that relate to abandoned projects are expensed.

The original cost of operating property and the cost of installation, less salvage, is charged to accumulated depreciation over its useful life. However, in the case of the sale of a significant operating unit or system, the original cost is removed from the capital asset accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.

Capital assets are depreciated using the straight-line method with depreciation commencing in the acquisition year and using the half-year convention for the first and last year. Depreciable lives are as follows:

Land	no depreciation
Buildings	40 – 50 years
Improvements	5 – 40 years
Equipment	3 – 7 years
Construction-in-progress	no depreciation

Management reviews land, structures, and equipment for possible impairment to determine if the decline in service utility is significant and unexpected. If the asset is considered impaired the amount of impairment loss is determined in accordance with GASB-42 using either the Restoration Cost Approach, the Service Units Approach, or the Deflated Depreciated Replacement Cost Approach. No impairment loss was recognized during the fiscal year.

See Note 4 for the capital asset components and balances at September 30, 2015 and activity for the fiscal year.

h. Restricted Assets

Certain cash deposits, investments, and receivables are classified as restricted assets if their use for general operating purposes is legally or contractually prohibited and such use limitations are externally imposed by creditors, contractual or funding source agreements, or legislation. The assets held in these accounts are restricted for specific uses, including capital additions and improvements, housing assistance payments, tenant security deposits, debt service, Family Self-Sufficiency ("FSS") escrows, and other special reserve requirements.



Restricted cash held by the Housing Authority on September 30 consisted of the following:

	Housing Authority	Component Units
Tenant Security Deposits		
Summit at Bay Vista	\$ 21,755	
The Firs Apartments	13,612	
Tara Heights Apartments	4,960	
Winfield Apartments	5,050	
Shadow Creek Apartments	10,182	
Tamarack Apartments	19,719	
Total Tenant Security Deposits	<u>75,278</u>	\$ 33,513
Reserves		
Summit - Reserve for Replacement	293,256	
Summit - Operating Reserve	188,872	
Total Reserves	<u>482,128</u>	
Housing Assistance Payments		
Contract Administration HAP	200	
Housing Choice Voucher HAP	-	
Total Housing Assistance Payments	<u>200</u>	
FSS Escrows		
Housing Choice Voucher Program	75,797	
Housing Kitsap FSS Escrows	14,177	
Total FSS Escrows	<u>89,974</u>	
CSS Endowment Trust	1,101,757	
Program Income - HOPE VI	933,414	
Program Income - CFP - Development	9,918	
Disposition Proceeds - Escrow	1,450,012	
Tara Heights RAD Rehabilitation	100,100	
Tax-Credit Partnership Required Reserves		1,453,450
Tenant Prepaid Rent	-	
Construction Retainage	32,631	
<b>Total Restricted Cash</b>	<b><u>\$ 4,275,412</u></b>	<b><u>\$ 1,486,963</u></b>

Restricted investments held by the Housing Authority on September 30 consisted of the following:

Debt Service Reserves	
Bay Vista Commons Escrow	685,539
Total Debt Service Reserves	<u>685,539</u>
<b>Total Restricted Investments</b>	<b><u>\$ 685,539</u></b>

i. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The Housing Authority records unpaid leave for compensated absences as an expense and liability when incurred and adjusts the liability and expense at year-end to meet the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*. The liability for compensated absences reported in the financial statements consists of unused, accumulated vacation balances and vested sick leave balances adjusted to the maximum amount allowed as a termination payment.

Vacation pay, which may be accumulated up to 30 days for up to seven years of service and 36 days for employees with at least seven years of service, is payable upon resignation, retirement, or death. Sick leave may be accumulated up to 150 days. Upon retirement 100% of the sick leave may be used to pay for medical insurance premiums. Departing employees who have completed their initial evaluation period generally will receive payment for 35% of accrued unused sick leave.

j. Pensions

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

k. Unearned Revenue

The Housing Authority has unearned revenue resulting from tenant prepaid rent payments received and management fee payments received in advance of the period in which these are considered earned.

l. Tax Exemption

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 an agreement with the City of Bremerton the Housing Authority makes a Payment in Lieu of Taxes (PILOT) to reimburse the City for services provided.

m. Operating Revenues/Expenses

The Housing Authority reports operating revenues as defined in GASBS 9. Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing, including depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. Revenue from capital grants is classified as capital grant contributions and is presented as cash flow from capital and related financing activities in the statement of cash flows.



n. Use of Estimates

Preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

State laws and certain operating and funding agreements require that the Housing Authority maintain occupancy in housing projects at specified numbers of low-income families. In addition, debt agreements may require maintenance of debt service coverage ratios and reserves. There have been no material violations of finance-related legal or contractual provisions.

## **NOTE 3 – DEPOSITS AND INVESTMENTS**

a. Deposits

The Housing Authority's deposits and certificates of deposit are entirely covered by Federal Depositary Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Deposits that are in excess of the FDIC insured amount are secured by collateral through the Washington State Public Deposit Protection Act, which was adopted in 1969. Under this act, each public depository is required to contribute to a common pool of pledged securities. In the event of default of one bank, all participating banks in Washington State will collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds. In 1994, the Housing Authority received a waiver from HUD that enabled it to make deposits in excess of \$100,000 in a qualified public depository because HUD determined that while the Public Deposit Protection Act did not meet the HUD requirements for full collateralization there were "adequate safeguards against the loss of PHA funds."

b. Investments

The Housing Authority makes all investments pursuant to the requirements of Washington State law codified in Chapter 39.59 RCW, HUD, and the investment policies adopted. The Housing Authority only invests in bonds or other obligations issued or guaranteed by the United States, the Washington State Local Government Investment Pool (LGIP), or certificates of deposits issued by qualified banks located in the state of Washington.

The Debt Service Reserve Escrows for the Bay Vista Commons project are invested by the trustee (U.S. Bank) in U.S. Treasury Obligations Money Market Funds. This is a sweep account arrangement used by the trustee to service the bonded debt as it comes due. As the Housing Authority does not have access to withdraw these funds and they are to be used by the trustee (per the debt trust agreements) to retire debt, they are classified as restricted investments in the financial statements.

The LGIP is operated by the State treasurer and is not registered with the SEC as an investment company. The LGIP is operated in a manner consistent with Rule 2a-7 money market funds, as recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities in order to minimize both market and credit risk. Government pools that adhere to this SEC rule can report their investments at amortized costs if the remaining maturities of the debt securities are 90 days or less. As of June 30, 2015, the pool had average weighted average maturities of 36 days and therefore is reported at amortized cost.

Investments with the LGIP meet the criteria of cash and cash equivalents because these can be liquidated upon demand. However, the Housing Authority treats these as investments because of their intended long-term use. The income, gains, and losses – net of administrative fees – of the LGIP are allocated based upon the participant's average daily balance. The fair value of the LGIP investment pool is approximately equal to the value of the pool shares.

As of the year ended September 30, 2015, the Housing Authority had the following investments:

Investment Type	Value
Washington State Local Government Investment Pool	\$ 1,628,651
U.S. Treasury Money Market	685,539
Total	\$ 2,314,190

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Housing Authority's policy for reducing its exposure to credit risk is to comply with HUD authorized investment instruments and Washington State law which limit investments to low risk investment instruments. In line with Washington State laws, the Local Government Investment Pool (LGIP) investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker's acceptances, commercial paper, deposits with qualified public depositories, or obligations of the state of Washington or its political subdivisions. Banker's acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. The aggregate total of commercial paper and banker's acceptances is limited to 35% of the portfolio. As of September 30, 2015, the LGIP did not have any banker's acceptances, commercial paper, or municipal bonds in its portfolio. The LGIP is unrated.

The Debt Service Reserve Escrows for the Bay Vista Commons project are invested by the trustee in U.S. Treasury Obligations Money Market Funds which is rated Aaa-mf by Moody's and AAAm by Standard & Poor's.

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Housing Authority does not have a formal policy for custodial credit risk. The investments in the LGIP and the U.S. Treasury Money Market fund are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority's investment policy limits the maximum maturity of an investment to not greater than three years as a means of limiting its exposure to fair value losses arising from varying interest rates. All investments held by the Housing Authority as of September 30, 2015 have maturities less than one year.

## Concentration Risk

The Housing Authority is currently not exposed to concentration risk, as defined in GASBS 40, since the investments consist of pooled investments and U.S. Treasury Money Market funds.

### c. Component Unit Deposits

As of December 31, 2014, the component units' carrying amount of deposits was \$1,577,234. These deposits are entirely covered by Federal Depositary Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC), established under Chapter 39.58 of the Revised Code of Washington. Deposits that are in excess of the FDIC insured amount are secured by collateral through the Washington State Public Deposit Protection Act, which was adopted in 1969. Under the Washington State Public Deposit Protection Act, each public depository is required to contribute to a common pool of pledged securities. In the event of default of one bank, all participating banks in Washington State will collectively assure that no loss of funds will be suffered by any public treasurer or custodian of public funds.

## **NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 was as follows:

	10/1/2014	Additions	Transfers	Disposals	9/30/2015
Capital assets not being depreciated					
Land	\$ 12,567,081	\$ 41,711	\$ -	\$ (73,685)	\$ 12,535,107
Construction-In-Progress	44,212	809,767	(732,847)	-	121,132
Total capital assets not being depreciated	12,611,293	851,478	(732,847)	(73,685)	12,656,239
Capital assets being depreciated					
Buildings	35,216,744	217,966	975,446	-	36,410,156
Improvements other than Buildings	9,745,993	80,747	(272,634)	(1,474,776)	8,079,330
Equipment	4,365,591	105,348	30,035	-	4,500,974
Total capital assets being depreciated	49,328,328	404,061	732,847	(1,474,776)	48,990,460
Less accumulated depreciation for					
Buildings	(6,282,369)	(972,625)	(122,250)	-	(7,377,244)
Improvements other than Buildings	(1,018,420)	(167,216)	122,250	-	(1,063,386)
Equipment	(2,860,699)	(169,201)		-	(3,029,900)
Total accumulated depreciation	(10,161,488)	(1,309,042)	-	-	(11,470,530)
Total capital assets being depreciated, net	39,166,840	(904,981)	732,847	(1,474,776)	37,519,930
TOTAL CAPITAL ASSETS, NET	\$ 51,778,133	\$ (53,503)	\$ -	\$ (1,548,461)	\$ 50,176,169

There was no capitalized interest during the year ending September 30, 2015. There was \$381,005 of interest expensed during the fiscal year.

The \$1.25 million of additions to capital assets included approximately \$0.42 million attributable to the completion of the RAD conversion for the Tara Heights Apartments, deck coating, landscaping, and ADA ramp costs of \$0.18 million at the Firs, \$0.2 million for the purchase of the Winfield duplex along with \$0.08 million of asphalt paving at Winfield, \$0.08 million for window replacement at Shadow Creek, \$0.07 million for the remodel of the Tamarack community room, \$0.04 million initial costs associated with the acquisition of the Charter House Apartments and The Cottages at Forest Park \$0.1 million for improvements made at the administrative building, and the remaining amounts were various additions at other BHA owned properties.

The \$1.21 million of transfers consist of construction projects completed and placed in service during the year. Of that amount approximately \$0.474 million was for the transfer of assets from leasehold improvements to building costs for the 2<sup>nd</sup> floor of the Norm Dicks Government Center which BHA now owns. Another large transfer was \$0.42 million of costs which were attributable to the completion of the RAD conversion for Tara Heights. Remaining construction items were related to some of the projects mentioned above where the costs were transferred from construction in progress to the fixed asset accounts upon completion.

