Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Housing Authority of Thurston County

Audit Period
July 1, 2011 through June 30, 2012

Report No. 1009311

Issue Date
March 18, 2013

WASHINGTON
TROY KELLEY
STATE AUDITOR

Washington State Auditor
Troy Kelley

March 18, 2013

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of Thurston County'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 X. Kelley

TROY KELLEY
STATE AUDITOR

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • TDD Relay (800) 833-6388

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July 1, 2011 through June 30, 2012

Federal Summary

Housing Authority of Thurston County
July 1, 2011 through June 30, 2012

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

FINANCIAL STATEMENTS

An unqualified opinion was issued on the basic financial statements.

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 unqualified opinion on the Housing Authority's compliance with requirements applicable to its major federal program.

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 was a major program during the period under audit:

CFDA No.	Program Title
14.871	Housing Voucher Cluster - Section 8 Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $480,424.

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 in Accordance with *Government Auditing Standards*

Housing Authority of Thurston County
July 1, 2011 through June 30, 2012

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

We have audited the basic financial statements of the Housing Authority of Thurston County, Washington, as of and for the year ended June 30, 2012, and have issued our report thereon dated February 20, 2013.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

February 20, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Housing Authority of Thurston County
July 1, 2011 through June 30, 2012

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

COMPLIANCE

We have audited the compliance of the Housing Authority of Thurston 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 its major federal program for the year ended June 30, 2012. The Housing Authority's major federal program is identified in the Federal Summary. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

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

In our opinion, the Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

INTERNAL CONTROL OVER COMPLIANCE

The management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, the Board of Commissioners, federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

February 20, 2013

Independent Auditor's Report on Financial Statements

Housing Authority of Thurston County
July 1, 2011 through June 30, 2012

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

We have audited the accompanying basic financial statements of the Housing Authority of Thurston County, Washington, as of and for the year ended June 30, 2012, as listed on page 9. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Thurston County, as of June 30, 2012, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 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 the 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The accompanying Financial Data Schedule is 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 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 financial statements or to the 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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

February 20, 2013

Financial Section

Housing Authority of Thurston County
July 1, 2011 through June 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

SUPPLEMENTARY INFORMATION

As management of the Housing Authority of Thurston County ("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 June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements.

Financial Highlights

- At June 30, 2012, the Housing Authority's assets exceeded its liabilities (net assets) by $14.52 million. Of this amount, $4.13 million (unrestricted net assets) may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.

- The Housing Authority's restricted cash balances decreased from the previous year by $1.2 million and totaled $1.3 million at the end of the fiscal year. This decrease is primarily due to the use of $1.1 million of the Housing Choice Voucher Net Restricted Assets (NRA) to pay rental assistance for Housing Authority clients. The NRA is restricted to pay housing assistance for Housing Choice Voucher clients.

- As of June 30, 2012, the Housing Authority's new construction project located in Tumwater, Washington is near completion and was renting units in September, 2012. Capital assets increased in 2012 by $3.9 million of which $3.3 million is construction in progress.

- Total revenues for the year ended June 30, 2012 of $19.9 million decreased from the prior year by $1.6 million. Total expenses for the year of $19.4 million resulted in an increase of $0.4 million compared to the prior year. The increase in net assets for the year ended June 30, 2012 of $0.5 million is primarily due to the $1.3 million state and local capital grants and the $1.1 million decrease in Net Restricted Assets.

Overview of the Financial Statements

The financial statements included in this report are those of a special-purpose government engaged only in business-type activities. The following statements are included:

- Statement of Net Assets -- reports the Housing Authority's current financial resources (short-term spendable resources) with capital assets and long-term debt obligations.

- Statement of Revenues, Expenses, and Changes in Net Assets -- reports the Housing Authority's operating and non-operating revenues by major source, along with operating and non-operating expenses and capital contributions.

- Statement of Cash Flows -- reports the Housing Authority's cash flows from operating, investing, and capital and non-capital financing activities.