The \$1.55 in capital asset dispositions consist of \$0.075 million for the sale of land at the Bay Vista Development site, and \$1.475 million to record the conveyance of roads and infrastructure at the Bay Vista Development site to the City of Bremerton.

Capital asset activity for the Component Units for the year ended December 31, 2014 was as follows:

	Component Units				
	Balance 1/1/2014	Additions	Disposals	Transfers	Balance 12/31/2014
Capital assets not being depreciated					
Construction-In-Progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-	-
Capital assets being depreciated					
Buildings	25,445,695	-		-	25,445,695
Improvements other than Buildings	6,723,967	-		-	6,723,967
Equipment	400,131	-			400,131
Total capital assets being depreciated	32,569,793	-	-	-	32,569,793
Less accumulated depreciation	(1,848,213)	(988,980)			(2,837,193)
Total capital assets being depreciated,	30,721,580	(988,980)	-	-	29,732,600
TOTAL CAPITAL ASSETS, NET	\$ 30,721,580	\$ (988,980)	\$ -	\$ -	\$ 29,732,600

There was no capitalized interest during the year ending December 31, 2014. There was \$125,151 of interest expensed during the fiscal year.

## **NOTE 5 – CONSTRUCTION IN PROGRESS**

Construction-In-Progress represents expenses to date on projects for which authorizations total \$4,382,860. Construction-In-Progress is composed of the following:

	Project Authorization	Expended to Date	Committed	Required Future Financing
Firs ADA Ramp	\$ 109,000	\$ 81,750	\$ 27,250	
Charter House Apartments Purchase	\$ 1,896,226	\$ 23,952	\$ 1,872,274	
Cottages at Forest Park - Leasehold Improvement	2,377,634	15,430	2,362,204	-
Totals	<u>\$ 4,382,860</u>	<u>\$ 121,132</u>	<u>\$ 4,261,728</u>	<u>\$ -</u>
Capital Assets Placed in Service		\$ -		
TOTAL CONSTRUCTION-IN-PROGRESS, NET		<u>\$ 121,132</u>		

There was no Construction-In-Progress for the Component Units as of December 31, 2014.

## **NOTE 6 – LEASE COMMITMENTS**

### **a. Operating Leases**

The lease commitment for the administrative building space lease at 4040 Wheaton Way where the Housing Authority operations were previously located was a five year lease that ended March 1, 2015. This lease is no longer required as the Housing Authority bought and moved to a new location. Prior to the conclusion of the lease at 4040 Wheaton Way \$123,278 thousand was paid in FY 2015.

The Housing Authority is committed under various leases for land to its component units Bay Vista South LLLP and Bay Vista West LLLP.

The Bay Vista South LLLP partnership built 68 Low Income Housing Tax Credit units in a total of 19 buildings on property leased from the Housing Authority. The ground lease with Bay Vista South LLLP was established on October 28, 2010 and expires on December 31, 2109 unless terminated earlier in accordance with the terms of the lease agreement. At the end of the lease the property reverts back to the Housing Authority. All of the lease payments (\$1 per year) have been paid in advance. The cost of the land that is being leased is \$1,873,652 with no depreciation. The cost of the utilities and site improvements on the leased area is \$1,200,964 and accumulated depreciation is \$190,434. The net carrying cost after depreciation for the leased land with improvements is \$2,884,182.

The Bay Vista West LLLP partnership built 69 Low Income Housing Tax Credit units in a total of 20 buildings on property leased from the Housing Authority. The ground lease with Bay Vista West LLLP was established on August 26, 2011 and expires on December 31, 2110 unless terminated earlier in accordance with the terms of the lease agreement. At the end of the lease the property reverts back to the Housing Authority. All of the lease payments (\$1 per year) have been paid in advance. The cost and carrying value of the leased asset, land, was \$1,446,916 as of the end of the fiscal year with no depreciation.

## **NOTE 7 – NONCURRENT ASSETS**

### **Notes Receivable**

The Housing Authority has entered into loan agreements with its component units during their formation and construction phase.

The outstanding principal balances on these loans are presented in the Notes Receivable balance in the financial statements and consist of the following:

<b>Schedule of Notes Receivable Balances</b>				
<b>Description and Terms</b>	<b>Rate</b>	<b>Non-Current Notes Receivable</b>	<b>Current Notes Receivable</b>	<b>Total</b>
BHA First Loan (HOPE VI) to Bay Vista West LLLP Principal amount not to exceed \$4,547,746 Payments subject to residual receipts Balance due August 26, 2066	2.00%	\$ 2,987,152	-	\$ 2,987,152
BHA Second Loan (CFP) to Bay Vista West LLLP Principal amount not to exceed \$1,910,435 Payments subject to residual receipts Balance due August 26, 2066	2.00%	1,910,435	-	1,910,435
BHA Third Loan (AHP) to Bay Vista West LLLP Principal amount not to exceed \$690,000 Payments subject to residual receipts Balance due August 26, 2066	2.00%	690,000		690,000
BHA First Loan (PBCA) to Bay Vista South LLLP Principal amount not to exceed \$235,274 Payments subject to residual receipts Balance due October 28, 2065	0.00%	235,274	-	235,274
BHA Second Loan (HOPE VI) to Bay Vista South LLLP Principal amount not to exceed \$5,412,034 Payments subject to residual receipts Balance due October 28, 2065	0.00%	4,893,290		4,893,290
Signed Repayment Agreements with Tenants	0.00%	1,625	4,216	5,841
<b>Totals</b>		<b>\$ 10,717,776</b>	<b>\$ 4,216</b>	<b>\$ 10,721,992</b>

The Housing Authority (BHA) Loans to Bay Vista South LLLP and to Bay Vista West LLLP are to be repaid out of residual receipts as they become available. In accordance with Article 8.14 of the Partnership Agreements, at any time during years 12 through 18 following the date on which the Projects are placed in service, the Housing Authority has the right to purchase the Limited and Special Limited Partner's interest in the Partnership. The purchase option is priced at the greater of the then fair market value of the Project as reduced by the outstanding loans at that time assumed by the Housing Authority; or the outstanding loans at the time of purchase (which loans may be assumed by the Housing Authority in lieu of payment to the Partnership). In accordance with Article 13.03 of the Partnership Agreements, in the event the property is sold and the partnership liquidated without the Housing Authority exercising its right to purchase, the proceeds of the sale will be first used for the payment of the then outstanding debts and liabilities of the partnership and the expense of the liquidation. As a result, to the extent the

BHA Loans are not paid through residual receipts payments, they are to be paid when the Housing Authority exercises its purchase option or alternatively upon sale of the property to another party.

## **NOTE 8 – LONG-TERM DEBT AND LIABILITIES**

### **Housing Authority**

#### a. Revenue Bonds:

The Housing Authority of the City of Bremerton previously issued revenue bonds to finance the construction of the Bay Vista Commons Assisted Living Community facility. The revenue bonds are being repaid by the Housing Authority's revenues.

The revenue bonds/notes outstanding as of September 30, 2015 are as follows:

Purpose	Original Amount	Issue Date	Final Maturity	Interest Rate	Amount Outstanding
Bay Vista Commons	7,540,000	12/28/2005	5/25/2037	4.0 - 5.5%	6,421,667
Total	\$ 7,540,000				\$ 6,421,667

Revenue bond/note debt service requirements to maturity are as follows:

#### Revenue Bonds

Year Ending (September 30)	Principal	Interest
2016	163,333	348,639
2017	173,334	339,982
2018	183,333	330,795
2019	193,333	321,078
2020	203,333	310,832
2021 - 2025	1,180,000	1,381,466
2026 - 2030	1,533,334	1,029,423
2031 - 2035	2,000,000	559,350
2036 - 2040	791,667	61,325
Totals	\$ 6,421,667	\$ 4,682,890

There is \$685,539 in restricted assets of the Housing Authority related to the Bay Vista Commons bond issuance. These represent sinking funds and reserve requirements as contained in the bond indentures. There are a number of other limitations and restrictions contained in the various bond indentures. The Housing Authority is in compliance with all significant limitations and restrictions.

The Bay Vista Commons bonds (also known as 2005 Firs II Project bonds) are secured by a pledge of Net Operating Income from the project as well as available investment earnings and unrestricted general revenues of the Housing Authority. The Housing Authority has pledged future project revenues, less insurance proceeds, condemnation awards, interest earnings on the foregoing amounts, and operation and maintenance costs. Proceeds from the bonds provided financing for the construction of the Bay Vista Commons Assisted Living Community facility. The bonds are payable from the Net Operating Income of the facility and are payable through May 2037. Annual principal and interest payments on the bonds required 115% of Net Operating Income for FY 2015. This percentage was impacted by costs incurred during the debt refinancing process as well as higher vacancy levels earlier in the year. The



total principal and interest remaining to be paid on the bonds is \$11,104,557. Principal and interest paid for the current year were \$156,667 and \$356,373, respectively.

b. Real Estate Mortgages

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

The Housing Authority has a mortgage loan obligation for the Shadow Creek Apartments which was part of the financing of this property when it was acquired in October 2012.

The Real Estate Mortgages outstanding as of September 30, 2015 were:

Purpose	Original Amount	Issue Date	Final Maturity	Interest Rate	Amount Outstanding
Shadow Creek Apartments	\$ 471,551	10/15/2012	10/30/2037	5.00%	\$ 427,718
Total	\$ 471,551				\$ 427,718

Mortgage debt service requirements to maturity are as follows:

Mortgages

Year Ending (September 30)	Principal	Interest
2016	15,732	21,376
2017	16,608	20,500
2018	17,470	19,638
2019	18,377	18,732
2020	19,280	17,829
2021-2025	112,725	72,817
2026-2030	227,526	21,222
Totals	\$ 427,718	\$ 192,114

c. Notes Payable

The Housing Authority issued \$12.748 million in notes payable to assist financing of the Bay Vista Development. A loan was received from the Washington State Department of Commerce (Commerce) for Housing Trust Fund (HTF) funds, in the amount of \$2,500,000 on December 14, 2009. On February 4, 2010 a loan in the amount of \$10,631,954 in Tax Credit Assistance Program funds (TCAP) was entered into with the Washington State Housing Finance Commission (WSHFC) to help finance The Summit at Bay Vista project. Subsequently, WSHFC and Commerce approached the Housing Authority with the request to amend the loans to increase the TCAP loan principal amount by \$2,212,556 for a modified principal amount of \$12,844,510 and to make a corresponding reduction in the HTF Loan from an original amount of \$2,500,000 to a modified principal amount of \$287,444. WSHFC and Commerce made this request in an effort to help alleviate demand for Housing Trust Funds within the State of Washington, while ensuring the full application of TCAP funds within the expenditure deadline imposed by the American Recovery and Reinvestment Act of 2009. The loan documents were amended for the HTF loan and the TCAP loan on October 6, 2010 and October 7, 2010, respectively. Only the principal amounts were changed, all other terms as originally agreed to remain the same.

The interest rate on the HTF loan is 1.00%. This loan is secured by a Deed of Trust on The Summit at Bay Vista. This loan repayment, both principal and interest, was deferred until June 29, 2013. The final amount drawn down on this loan was \$271,068. Beginning June 30, 2013 a payment of principal and



interest in the amount of \$8,861.06 was due and then \$8,501.12 is due and payable each June 30th thereafter through June 30, 2051. The loan matures June 30, 2051. The principal and interest have been accrued for the last quarter of FY 2015 for a total of \$1,485 in principal and \$640 in interest, respectively.

The

TCAP loan balance outstanding is \$12,477,337. This is a forgivable loan, after 40 years, with no principal or interest payments due if the terms and conditions of the loan agreement are met. Until matured, this loan remains a liability of the Housing Authority. This loan is secured by a Deed of Trust on the Summit at Bay Vista.

The Housing Authority applied for an Affordable Housing Program (AHP) loan and received \$690,000. The funds were loaned to the Bay Vista West partnership. The Housing Authority has this amount due from the partnership as a notes receivable and also has a note payable to Bank of America for the same amount. The note payable to Bank of America is a forgivable loan at the end of the loan term, 15 years, if the conditions are met per the agreement. Until matured, this loan remains a liability of the Housing Authority. This loan is secured by a Deed of Trust on the Bay Vista West properties.

The Notes Payable outstanding as of September 30, 2015 was:

Purpose	Original Amount	Issue Date	Final Maturity	Interest Rate	Amount Outstanding
Tax Credit Assistance Program	\$12,844,510	2/4/2011	2/3/2050	0.00%	\$ 12,477,337
AHP Bank of America	690,000	8/27/2012	9/13/2027	0.00%	\$ 690,000
Housing Trust Fund	287,444	12/14/2009	6/30/2051	1.00%	254,462
Total	\$13,821,954				\$ 13,421,799

Notes payable debt service requirements to maturity as follows:

### Notes Payable

Year Ending (September 30)	Principal	Interest
2016	5,957	2,545
2017	6,016	2,485
2018	6,076	2,425
2019	6,137	2,364
2020	6,198	2,303
2021-2025	31,934	10,572
2026-2030	723,563	8,943
2031-2035	35,275	7,231
2036-2040	37,074	5,431
2041-2045	38,966	3,540
2046-2050	12,518,290	1,552
2051-2055	6,313	63
Totals	\$ 13,421,799	\$ 49,454

#### d. Changes in Long Term Liabilities

During the year ended September 30, 2015, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance 10/1/2014	Additions	Reductions	Ending Balance 9/30/2015	Due Within One Year
Revenue Bonds	\$ 6,578,333	\$ -	\$ (156,666)	\$ 6,421,667	\$ 163,333
Less: Discount on Bay Vista Commons Bonds	(90,017)	-	3,956	(86,061)	
Total Bonds Payable	6,488,316	-	(152,710)	6,335,606	163,333
Mortgages	442,731	-	(15,013)	427,718	15,732
Notes Payable	13,427,697	-	(5,898)	13,421,799	5,956
Compensated Absences	560,294	44,130	-	604,424	30,033
FSS Escrows	62,489	27,485	-	89,974	
Pension Liability	-	3,718,792		3,718,792	
Total long-term liabilities	\$ 20,981,527	\$ 3,790,407	\$ (173,621)	\$ 24,598,313	\$ 215,054

e. Arbitrage Compliance

The Housing Authority has one debt issuance, the Bay Vista Commons bonds (also known as 2005 First II Project bonds), that are tax-exempt bonds and subject to federal Arbitrage Compliance requirements. During the fiscal year the Housing Authority was in compliance with all federal Arbitrage Compliance for this debt issuance.

**Component Units**

a. Notes Payable

The Component Units have long term notes payable secured by capital assets. These notes were used to acquire capital assets that provide affordable housing. The notes payable are to be repaid to the Housing Authority by the component units out of residual receipts as they become available.

The Notes Payable outstanding as of December 31, 2014 was:

Purpose	Original Amount	Issue Date	Final Maturity	Interest Rate	Amount Outstanding
BHA Second Loan (HOPE VI) Bay Vista South LLLP	\$ 5,279,620	10/28/2010	10/28/2065	0.00%	\$ 4,901,671
BHA First Loan (PBCA) Bay Vista South LLLP	235,274	10/28/2010	10/28/2065	0.00%	235,274
BHA First Loan (HOPE VI) Bay Vista West LLLP	4,440,490	8/26/2011	8/26/2066	2.00%	2,987,152
BHA Second Loan (CFP) Bay Vista West LLLP	1,910,435	8/26/2011	8/26/2066	2.00%	1,910,435
AHP Loan Bay Vista West LLLP	690,000	8/27/2012	9/13/2027	2.00%	690,000
Total	\$ 12,555,819				\$ 10,724,532

Notes payable debt service requirements to maturity as follows:

Year Ending December 31	Principal	Interest
2015	-	84,427
2016	-	115,502
2017	-	117,812
2018	-	120,168
2019	-	122,572
2020-2024	-	650,625
2025-2029	690,000	676,703
2030-2034	-	695,340
2035-2039	-	767,710
2040-2044	-	847,614
2045-2049	-	935,835
2050-2054	-	1,033,237
2055-2059	-	1,140,777
2060-2064	-	1,259,510
2065-2069	10,034,532	448,922
Totals	\$ 10,724,532	\$ 9,016,754

b. Changes in Long Term Liabilities

During the year ended December 31, 2014, the following changes occurred in long-term liabilities for the Component Units:

Debt Issue	Beginning Balance 1/1/2014	Additions	Reductions	Ending Balance 12/31/2014	Due Within One Year
BHA Second Loan (HOPE VI) Bay Vista South LLLP	\$ 4,951,671	\$ -	\$ (50,000)	\$ 4,901,671	\$ -
BHA First Loan (PBCA) Bay Vista South LLLP	235,274	-		235,274	\$ -
BHA First Loan (HOPE VI) Bay Vista West LLLP	3,750,490	-	(763,338)	2,987,152	\$ -
BHA Second Loan (CFP) Bay Vista West LLLP	1,910,435	-		1,910,435	
AHP Loan Bay Vista West LLLP	690,000	-	-	690,000	
Total long-term liabilities	\$ 11,537,870	\$ -	\$ (813,338)	\$ 10,724,532	\$ -

## **NOTE 9 – PENSION PLAN**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2015:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 3,718,792
Pension assets	
Deferred outflows of resources	\$ 296,171
Deferred inflows of resources	\$ 689,918
Pension expense/expenditures	\$ 73,186

## State Sponsored Pension Plans

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

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

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

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

### Public Employees' Retirement System (PERS)

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

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

**Contributions** - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
October 2014 through June 2015	9.21%	6.00%
July through September 2015	11.18%	6.00%

The Housing Authority's actual contributions to the plan were \$6,421 for the year ended September 30, 2015.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

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

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

*Contributions* - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2
October 2014 through June 2015	9.21%	4.92%
July through September 2015	11.18%	6.12%
Employee PERS Plan 3		varies

The Housing Authority's actual contributions to the plan were \$414,730 for the year ended September 30, 2015.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- The OSA updated demographic assumptions, consistent with the changes from the 2007-2012 Experience Study Report, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the 2007-2012 Experience Study Report.

## Discount Rate

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

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

## Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

## Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

## Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 2,443,977	\$ 2,007,369	\$ 1,631,926
PERS 2/3	\$ 5,004,289	\$ 1,711,423	\$ (809,801)

## Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the Housing Authority reported a total pension liability of \$3,718,792 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 2,007,369
PERS 2/3	\$ 1,711,423



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

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	0.044615%	0.038375%	0.006240%
PERS 2/3	0.055787%	0.047898%	0.007889%

### Pension Expense

For the year ended September 30, 2015, the Housing Authority recognized pension expense as follows:

	Housing Authority Contributions to Pension Plans – Pension Expense	Proportionate Share of Collective Pension Expense	Total Pension Expense
PERS 1	\$ 6,421	\$ (235,729)	\$ (229,308)
PERS 2/3	\$ 414,730	\$ (112,236)	\$ 302,494
TOTAL	\$ 421,151	\$ (347,965)	\$ 73,186

### Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2015, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PERS 1		
Differences between expected and actual experience		
Net difference between projected and actual investment earnings on pension plan investments		\$ 109,825
Changes of assumptions		
Changes in proportion and differences between contributions and proportionate share of contributions		
Contributions subsequent to the measurement date	\$ 1,716	
TOTAL	\$ 1,716	\$ 109,825

Deferred outflows of resources related to pensions resulting from the Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	PERS 1
2016	\$ (42,564)
2017	\$ (42,564)
2018	\$ (42,564)
2019	\$ 17,867
2020	\$ -
Thereafter	\$ -



PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 181,925	
Net difference between projected and actual investment earnings on pension plan investments		\$ 456,869
Changes of assumptions	\$ 2,758	
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 123,224
Contributions subsequent to the measurement date	\$ 109,772	
<b>TOTAL</b>	<b>\$ 294,455</b>	<b>\$ 580,093</b>

Deferred outflows of resources related to pensions resulting from the Housing Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	PERS 2/3
2016	\$ (160,284)
2017	\$ (160,284)
2018	\$ (160,284)
2019	\$ 85,442
2020	\$ -
Thereafter	\$ -

## **NOTE 10 – COMPONENT UNITS**

The Bay Vista South and Bay Vista West Limited Liability Limited Partnerships were formed with the Housing Authority serving as the general partner. These partnerships were formed to acquire, develop, construct, operate and maintain housing for low income tenants in a manner necessary to qualify for federal low-income housing tax credits as provided under Section 42 of the Internal Revenue Code. The partnership fiscal years end on December 31, of each calendar year. The Bay Vista South project is comprised of 68 units in 19 buildings. The Bay Vista West project is comprised of 69 units in 20 buildings. The units constructed are owned by the partnerships and managed by Cascade Management, Inc., a subcontractor to the partnerships. As general partner the Housing Authority complies with the duties and responsibilities established with each limited partner in the related partnership agreement. In general, the Housing Authority is obligated to provide funds to each partnership for any operating deficits and is to be repaid from project cash flow in subsequent years or from proceeds of a sale or refinance.

As of September 30, 2015, the Housing Authority's fiscal year end, the balance sheet date reported for all component units was December 31, 2014 which is the fiscal year end for these two component units.

Component Unit information is provided for each of the Housing Authority's discretely presented Component Units in the following condensed financial statements:

	Bay Vista South	Bay Vista West
<b>CONDENSED STATEMENTS OF NET POSITION</b>		
<b>Assets</b>		
Current Assets	\$ 739,212	\$ 879,792
Restricted Assets	-	-
Capital Assets	13,331,061	16,401,539
Other Assets	117,137	202,485
<b>Total Assets</b>	<b>14,187,410</b>	<b>17,483,816</b>
<b>Liabilities</b>		
Current Liabilities	58,761	39,233
Noncurrent Due to Housing Authority	5,136,945	5,690,671
<b>Total Liabilities</b>	<b>5,195,706</b>	<b>5,729,904</b>
<b>Net Position</b>		
Net Investment in Capital Assets		
Related Debt	8,194,116	10,813,952
Restricted	640,212	813,238
Unrestricted	157,376	126,722
<b>Total Net Position</b>	<b>\$ 8,991,704</b>	<b>\$ 11,753,912</b>

	Bay Vista South	Bay Vista West
<b>CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION</b>		
Tenant Revenues	\$ 248,093	\$ 154,722
Other Operating Revenue	\$ 241,323	\$ 282,878
Depreciation Expense	(490,716)	(518,436)
Other Operating Expenses	(419,016)	(410,941)
<b>Total Operating Income (Loss)</b>	<b>(420,316)</b>	<b>(491,777)</b>
<b>Nonoperating Revenue (Expense)</b>		
Investment Income	286	2,113
Interest Expense	-	(125,151)
Capital Contributions	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>(420,030)</b>	<b>(614,815)</b>
Net Position, Beginning of Year	9,411,734	12,368,727
<b>Net Position, End of Year</b>	<b>\$ 8,991,704</b>	<b>\$ 11,753,912</b>

	Bay Vista South	Bay Vista West
<b>CONDENSED STATEMENTS OF CASH FLOWS</b>		
Net Cash Provided (Used) by		
Operating Activities	\$ 64,830	\$ (151,096)
Noncapital Financing Activities	4,675	2,016
Capital Financing Activities	(50,000)	(888,912)
Investing Activities	286	2,113
Net Increase (Decrease)	19,791	(1,035,879)
Cash, Beginning of Year	681,640	1,911,682
<b>Cash, End of Year</b>	<b>\$ 701,431</b>	<b>\$ 875,803</b>

## **NOTE 11 – PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$44,355 is for the restatement of beginning of the year balances in repayment agreements to an allowance account. These amounts were recorded prior to the current fiscal year as revenue and this was reversed and the balances remaining on the repayment agreements have been reclassified to an allowance account until the funds are received.

## **NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE**

There is a change in accounting principle related to the recording of the beginning net pension liability as of September 30, 2014 in the amount of \$4,460,504 per GASB 68 requirements.

## **NOTE 13 – SPECIAL ITEMS**

The Housing Authority entered into a loan agreement with Kitsap Community Resources on November 1, 1994. The loan of \$17,119 was to be forgivable twenty years after this date if conditions defined in the agreement were met. The loan was cancelled after Kitsap Community Resources confirmed that the conditions regarding the loan were met throughout the twenty year time period. The other amount included in Special Items of \$1,474,776 was for the conveyance of roads and infrastructure at the Bay Vista Development site to the City of Bremerton per the Deed of Conveyance provided by the City.

## **NOTE 14 – CONTINGENCIES AND LITIGATION**

The Housing Authority of the City of Bremerton has recorded in its financial statements all material liabilities. 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 audits 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, will be immaterial.

The PBCA state contracts held by the Housing Authority along with substantially all other such contracts nationwide have been in a process of being procured by HUD through several attempted proposal processes, none of which have yet been concluded successfully. On March 9, 2012, HUD issued a Fiscal Year 2012 Notice of Funding Availability ("NOFA") for the PBCA program. The NOFA expressly provided that the new contracts HUD sought to award via the NOFA were cooperative agreements rather than procurement contracts. In addition, HUD also stated that it would reject all bids under the NOFA from out of state entities where an in-state entity bid for the same contract award exists. When HUD's 2012 NOFA was issued, numerous interested parties, including the Housing Authority, filed bid protests with the Government Accountability Office ("GAO") to contest HUD's attempt to reclassify the agreements as "cooperative agreements" to avoid procurement regulations as well as contesting the restriction of competition imposed by the in-state entity only provisions of the NOFA. On August 15, 2012 GAO sustained the timely complaints of the multiple bid protestors and recommended that HUD re-solicit the PBCA contracts in accordance with procurement regulations using a procurement instrument. HUD however ignored the GAO's decision and moved to proceed with awards under the NOFA. HUD later voluntarily stayed the award announcements after the Housing Authority and others filed a motion for a temporary restraining order and submitted bid protests in the United States Court of Federal Claims in January 2013. On April 19, 2013, the court issued its order finding in HUD's favor, stating that the 2012 NOFA properly characterized the PBCA contracts as cooperative agreements. The plaintiffs (including the Housing Authority) appealed the decision in the United States Court of Appeals for the Federal Circuit in 2013. The US Court of Appeals for the Federal Circuit ruled on March 25, 2014 in

favor of the Plaintiffs. Specifically, the Federal Circuit found that HUD violated federal law when it attempted to re-label contracts as cooperative agreements. HUD petitioned the US Court of Appeals for the Federal Circuit for a hearing or rehearing En Banc of this decision, which was denied. HUD filed an appeal of the decision to the United States Supreme Court, which decided not to take up the matter. Accordingly, the litigation of this matter is now concluded and HUD is required to follow procurement regulations in the next competitive proposal process it undertakes for the PCBA contracts. It is expected that another procurement process will be initiated by HUD in the near future. The outcome of a potential re-solicitation of PBCA contracts in accordance with procurement regulations has the potential to significantly reduce the available funding for the Housing Authority from its current level of PBCA administration fee revenues earned. For the fiscal year 2015, CMS administrative fees funded 42.3% of the Housing Authority's operating expenses and CMS profits funded 24.2% of Housing Authority expenses excluding the CMS operations. If the outcome of these processes is adverse financially for the Housing Authority, operations in both the CMS department and the general Housing Authority support services areas will be reduced to levels appropriate and sustainable for the reduced level of funding provided.

## **NOTE 15 – RISK MANAGEMENT**

The Housing Authority of the City of Bremerton is a member of Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and chapter 39.34 (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon, California originally formed HARRP in March 1987. HARRP was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and or jointly contracting for risk management services. HARRP is a U.S. Department of Housing and Urban Development (HUD) approved self-insurance entity for utilization by public housing authorities. HARRP has a total of eighty six member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-six of the eighty six members are Washington public housing entities.

New members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

HARRP is governed by a Board of Directors consisting of representatives from nine member PHA's. The Board meets once each quarter to provide policy direction to the staff. HARRP provides property loss, general liability, errors and omissions, fidelity and crime insurance, and business automobile insurance. Pool underwriting and rate-setting policies have been established by the pool executive board after consultation with actuaries. Pool members are subject to supplemental assessment in the event of deficiencies. If the assets of the pool were to be exhausted, members would be responsible for the pool's liabilities. The allocation of the liabilities would be determined by the executive board. A copy of their financial statements may be acquired at 7111 N.E. 179<sup>th</sup> Street, Vancouver, WA 98686.

HAARP General Liability coverage is on an occurrence basis without member deductibles. Automobile Liability coverage is also on an occurrence basis with deductibles of \$250 for comprehensive and \$500 for collision. Errors & Omissions coverage (which includes Employment Practices Liability) is issued on an occurrence basis, and the members are responsible for 10% of the incurred costs of the claims. The Property coverage provided by HARRP is on a replacement cost basis, with the Housing Authority's deductible of \$1,000. The Housing Authority's fidelity coverage by HARRP has a limit of \$500,000 for employee dishonesty and forgery or alteration and \$50,000 for theft. The deductible for the fidelity coverage is \$1,000.

HARRP provides coverage limits for General Liability, Errors & Omissions and Property of \$2,000,000 per occurrence and \$2,000,000 annual aggregate. Coverage limits for Automobile Liability are \$2,000,000/\$2,000,000.

HARRP self-insures the first \$1.5 million of coverage for liability lines and purchases an additional \$500,000 in reinsurance for a total of \$2 million. For property, HARRP retains the first \$1.5 million and purchases an additional \$500,000 reinsurance policy and then purchases \$45 million of excess insurance from Munich Reinsurance for a combined total of \$47,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

In addition to the insurance through HARRP, the Housing Authority carries earthquake insurance through RSUI Insurance. This coverage is for some of the property owned by the Housing Authority which includes Firs, Bay Vista Commons, Tamarack, and the Summit. The coverage limits are \$10,000,000 per occurrence and the deductible is \$50,000. Earthquake coverage for Shadow Creek and Winfield is provided by ICAT. The coverage limits for these two policies is up to total insured value of the individual property. The deductible is 5% of the total insured value of the individual property.

Claim settlements did not exceed coverage in any of the past three years.

#### **NOTE 16 – SUBSEQUENT EVENT**

Subsequent to the fiscal year end on October 19, 2015 the Housing Authority paid in full and retired early the Shadow Creek Apartments mortgage debt obligation. The principal amount outstanding of \$427,718 plus accrued interest was paid using unrestricted cash balances available for such purpose. The tax-exempt debt held by Kitsap Bank had an original principal amount of \$471,551; an interest rate of 5.00%; and a maturity date of October 30, 2027.

# **REQUIRED SUPPLEMENTARY INFORMATION**

## Bremerton Housing Authority Schedule of Proportionate Share of the Net Pension Liability

Pers 1

As of June 30, 2015  
Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.038375%								
Employer's proportionate share of the net pension liability	\$	2,007,369								
Employer's covered employee payroll	\$	66,440								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	3021.33%								
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%								

Notes to Schedule:

*This schedule is intended to provide 10 years of historical data.*

*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.*

**REQUIRED SUPPLEMENTARY INFORMATION**

Bremerton Housing Authority  
Schedule of Proportionate Share of the Net Pension Liability

Pers 2/3

As of June 30, 2015  
Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.047898%								
Employer's proportionate share of the net pension liability	\$	1,711,423								
Employer's covered employee payroll	\$	4,293,019								
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	39.87%								
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%								

Notes to Schedule:

*This schedule is intended to provide 10 years of historical data.*

*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.*

**REQUIRED SUPPLEMENTARY INFORMATION**

Bremerton Housing Authority  
Schedule of Employer Contributions

Pers 1

As of September 31, 2015  
Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	\$ 6,421									
Contributions in relation to the contractually required contributions	\$ (6,421)									
Contribution deficiency (excess)	\$ 0									
Covered Employer Payroll	\$ 66,440									
Contributions as a percentage of covered employee payroll	% 9.66%									

Notes to Schedule:

*This schedule is intended to provide 10 years of historical data.*

*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.*



**REQUIRED SUPPLEMENTARY INFORMATION**

Bremerton Housing Authority  
Schedule of Employer Contributions  
Pers 2/3

As of September 30, 2015  
Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	\$ 414,730									
Contributions in relation to the contractually required contributions	\$ (414,730)									
Contribution deficiency (excess)	\$ 0									
Covered Employer Payroll	\$ 4,293,019									
Contributions as a percentage of covered employee payroll	% 9.66%									

Notes to Schedule:

*This schedule is intended to provide 10 years of historical data.*

*Until a full 10-year trend is compiled, information is presented only for those years for which information is available.*

**Housing Authority of the City of Bremerton**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2015

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Current Year Expenditures			Debt Liability Balance	Total Federal Awards	Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Current Year Subtotal			
U.S. Department of Housing and Urban Development	Section 8 New Construction / Substantial Rehabilitation	14.182	FHA #127-35057 FHA #127-38048 Subtotal		\$ 290,387 283,688	574,075		574,075	
U.S. Department of Housing and Urban Development	Section 8 Housing Assistance Payments Program - Special Allocations	14.195	WA800, NE800 & UT800		147,922,625	147,922,625		147,922,625	
U.S. Department of Housing and Urban Development	Supportive Housing Program	14.235	WA0102L0T011306 WA0102L0T011407 Subtotal		86,088 84,458	170,546		170,546	
U.S. Department of Housing and Urban Development	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA003SRO004		214,013	214,013		214,013	
U.S. Department of Housing and Urban Development	Low Rent Public Housing	14.850	WA003-001-06D & WA003-001-06S		500,693	500,693		500,693	
U.S. Department of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	WA003VO & WA003AF		11,497,200	11,497,200		11,497,200	
U.S. Department of Housing and Urban Development	Public Housing Capital Fund Program	14.872	WA19P003501		339,749	339,749		339,749 0	
U.S. Department of Housing and Urban Development	PIH Family Self-Sufficiency Program	14.896	WA003FSH699A014		58,308	58,308		58,308	
U.S. Department of Housing and Urban Development	Resident Opportunity and Supportive Services	14.870	WA003RPS110A014		19,316	19,316		19,316	
U.S. Department of Housing and Urban Development	ARRA-Tax Credit Assistance Program	14.258	TC#09-08-TCAP				12,477,337	12,477,337	3
U.S. Department of Housing and Urban Development/State Department of Commerce	HOME Investment Partnerships Program	14.239	06-47101-603A	91,197		91,197		91,197	
Department of Health and Human Services, CDC/Kitsap Public Health District	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	93.757	IU58DP005521-01	1,644		1,644		1,644	
<b>TOTAL FEDERAL ASSISTANCE</b>				<b>\$ 92,841</b>	<b>\$ 161,296,525</b>	<b>\$ 161,389,366</b>	<b>\$ 12,477,337</b>	<b>\$ 173,866,703</b>	

The Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement

**Housing Authority of the City of Bremerton**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended September 30, 2015**

**NOTE 1 - Basis of Accounting**

The Schedule of Financial Assistance is prepared on the same basis of accounting as the Housing Authority's financial statements. The Housing Authority uses the full accrual basis of accounting.

**NOTE 2 - Program Costs**

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

**NOTE 3 - Federal Loans**

Outstanding loan balances with continuing compliance requirements, including those received and expended in prior years are listed under Debt Liability Balance

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
111	Cash - Unrestricted					\$155,586	\$82,462		\$56,111
112	Cash - Restricted - Modernization and Development								\$1,450,012
113	Cash - Other Restricted			\$0					\$9,918
114	Cash - Tenant Security Deposits			\$11,800		\$5,050	\$4,612		
115	Cash - Restricted for Payment of Current Liability			\$233,981		\$164,549	\$87,074		\$1,516,041
100	Total Cash	\$0							
121	Accounts Receivable - PHA Projects								
122	Accounts Receivable - HUD Other Projects					\$0	\$16,738		
124	Accounts Receivable - Other Government			\$159		\$81	\$49		
125	Accounts Receivable - Miscellaneous								
126	Accounts Receivable - Tenants			\$258		\$6,949	\$2,425		
126.1	Allowance for Doubtful Accounts - Tenants					(\$6,060)	(\$1,246)		
126.2	Allowance for Doubtful Accounts - Other								
127	Notes, Loans, & Mortgages Receivable - Current			\$148			\$1,898		
128	Fraud Recovery								
128.1	Allowance for Doubtful Accounts - Fraud								\$69,400
129	Accrued Interest Receivable								
120	Total Receivables, Net Of Allowance For Doubtful Accounts	\$0	\$0	\$565		\$970	\$19,864	\$0	\$69,400
131	Investments - Unrestricted								
132	Investments - Restricted								
135	Investments - Restricted for Payment of Current Liability								
142	Prepaid Expenses and Other Assets			\$6,520		\$2,659	\$2,187		
143	Inventories								
143.1	Allowance for Obsolete Inventories								
144	Inter Program - Due From								
150	Total Current Assets	\$0		\$241,066		\$168,178	\$109,125	\$0	\$1,585,441
161	Land		\$1,873,652	\$942,462	\$1,446,916	\$424,800			\$6,292,192
162	Buildings			\$8,062,646		\$1,788,998	\$1,500,775		
163	Furniture, Equipment & Machinery - Dwellings		\$0	\$8,313		\$8,521	\$15,017		
164	Furniture, Equipment & Machinery - Administration			\$694					\$196,792

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003000999
165	Leasehold Improvements		\$185,797	\$1,425,198		\$119,914			\$732,341
166	Accumulated Depreciation		(\$190,434)	(\$983,016)		(\$152,202)	(\$90,271)		(\$40,266)
167	Construction In Progress								\$0
168	Infrastructure		\$1,015,167	\$125,663					\$498,874
160	Total Capital Assets, Net of Accumulated Depreciation	\$0	\$2,884,182	\$9,581,960	\$1,446,916	\$2,190,031	\$1,425,521	\$0	\$7,679,933
171	Notes, Loans, and Mortgages Receivable - Non-Current								
172	Notes, Loans, and Mortgages Receivable - Non-Current - Past Due			\$50		\$1,575			
173	Grants Receivable - Non-Current								
174	Other Assets								
176	Investment in Joint Venture								
180	<b>Total Non-Current Assets</b>	\$0	\$2,884,182	\$9,582,010	\$1,446,916	\$2,191,606	\$1,425,521	\$0	\$10,280,368
190	<b>Total Assets</b>	\$0	\$2,884,182	\$9,823,076	\$1,446,916	\$2,359,784	\$1,534,646	\$0	\$11,865,809
200	<b>Deferred Outflow of Resources</b>								
290	<b>Total Assets and Deferred Outflow of Resources</b>	\$0	\$2,884,182	\$9,823,076	\$1,446,916	\$2,359,784	\$1,534,646	\$0	\$11,865,809

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003000999
312	Accounts Payable <= 90 Days			\$10,034		\$6,435	\$4,814		\$15,408
321	Accrued Wage/Payroll Taxes Payable			\$0		\$1,076	\$649		
322	Accrued Compensated Absences - Current Portion			\$197		\$99	\$59		
325	Accrued Interest Payable								
331	Accounts Payable - HUD PHA Programs								
332	Accounts Payable - PHA Projects								
333	Accounts Payable - Other Government								
341	Tenant Security Deposits			\$11,800		\$5,050	\$4,612		

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003000999
342	Unearned Revenue			\$394		\$32	\$288		
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds								
345	Other Current Liabilities					\$3,913			
346	Accrued Liabilities - Other			\$7,029		\$1,220	\$1,100		
347	Interprogram Due To					\$1,970	\$17,460		\$22
348	Loan Liability - Current								
310	<b>Total Current Liabilities</b>	\$0		\$29,454		\$19,795	\$28,982	\$0	\$15,430
	Long Term Debt, Net Of Current-Capital Projects/Mortgage Revenue Bonds			\$6,973,904					
351									\$690,000
352	Long Term Debt, Net Of Current-Operating Borrowings								
353	Non-Current Liabilities - Other								
354	Accrued Compensated Absences - Non-Current			\$3,739		\$1,889	\$1,131		
355	Loan Liability - Non-Current								
357	Net Pension Liability								
350	<b>Total Non-Current Liabilities</b>	\$0	\$0	\$6,977,643	\$0	\$1,889	\$1,131	\$0	\$690,000
300	<b>Total Liabilities</b>	\$0	\$0	\$7,007,097	\$0	\$21,684	\$30,113	\$0	\$705,430
400	<b>Deferred Inflow of Resources</b>								
508.4	Net Investment In Capital Assets	\$0	\$2,884,182	\$2,608,056	\$1,446,916	\$2,190,031	\$1,425,521	\$0	\$7,679,933
511.4	Restricted Net Position	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,459,930
512.4	Unrestricted Net Position	\$0	\$0	\$207,923	\$0	\$148,069	\$79,012	\$0	\$2,020,516
513	<b>Total Equity/Net Position</b>	\$0	\$2,884,182	\$2,815,979	\$1,446,916	\$2,338,100	\$1,504,533	\$0	\$11,160,379
600	<b>Total Liabilities, Deferred Inflow of Resources and Equity/Net Position</b>	\$0	\$2,884,182	\$9,823,076	\$1,446,916	\$2,359,784	\$1,534,646	\$0	\$11,865,809

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
70300	Net Tenant Rental Revenue			\$95,297		\$53,510	\$35,033	\$0	
70400	Tenant Revenue - Other			\$1,992		\$7,044	\$2,038	\$0	
70500	Total Tenant Revenue	\$0		\$97,289		\$60,554	\$37,071	\$0	
70600	HUD PHA Operating Grants		\$133,155	\$108,553	\$151,434	\$51,525	\$36,807	\$19,219	\$0
70610	Capital Grants					\$281,672	\$37,805		\$20,272
70710	Management Fee								
70720	Asset Management Fee								
70730	Book-Keeping Fee								
70750	Other Fees for Service								
70700	Total Fee Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70800	Other Government Grants								
71100	Investment Income - Unrestricted			\$1,967		\$1,568	\$874		\$14,202
71400	Fraud Recovery								
71500	Other Revenue					\$230			
71600	Gain Or Loss On Sale Of Capital Assets								\$301,315
72000	Investment Income - Restricted			\$577					\$38,915
70000	<b>Total Revenue</b>	\$0	\$133,155	\$208,386	\$151,434	\$395,549	\$112,557	\$19,219	\$374,704

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
91100	Administrative Salaries			\$24,823		\$11,772	\$6,392		\$73

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
91200	Auditing Fees			\$2,164		\$32	\$21		
91300-010	Management Fee to COCC								\$20,272
91300-020	Management Fee to 3rd Party			\$14,227		\$4,180	\$5,120		
91310	Book-keeping Fee			\$3,892		\$1,747	\$1,320		
91400	Advertising and Marketing			\$2,169		\$7	\$1		
91500	Employee Benefit Contributions - Administrative			\$4,870		\$2,244	\$1,213		
91600	Office Expenses			\$13,434		\$4,928	\$2,534		
91700	Legal Expense			\$973		\$6,167	\$270		
91800	Travel			\$359		\$173	\$165		
91900	Other			\$5,094		\$3,472	\$1,738		\$3,205
91000	<b>Total Operating- Administrative</b>	\$0		\$72,005		\$34,722	\$18,774	\$0	\$23,550
92000	Asset Management Fee			\$5,640		\$2,700	\$1,800		
92100	Tenant Services - Salaries			\$33,190		\$15,561	\$10,626		
92200	Relocation Costs					\$5,865			
92300	Employee Benefit Contributions - Tenant Services			\$17,355		\$8,147	\$5,554		
92400	Tenant Services - Other			\$1,385		\$648	\$444		
92500	<b>Total Tenant Services</b>	\$0		\$51,930		\$30,221	\$16,624	\$0	
93100	Water			\$5,771		\$4,277	\$3,796		
93200	Electricity			\$13,695		\$2,388	\$959		\$130
93300	Gas			\$3,180					
93600	Sewer			\$22,652		\$9,893	\$9,843		
93800	Other Utilities Expense								
93000	<b>Total Utilities</b>	\$0		\$45,298		\$16,558	\$14,598	\$0	\$130
94100	Ordinary Maintenance and Operations - Labor			\$32,726		\$21,383	\$12,477		
94200	Ordinary Maintenance and Operations - Materials and Other			\$15,460		\$8,010	\$7,596		
94300	Ordinary Maintenance and Operations Contracts			\$49,685		\$42,076	\$27,878		
94500	Employee Benefit Contributions - Ordinary Maintenance			\$6,666		\$4,515	\$6,355		
94000	<b>Total Maintenance and Operations</b>	\$0		\$104,537		\$75,984	\$54,306	\$0	\$0



Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
95200	Protective Services - Other Contract Costs			\$137		\$2,970			
95000	<b>Total Protective Services</b>	\$0	\$0	\$137	\$0	\$2,970	\$0	\$0	\$0
96110	Property Insurance			\$11,181		\$5,885	\$3,703		
96120	Liability Insurance			\$1,265		\$540	\$484		
96140	All Other Insurance			\$0					
96100	<b>Total Insurance Premium</b>	\$0		\$12,446		\$6,425	\$4,187	\$0	\$0
96200	Other General Expenses		\$133,155	\$3,474	\$151,434	\$701	\$38	\$33,530	\$38,705
96210	Compensated Absences			<b>(\$181)</b>		\$36	\$982		
96300	Payments in Lieu of Taxes			\$5,199					
96400	Bad Debt - Tenant Rents			\$4,741		\$6,205	\$1,186		
96600	Bad Debt-Other								
96800	Severance Expense								
96000	<b>Total Other General Expenses</b>	\$0	\$133,155	\$13,233	\$151,434	\$6,942	\$2,206	\$33,530	\$38,705
96710	Interest of Mortgage or Bonds Payable								
96720	Interest on Notes Payable								
96730	Amortization of Bond Issue Costs								
96700	<b>Total Interest Expense and Amortization Cost</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900	<b>Total Operating Expenses</b>	\$0	\$133,155	\$305,226	\$151,434	\$176,522	\$112,495	\$33,530	\$62,385
97000	<b>Excess Revenue over Operating Expenses</b>	\$0	\$0	<b>(\$96,840)</b>	\$0	\$219,027	\$62	<b>(\$14,311)</b>	\$312,319
97300	Housing Assistance Payments							\$0	
97350	HAP - Portability-In								
97400	Depreciation Expense		\$46,113	\$218,134		\$46,685	\$40,352	\$0	\$21,929
90000	<b>Total Expenses</b>	\$0	\$179,268	\$523,360	\$151,434	\$223,207	\$152,847	\$33,530	\$84,314
10010	Operating Transfer In								
10020	Operating Transfer Out								

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
10040	Operating Transfers From / To Component Unit								
10080	Special items, Net Gain/Loss								
10091	Inter-Project Excess Cash Transfer In		\$0	\$0	\$0	\$94,866		\$6,665	(\$1,474,776)
10092	Inter-Project Excess Cash Transfer Out	(\$101,531)							
10093	Transfers Between Programs and Projects In			\$54,563		\$31,226	\$17,531	\$7,646	\$85,865
10094	Transfers Between Programs and Projects Out								
10100	<b>Total Other Financing Sources (Uses)</b>	(\$101,531)	\$0	\$54,563	\$0	\$126,092	\$17,531	\$14,311	(\$1,388,911)
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	(\$101,531)	(\$46,113)	(\$260,411)	\$0	\$298,434	(\$22,759)	\$0	(\$1,098,521)

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
11020	Required Annual Debt Principal Payments	\$101,531	\$2,930,295	\$3,076,390	\$1,446,916	\$2,039,666	\$1,527,292	\$0	\$12,258,900
11030	Beginning Equity								
11040-010	Prior Period Adjustments and Correction of Errors								
11040-070	Equity Transfer								
11040	<b>Prior Period Adjustments, Equity Transfers and Correction of Errors</b>								
11170	<b>Administrative Fee Equity</b>								
11180	<b>Housing Assistance Payments</b>								
11190	<b>Unit Months Available</b>	0	492	564	648	264	180	0	
11210	<b>Unit Months Leased</b>	0	484	516	606	230	171	0	
11270	<b>Excess Cash</b>	\$0		205,092		\$131,014	\$77,956	(\$2,794)	\$104,883

Line Item No.	Account Description	Project WA003000001	Project WA003000004	Project WA003000005	Project WA003000006	Project WA003000007	Project WA003000008	Project WA003000020	Project WA003009999
11610	Land Purchases					\$41,710			
11620	Building Purchases					\$159,185	37,805		
11630	Furniture & Equipment-Dwelling Purchases					\$0			
11640	Furniture & Equipment-Admin Purchases								
11650	Leashold Improvements Purchases					\$80,777			
11660	Infrastructure Purchases								
13901	Replacement Housing Factor Funds					\$191,162			

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
111	Cash - Unrestricted			\$587,932	\$2,036,127	\$1,250,645	\$66,328		\$356,767
112	Cash - Restricted - Modernization and Development								
113	Cash - Other Restricted			\$596,405	\$200				\$75,797
114	Cash - Tenant Security Deposits			\$20,485		\$33,331			
115	Cash - Restricted for Payment of Current Liability			\$19,148		\$9,570			
100	Total Cash		\$0	\$1,223,970	\$2,036,327	\$1,293,546	\$66,328	\$0	\$432,564
121	Accounts Receivable - PHA Projects								
122	Accounts Receivable - HUD Other Projects		\$22,571	\$938	\$565,965				\$11,714
124	Accounts Receivable - Other Government	\$3,168		\$0	\$284,963			\$3,377	\$8,688
125	Accounts Receivable - Miscellaneous		\$1,004	\$0					
126	Accounts Receivable - Tenants	\$206		\$161,484		\$6,073	\$335		
126.1	Allowance for Doubtful Accounts - Tenants			(\$25,603)		(\$2,378)			
126.2	Allowance for Doubtful Accounts - Other								
127	Notes, Loans, & Mortgages Receivable - Current								
128	Fraud Recovery			\$404		\$1,324			\$31,504
128.1	Allowance for Doubtful Accounts - Fraud								(\$31,504)
129	Accrued Interest Receivable								
120	Total Receivables, Net Of Allowance For Doubtful Accounts	\$3,374	\$23,575	\$137,223	\$850,928	\$5,019	\$335	\$3,377	\$20,402
131	Investments - Unrestricted								
132	Investments - Restricted			\$685,539	\$955,925				
135	Investments - Restricted for Payment of Current Liability								
142	Prepaid Expenses and Other Assets			\$25,230	\$67,227	\$14,897			\$15,968
143	Inventories								
143.1	Allowance for Obsolete Inventories								
144	Inter Program - Due From					\$0			
150	Total Current Assets	\$3,374	\$23,575	\$2,071,962	\$3,910,407	\$1,313,462	\$66,663	\$3,377	\$468,934
161	Land			\$806,835		\$415,000			
162	Buildings			\$16,556,804	\$526,369	\$4,404,876			
163	Furniture, Equipment & Machinery - Dwellings			\$1,442,446		\$584,281			
164	Furniture, Equipment & Machinery - Administration			\$5,503	\$1,154,099				\$155,718

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
165	Leasehold Improvements			\$3,030,066		\$347,015			
166	Accumulated Depreciation			<b>(\$4,391,837)</b>	<b>(\$1,265,610)</b>	<b>(\$2,581,019)</b>			<b>(\$154,347)</b>
167	Construction In Progress			\$39,382		\$81,750			
168	Infrastructure			\$581,032					
160	Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$18,070,231	\$414,858	\$3,251,903	\$0	\$0	\$1,371
171	Notes, Loans, and Mortgages Receivable - Non-Current								
172	Notes, Loans, and Mortgages Receivable - Non-Current - Past Due								
173	Grants Receivable - Non-Current								
174	Other Assets								
176	Investment in Joint Venture								
180	<b>Total Non-Current Assets</b>	\$0	\$0	\$18,070,231	\$414,858	\$3,251,903	\$0	\$0	\$1,371
190	<b>Total Assets</b>	\$3,374	\$23,575	\$20,142,193	\$4,325,265	\$4,565,365	\$66,663	\$3,377	\$470,305
200	<b>Deferred Outflow of Resources</b>								
290	<b>Total Assets and Deferred Outflow of Resources</b>	\$3,374	\$23,575	\$20,142,193	\$4,325,265	\$4,565,365	\$66,663	\$3,377	\$470,305

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
312	Accounts Payable <= 90 Days			\$244,675	\$11,829	\$106,450		\$505	\$1,792
321	Accrued Wage/Payroll Taxes Payable			\$16,621	\$60,665	\$6,079			\$16,349
322	Accrued Compensated Absences - Current Portion			\$1,191	\$10,380	\$406			\$2,712
325	Accrued Interest Payable			\$1,995					
331	Accounts Payable - HUD PHA Programs				\$4,719				
332	Accounts Payable - PHA Projects								
333	Accounts Payable - Other Government			\$194		\$3,612			
341	Tenant Security Deposits			\$20,485		\$33,331			

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Payments Program, Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
342	Unearned Revenue			\$2,269		\$2,442			
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds			\$185,021					
345	Other Current Liabilities			\$19,148		\$9,570			
346	Accrued Liabilities - Other			\$60,566		\$17,496			
347	Interprogram Due To	\$3,228	\$22,077	\$178,042	\$8,394	\$77,731		\$2,872	\$135
348	Loan Liability - Current								
310	<b>Total Current Liabilities</b>	\$3,228	\$22,077	\$730,207	\$95,987	\$257,117	\$0	\$3,377	\$20,988
351	Long Term Debt, Net Of Current-Capital Projects/Mortgage Revenue Bonds			\$12,336,198					
352	Long Term Debt, Net Of Current-Operating Borrowings								
353	Non-Current Liabilities - Other			\$14,177					\$75,797
354	Accrued Compensated Absences - Non-Current			\$22,652	\$197,225	\$7,725			\$55,244
355	Loan Liability - Non-Current								
357	Net Pension Liability								
350	<b>Total Non-Current Liabilities</b>	\$0	\$0	\$12,373,027	\$197,225	\$7,725	\$0	\$0	\$131,041
300	<b>Total Liabilities</b>	\$3,228	\$22,077	\$13,103,234	\$293,212	\$264,842	\$0	\$3,377	\$152,029
400	<b>Deferred Inflow of Resources</b>								
508.4	Net Investment In Capital Assets	\$0	\$0	\$5,549,012	\$414,858	\$3,251,903	\$0		\$1,371
511.4	Restricted Net Position	\$0	\$0	\$1,267,767	\$200	\$0	\$0		\$0
512.4	Unrestricted Net Position	\$146	\$1,498	\$222,180	\$3,616,995	\$1,048,620	\$66,663		\$316,905
513	<b>Total Equity/Net Position</b>	\$146	\$1,498	\$7,038,959	\$4,032,053	\$4,300,523	\$66,663	\$0	\$318,276
600	<b>Total Liabilities, Deferred Inflow of Resources and Equity/Net Position</b>	\$3,374	\$23,575	\$20,142,193	\$4,325,265	\$4,565,365	\$66,663	\$3,377	\$470,305

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program, Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
70300	Net Tenant Rental Revenue			\$1,459,793	Section 8 Housing Assistance Program, Special Allocations	\$428,436		Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
70400	Tenant Revenue - Other			\$119,716		\$34,519			
70500	Total Tenant Revenue	\$0	\$0	\$1,579,509	\$0	\$462,955	\$0	\$0	\$0
70600	HUD PHA Operating Grants	\$0	\$170,546	\$0	\$147,922,625	\$574,075	\$224,254	\$19,316	\$11,497,200
70610	Capital Grants								
70710	Management Fee								
70720	Asset Management Fee								
70730	Book-Keeping Fee								
70750	Other Fees for Service								
70700	Total Fee Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
70800	Other Government Grants	\$91,197							
71100	Investment Income - Unrestricted			\$6,452	\$1,819	\$1,831	\$12		\$185
71400	Fraud Recovery	\$46	\$2,551	\$1,335,311	\$1,736,009	\$22,834	\$506		\$38,631
71500	Other Revenue								\$32,622
71600	Gain Or Loss On Sale Of Capital Assets								
72000	Investment Income - Restricted			\$5,542		\$0			
70000	<b>Total Revenue</b>	\$91,243	\$173,097	\$2,926,814	\$149,660,453	\$1,061,695	\$224,772	\$19,316	\$11,568,638

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program, Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Section 8 Housing Choice Vouchers
91100	Administrative Salaries		\$3,546	\$158,561	\$1,763,579	\$89,390		\$375,933

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program, Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
91200	Auditing Fees		\$0	\$2,388	\$37,666	\$269	\$56		\$3,516
91300-010	Management Fee to COCC	\$6,993	\$0	\$6,000	\$1,847,485	\$70,000	\$30,635		\$226,395
91300-020	Management Fee to 3rd Party			\$171,434		\$59,744			
91310	Book-keeping Fee			\$5,978	\$719,997	\$12,233			\$137,318
91400	Advertising and Marketing			\$5,660	\$4,678	\$176			\$440
91500	Employee Benefit Contributions - Administrative		\$1,273	\$21,107	\$756,348	\$13,280			\$202,299
91600	Office Expenses			\$46,916	\$289,000	\$20,542		\$61	\$72,019
91700	Legal Expense			\$5,436	\$38,987	\$5,221			\$14,060
91800	Travel			\$2,707	\$39,395	\$1,520			\$881
91900	Other		\$10	\$74,703	\$22,728	\$12,966	\$41	\$68	\$66,532
91000	<b>Total Operating- Administrative</b>	\$6,993	\$4,829	\$500,890	\$5,519,863	\$285,341	\$30,732	\$129	\$1,099,393
92000	Asset Management Fee								
92100	Tenant Services - Salaries		\$697	\$807,240	\$0			\$11,632	\$15,254
92200	Relocation Costs			\$0	\$0				
92300	Employee Benefit Contributions - Tenant Services		\$71	\$144,963	\$0			\$5,279	\$5,944
92400	Tenant Services - Other		\$6,499	\$200,648	\$0	\$321		\$2,276	\$1,790
92500	<b>Total Tenant Services</b>	\$0	\$7,267	\$1,152,851	\$0	\$321	\$0	\$19,187	\$22,988
93100	Water			\$24,860	\$0				
93200	Electricity			\$71,503	\$0				
93300	Gas			\$11,725	\$0				
93600	Sewer			\$51,903		\$79,014			
93800	Other Utilities Expense			\$25,911	\$0	\$0			
93000	<b>Total Utilities</b>	\$0	\$0	\$185,902	\$0	\$205,200	\$0	\$0	\$0
94100	Ordinary Maintenance and Operations - Labor			\$101,045	\$0	\$99,170			
94200	Ordinary Maintenance and Operations - Materials and Other			\$66,401	\$308	\$24,514			
94300	Ordinary Maintenance and Operations - Contracts			\$151,488	\$60,134	\$177,690			\$3,106
94500	Employee Benefit Contributions - Ordinary Maintenance			\$32,926	\$0	\$47,201			
94000	<b>Total Maintenance and Operations</b>	\$0	\$0	\$351,860	\$60,442	\$348,575	\$0	\$0	\$3,106



Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
95200	Protective Services - Other Contract Costs								
95000	<b>Total Protective Services</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110	Property Insurance			\$31,706	\$4,605	\$26,989			\$705
96120	Liability Insurance			\$11,193	\$106,001	\$4,091			\$5,718
96140	All Other Insurance			\$0	\$0	\$0			
96100	<b>Total Insurance Premium</b>	\$0	\$0	\$42,899	\$110,606	\$31,080	\$0	\$0	\$6,423
96200	Other General Expenses			\$15,873	\$2,947	\$154			
96210	Compensated Absences			\$44,746	\$200,515	\$13,347			\$55,067
96300	Payments in Lieu of Taxes			\$57,555	\$0	\$11,896			\$0
96400	Bad Debt - Tenant Rents			\$33,899	\$0	\$25,877			\$0
96600	Bad Debt-Other			\$0					<b>(\$857)</b>
96800	Severance Expense				\$0	\$0			\$0
96000	<b>Total Other General Expenses</b>	\$0	\$0	\$152,073	\$203,462	\$51,274	\$0	\$0	\$54,210
96710	Interest of Mortgage or Bonds Payable			\$381,005		\$0			
96720	Interest on Notes Payable			\$0					
96730	Amortization of Bond Issue Costs								
96700	<b>Total Interest Expense and Amortization Cost</b>	\$0	\$0	\$381,005	\$0	\$0	\$0	\$0	\$0
96900	<b>Total Operating Expenses</b>	\$6,993	\$12,096	\$2,767,480	\$5,894,373	\$921,791	\$30,732	\$19,316	\$1,186,120
97000	<b>Excess Revenue over Operating Expenses</b>	\$84,250	\$161,001	\$159,334	\$143,766,080	\$139,904	\$194,040	\$0	\$10,382,518
97300	Housing Assistance Payments	\$84,250	\$176,586		\$142,277,580		\$183,281		\$10,423,589
97350	HAP - Portability-In								\$28,067
97400	Depreciation Expense			\$602,485	\$15,710	\$152,785			\$204
90000	<b>Total Expenses</b>	\$91,243	\$188,682	\$3,369,965	\$148,187,663	\$1,074,576	\$214,013	\$19,316	\$11,637,980
10010	Operating Transfer In		\$15,985	\$67,173	\$0	\$0			\$12,076
10020	Operating Transfer Out			<b>(\$192)</b>	<b>(\$131,200)</b>				

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
10040	Operating Transfers From / To Component Unit								
10080	Special Items, Net Gain/Loss								
10091	Inter-Project Excess Cash Transfer In								
10092	Inter-Project Excess Cash Transfer Out								
10093	Transfers Between Programs and Projects In								
10094	Transfers Between Programs and Projects Out								
10100	<b>Total Other Financing Sources (Uses)</b>	\$0	\$15,985	<b>(\$7,646)</b> \$59,335	<b>(\$131,200)</b>	\$0	\$0	\$0	\$12,076
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	\$0	\$400	<b>(\$383,816)</b>	\$1,341,590	<b>(\$12,881)</b>	\$10,759	\$0	<b>(\$57,266)</b>

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
11020	Required Annual Debt Principal Payments			\$177,577					
11030	Beginning Equity	\$146	\$1,098	\$7,187,775	\$3,635,463	\$3,483,404	\$55,904	\$0	\$419,897
11040-010	Prior Period Adjustments and Correction of Errors								<b>(\$44,355)</b>
11040-070	Equity Transfer			\$235,000	<b>(\$945,000)</b>	\$830,000			
11040	<b>Prior Period Adjustments, Equity Transfers and Correction of Errors</b>			\$235,000	<b>(\$945,000)</b>	\$830,000			<b>(\$44,355)</b>
11170	Administrative Fee Equity								
11180	Housing Assistance Payments								\$318,276
11190	Unit Months Available	152	229	1,744	344,611	1,704	396		21,611
11210	Unit Months Leased	152	229	1,623	329,218	1,622	394		18,309
11270	Excess Cash								

Line Item No.	Account Description	Home Investment Partnerships Program	Supportive Housing for Persons with Disabilities	Business Activities	Section 8 Housing Assistance Payments Program_Special Allocations	N/C S/R Section 8 Programs	Section 8 Moderate Rehabilitation Single Room Occupancy	Resident Opportunity and Supportive Services	Section 8 Housing Choice Vouchers
11610	Land Purchases								
11620	Building Purchases								
11630	Furniture & Equipment-Dwelling Purchases								
11640	Furniture & Equipment-Admin Purchases								
11650	Leashold Improvements Purchases								
11660	Infrastructure Purchases								
13901	Replacement Housing Factor Funds								

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
111	Cash - Unrestricted					\$1,901,513	\$90,271		\$6,805,923
112	Cash - Restricted - Modernization and Development								\$1,450,012
113	Cash - Other Restricted		\$2,035,171				\$1,453,450		\$4,170,941
114	Cash - Tenant Security Deposits						\$33,513		\$108,791
115	Cash - Restricted for Payment of Current Liability								\$32,631
100	Total Cash	\$0	\$2,035,171		\$0	\$1,901,513	\$1,577,234	\$0	\$12,568,298
121	Accounts Receivable - PHA Projects								\$0
122	Accounts Receivable - HUD Other Projects								\$617,926
124	Accounts Receivable - Other Government			\$121	\$4,229	\$404,457			\$709,292
125	Accounts Receivable - Miscellaneous					\$2,048			\$3,052
126	Accounts Receivable - Tenants				\$66		\$10,535		\$188,331
126.1	Allowance for Doubtful Accounts - Tenants				(\$66)				(\$35,353)
126.2	Allowance for Doubtful Accounts - Other					(\$142,280)			(\$142,280)
127	Notes, Loans, & Mortgages Receivable - Current					\$442	\$983		\$5,199
128	Fraud Recovery								\$31,504
128.1	Allowance for Doubtful Accounts - Fraud								(\$31,504)
129	Accrued Interest Receivable		\$89,802						\$159,202
120	Total Receivables, Net Of Allowance For Doubtful Accounts	\$0	\$89,802	\$121	\$4,229	\$264,667	\$11,518	\$0	\$1,505,369
131	Investments - Unrestricted								\$1,628,651
132	Investments - Restricted					\$672,726			\$685,539
135	Investments - Restricted for Payment of Current Liability					\$0			\$0
142	Prepaid Expenses and Other Assets					\$55,136	\$30,262		\$220,076
143	Inventories								\$0
143.1	Allowance for Obsolete Inventories								\$0
144	Inter Program - Due From					\$316,298			\$0
150	Total Current Assets	\$0	\$2,124,973	\$121	\$4,229	\$3,210,340	\$1,619,004	(\$316,298)	\$16,607,933
161	Land					\$333,250			\$12,535,107
162	Buildings					\$3,569,688	\$25,445,695		\$61,855,851
163	Furniture, Equipment & Machinery - Dwellings					\$63,115	\$400,131		\$2,521,824
164	Furniture, Equipment & Machinery - Administration					\$866,475			\$2,379,281

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
165	Leasehold Improvements					\$18,263	\$6,723,967		\$12,582,561
166	Accumulated Depreciation					(\$1,621,528)	(\$2,837,193)		(\$14,307,723)
167	Construction In Progress								\$121,132
168	Infrastructure								\$2,220,736
160	Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0		\$0	\$3,229,263	\$29,732,600	\$0	\$79,908,769
171	Notes, Loans, and Mortgages Receivable - Non-Current		\$7,880,442			\$235,274			\$10,716,151
172	Notes, Loans, and Mortgages Receivable - Non-Current - Past Due								\$1,625
173	Grants Receivable - Non-Current								
174	Other Assets						\$319,622		\$319,622
176	Investment in Joint Venture								\$0
180	Total Non-Current Assets	\$0	\$7,880,442	\$0	\$0	\$3,464,537	\$30,052,222	\$0	\$90,946,167
190	Total Assets	\$0	\$10,005,415	\$121	\$4,229	\$6,674,877	\$31,671,226	(\$316,298)	\$107,554,100
200	Deferred Outflow of Resources					\$296,171			\$296,171
290	Total Assets and Deferred Outflow of Resources	\$0	\$10,005,415	\$121	\$4,229	\$6,971,048	\$31,671,226	(\$316,298)	\$107,850,271

Line Item No.	Account Description	Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
312	Accounts Payable <= 90 Days					\$96,313	\$37,001		\$535,256
321	Accrued Wage/Payroll Taxes Payable					\$162,630			\$264,069
322	Accrued Compensated Absences - Current Portion					\$14,989			\$30,033
325	Accrued Interest Payable						\$0		\$1,995
331	Accounts Payable - HUD PHA Programs								\$4,719
332	Accounts Payable - PHA Projects								
333	Accounts Payable - Other Government		\$288		\$10		\$0		\$4,104
341	Tenant Security Deposits						\$33,313		\$108,591

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
342	Unearned Revenue						\$3,663		\$9,088
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds								\$185,021
345	Other Current Liabilities					\$0	\$1,436		\$34,067
346	Accrued Liabilities - Other					\$0	\$22,581		\$109,992
347	Interprogram Due To		\$27	\$121	\$4,219			(\$316,298)	\$0
348	Loan Liability - Current						\$0		\$0
310	<b>Total Current Liabilities</b>	\$0	\$315	\$121	\$4,229	\$273,932	\$97,994	(\$316,298)	\$1,286,935
351	Long Term Debt, Net Of Current-Capital Projects/Mortgage Revenue Bonds						\$10,724,532		\$30,034,634
352	Long Term Debt, Net Of Current-Operating Borrowings								\$690,000
353	Non-Current Liabilities - Other						\$103,084		\$193,058
354	Accrued Compensated Absences - Non-Current					\$284,786			\$574,391
355	Loan Liability - Non-Current								\$0
357	Net Pension Liability					\$3,718,792			\$3,718,792
350	<b>Total Non-Current Liabilities</b>	\$0	\$0	\$0	\$0	\$4,003,578	\$10,827,616	\$0	\$35,210,875
300	<b>Total Liabilities</b>	\$0	\$315	\$121	\$4,229	\$4,277,510	\$10,925,610	(\$316,298)	\$36,497,810
400	<b>Deferred Inflow of Resources</b>					\$689,918			\$689,918
508.4	Net Investment In Capital Assets		\$0		\$0	\$3,229,263	\$19,008,068		\$49,689,114
511.4	Restricted Net Position		\$2,035,171		\$0	\$0	\$1,453,450		\$6,216,518
512.4	Unrestricted Net Position		\$7,969,929		\$0	(\$1,225,643)	\$284,098		\$14,756,911
513	<b>Total Equity/Net Position</b>	\$0	\$10,005,100	\$0	\$0	\$2,003,620	\$20,745,616	\$0	\$70,662,543
600	<b>Total Liabilities, Deferred Inflow of Resources and Equity/Net Position</b>	\$0	\$10,005,415	\$121	\$4,229	\$6,971,048	\$31,671,226	(\$316,298)	\$107,850,271

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
Line Item No.	Account Description	Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
70300	Net Tenant Rental Revenue						\$377,189		\$2,449,258
70400	Tenant Revenue - Other						\$25,626		\$190,935
70500	Total Tenant Revenue				\$0	\$0	\$402,815	\$0	\$2,640,193
70600	HUD PHA Operating Grants	\$58,308							
70610	Capital Grants						\$0	\$0	\$160,967,017
70700	Total Fee Revenue								\$339,749
70710	Management Fee					\$2,211,518		(\$2,211,518)	\$0
70720	Asset Management Fee					\$30,852		(\$30,852)	\$0
70730	Book-Keeping Fee					\$882,485		(\$882,485)	\$0
70750	Other Fees for Service					\$216,959			\$216,959
70700	Total Fee Revenue	\$0	\$0		\$0	\$3,341,814	\$0	(\$3,124,855)	\$216,959
70800	Other Government Grants								\$149,789
71100	Investment Income - Unrestricted			\$1,644	\$56,948	\$616			\$29,526
71400	Fraud Recovery				\$30				\$41,764
71500	Other Revenue		\$325		\$0	\$6,534	\$524,201		\$3,658,066
71600	Gain Or Loss On Sale Of Capital Assets					\$5,700			\$307,015
72000	Investment Income - Restricted		\$75,492				\$2,399		\$122,925
70000	<b>Total Revenue</b>	\$58,308	\$75,817	\$1,644	\$56,978	\$3,354,664	\$929,415	(\$3,124,855)	\$168,473,003

Line Item No.	Account Description	Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
91100	Administrative Salaries					\$1,748,715	\$60,222		\$4,243,006

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
91200	Auditing Fees					\$1,533	\$21,636		\$69,281
91300-010	Management Fee to COCC				\$3,738			(\$2,211,518)	\$0
91300-020	Management Fee to 3rd Party						\$56,250		\$310,955
91310	Book-keeping Fee							(\$882,485)	\$0
91400	Advertising and Marketing					\$228	\$318		\$13,677
91500	Employee Benefit Contributions - Administrative					\$422,359	\$14,571		\$1,439,564
91600	Office Expenses					\$293,106	\$13,254		\$755,794
91700	Legal Expense					\$16,259	\$5,226		\$92,599
91800	Travel					\$12,056	\$0		\$57,256
91900	Other		\$2,020	\$1,264		\$86,858	\$15,885		\$296,584
91000	<b>Total Operating- Administrative</b>	\$0	\$2,020	\$1,264	\$3,738	\$2,581,114	\$187,362	(\$3,094,003)	\$7,278,716
92000	Asset Management Fee						\$20,712	(\$30,852)	\$0
92100	Tenant Services - Salaries	\$37,768		\$380		\$981			\$933,329
92200	Relocation Costs						\$0		\$5,865
92300	Employee Benefit Contributions - Tenant Services	\$20,540				\$296			\$208,149
92400	Tenant Services - Other	\$0							\$214,011
92500	<b>Total Tenant Services</b>	\$58,308	\$0	\$380	\$0	\$1,277	\$0	\$0	\$1,361,354
93100	Water								
93200	Electricity					\$1,939	\$60,313		\$123,696
93300	Gas					\$14,715	\$13,673		\$220,509
93600	Sewer					\$1,403			\$16,308
93800	Other Utilities Expense					\$1,197	\$77,992		\$252,494
93000	<b>Total Utilities</b>	\$0			\$0	\$19,254	\$151,978		\$25,911
94100	Ordinary Maintenance and Operations - Labor								\$638,918
94200	Ordinary Maintenance and Operations - Materials and Other						\$120,921		\$387,722
94300	Ordinary Maintenance and Operations - Contracts					\$1,088	\$25,232		\$148,609
94500	Employee Benefit Contributions - Ordinary Maintenance					\$176,167	\$156,465		\$844,689
94000	<b>Total Maintenance and Operations</b>	\$0	\$0		\$0	\$177,255	\$330,058		\$1,506,123



Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
95200	Protective Services - Other Contract Costs								\$3,107
95000	<b>Total Protective Services</b>	\$0	\$0		\$0	\$0	\$0	\$0	\$3,107
96110	Property Insurance				\$0	\$2,117	\$55,469		\$142,360
96120	Liability Insurance				\$0	\$15,454			\$144,746
96140	All Other Insurance				\$0				\$0
96100	<b>Total Insurance Premium</b>	\$0			\$0	\$17,571	\$55,469		\$287,106
96200	Other General Expenses								
96210	Compensated Absences					\$54,448	\$30,303		\$464,762
96300	Payments in Lieu of Taxes					\$212,923			\$527,435
96400	Bad Debt - Tenant Rents					\$0	\$27,858		\$100,867
96600	Bad Debt-Other					\$74,577			\$99,766
96800	Severance Expense					\$20,357			\$73,720
96000	<b>Total Other General Expenses</b>	\$0	\$0		\$0	\$362,305	\$84,378	\$0	\$20,357
96710	Interest of Mortgage or Bonds Payable					\$0	\$0		\$1,286,907
96720	Interest on Notes Payable						\$0		\$381,005
96730	Amortization of Bond Issue Costs						\$125,151		\$125,151
96700	<b>Total Interest Expense and Amortization Cost</b>	\$0	\$0		\$0	\$0	\$125,151	\$0	\$506,156
96900	<b>Total Operating Expenses</b>	\$58,308	\$2,020	\$1,644	\$3,738	\$3,158,776	\$955,108	(\$3,124,855)	\$12,868,387
97000	<b>Excess Revenue over Operating Expenses</b>	\$0	\$73,797	\$0	\$53,240	\$195,888	(\$25,693)	\$0	\$155,604,616
97300	Housing Assistance Payments								
97350	HAP - Portability-In				\$53,549				\$153,198,835
97400	Depreciation Expense								\$28,067
90000	<b>Total Expenses</b>	\$58,308	\$2,020	\$1,644	\$57,287	\$3,323,420	\$1,009,152	(\$3,124,855)	\$2,318,193
10010	Operating Transfer In								\$168,413,482
10020	Operating Transfer Out		\$142			\$131,250			\$226,626
			(\$44,974)			(\$50,260)			(\$226,626)

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
10040	Operating Transfers From / To Component Unit						\$0		\$0
10080	Special Items, Net Gain/Loss					(\$17,119)			(\$1,491,895)
10091	Inter-Project Excess Cash Transfer In								\$101,531
10092	Inter-Project Excess Cash Transfer Out								(\$101,531)
10093	Transfers Between Programs and Projects In					\$0			\$196,831
10094	Transfers Between Programs and Projects Out		(\$183,320)			(\$5,865)			(\$196,831)
10100	<b>Total Other Financing Sources (Uses)</b>	\$0	(\$228,152)	\$0	\$0	\$58,006	\$0		(\$1,491,895)
10000	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	\$0	(\$154,355)	\$0	(\$309)	\$89,250	(\$1,034,845)	\$0	(\$1,432,374)

Line Item No.	Account Description	Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
11020	Required Annual Debt Principal Payments		\$10,159,455			\$0	\$813,338		\$990,915
11030	Beginning Equity				\$309	\$6,494,874	\$21,780,461		\$76,599,776
11040-010	Prior Period Adjustments and Correction of Errors					(\$4,460,504)			(\$4,504,859)
11040-070	Equity Transfer					(\$120,000)			\$0
11040	<b>Prior Period Adjustments, Equity Transfers and Correction of Errors</b>					(\$4,580,504)			(\$4,504,859)
11170	Administrative Fee Equity								\$0
11180	Housing Assistance Payments								\$318,276
11190	Unit Months Available				110		1644		374349
11210	Unit Months Leased				110		1556		355220
11270	Excess Cash								\$516,151

Line Item No.	Account Description	PIH Family Self-Sufficiency	Revitalization of Severely Distressed Public Housing	State and Local actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke	State/Local	Central Office Cost Center	Component Units	Elimination	Primary Govt
11610	Land Purchases								\$41,710
11620	Building Purchases								\$196,990
11630	Furniture & Equipment-Dwelling Purchases								\$0
11640	Furniture & Equipment-Admin Purchases								\$0
11650	Leashold Improvements Purchases								\$80,777
11660	Infrastructure Purchases								\$0
13901	Replacement Housing Factor Funds								\$191,162

# Actual Modernization Cost Certificate

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

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

## Capital Fund Program (CFP)

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

Do not send this form to the above address.

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

PHA Name:

Bremerton Housing Authority

Modernization Project Number:

WA19P003501-11

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

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

A. Funds Approved	\$ 512,482.00
B. Funds Disbursed	\$ 512,482.00
C. Funds Expended (Actual Modernization Cost)	\$ 512,482.00
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 PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

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

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

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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

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

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

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

Kurt Wiest - Executive Director

Signature of Executive Director (or Authorized Designee):

X 


Date:

8/18/2015

For HUD Use Only

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

Approved for Audit (Director, Office of Public Housing)

X 

Date:

08/24/2015

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

Approved: (Director, Office of Public Housing)

X

Date:

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

# Actual Modernization Cost Certificate

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

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

## Capital Fund Program (CFP)

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

Do not send this form to the above address.

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

PHA Name:

Bremerton Housing Authority

Modernization Project Number:

WA19R003502-13

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

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

A. Funds Approved	\$ 16,612.00
B. Funds Disbursed	\$ 16,612.00
C. Funds Expended (Actual Modernization Cost)	\$ 16,612.00
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 PHA have been fully paid;

4. That there are no undischarged mechanics', laborers', contractors', or material-men's liens against such modernization work on file in any public office where the same should be filed in order to be valid against such modernization work;

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

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

7. Please mark one:

☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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

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

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

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

Kurt Wiest - Executive Director

Signature of Executive Director (or Authorized Designee):

X 

Date:

8/18/2015

For HUD Use Only

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

Approved for Audit (Director, Office of Public Housing)

X 

Date:

08/24/2015

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

Approved: (Director, Office of Public Housing)

X

Date:

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

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

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