Financial Analysis of the Housing Authority

The following table summarizes net assets at June 30, 2012 and 2011:

CONDENSED STATEMENT OF NET ASSETS

	2012	2011
Assets		
Current and other assets	$ 5,881,140	$ 6,677,008
Non-current assets	22,802,186	19,405,671
Total assets	28,683,326	26,082,679
Liabilities		
Current liabilities	1,084,940	1,063,163
Non-current liabilities	13,078,462	10,978,534
Total liabilities	14,163,402	12,041,697
Net Assets		
Invested in capital assets, net of related debt	9,535,430	8,201,050
Net Restricted Assets – Housing Choice Vouchers	916,575	1,986,830
Unrestricted	4,067,919	3,853,102
Total net assets	$14,519,924	$14,040,982

The Housing Authority's 2012 current assets exceed current liabilities by $4.8 million, for a current ratio of 5.4. The current ratio is a measure of the ability to pay debts as they become due.

The Housing Authority has $350,709 in cash that is restricted to pay tenant security deposits, client escrow deposits and Down Payment Assistance revolving loan fund and $0.9 million of cash that is restricted by HUD to pay housing assistance payments for Housing Choice Voucher participants.

Capital assets increased by $3.4 million of which $3.3 million is construction in progress for the development of 40 new units at Sequoia Landing (Littlerock Road project) in Tumwater, Washington. The Housing Authority completed Sequoia Landing in September, 2012.

The reduction in current assets of $0.8 million is primarily due to the use of $1.1 million Net Restricted Assets. These funds are restricted by HUD to be used for rental assistance in the Housing Choice Voucher program.

The following table summarizes changes in net assets for the year ended June 30, 2012 and 2011:

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2012	2011
Revenues		
Operating revenue	$ 3,594,803	$ 3,480,537
Investment income	49,297	76,390
Non-operating grants	14,811,749	16,243,033
State and local capital grants	1,335,834	1,407,695
Non-operating misc income	62,219	242,737
Total revenues	19,853,902	21,450,392
Expenses		
Housing assistance payments	13,383,946	12,675,254
Salaries, benefits and taxes	2,380,990	2,431,029
Maintenance and operations	2,184,522	2,485,829
Other operating expenses	521,931	542,487
Depreciation and amortization	515,980	496,618
Total Operating Expenses	18,987,369	18,631,217
Interest expense	386,992	382,395
Loss on Capital Asset Disposition	599	0
Total Non-operating Expenses	387,591	382,395
Total expenses	19,374,960	19,013,612
Changes in net assets	478,942	2,436,780
Net assets, beginning of year	14,040,982	11,604,202
Net assets, end of year	$ 14,519,924	$ 14,040,982

The Housing Authority's operating revenues increased $114,266 or 3.3% from the prior year, while operating expenses increased $356,152 or 1.9% resulting in an increase in net operating loss of $241,886 or 1.6%

Revenues are derived from various sources with approximately 71.8% received either directly from the U.S. Department of Housing and Urban Development (HUD) or indirectly through the state and local governments from HUD and other Federal agencies, 9.5% received from state and local agencies, 17.8% generated from rental of Housing Authority-owned properties, and 0.9% from other sources.

The Housing Authority's most significant expenses are salaries, employee benefits and taxes, housing assistance payments, and maintenance and operations.

Salaries expense decreased 4.9% over the prior year and was 47.4% of operating revenue for the year ended June 30, 2012. The decrease is due to reduction in staff positions.

Employee benefits and taxes, representing 18.9% of operating revenues for the year ended June 30, 2012, increased 2.1% from the prior year, primarily due to increases in retirement and benefit costs.

Housing assistance payments, representing 372.2% of operating revenues, increased 5.6% primarily due to an increase in unit months leased in the Housing Choice Voucher program (HCV). The HCV program is on a calendar year end. The second half of the 2011 contract and the first half of the 2012 contract are included in the Housing Authority's fiscal year end June 30, 2012. The Housing Authority is given a budget authority by the Federal government with a ceiling on both dollars and unit months leased in the contract year. In order to achieve 100% lease up, participation is monitored and projected on a monthly basis for the contract year. If the projections indicate less than 100% lease up, clients are added to increase the unit counts. If projections of participation indicate the program will exceed the units budgeted, no new participants are added and normal attrition reduces the units to acceptable levels. For the second half of the 2011 contract, the projections indicated a need to increase the number of participants in order to achieve 100% of the budgeted units for the year. Beginning January 2012, the efforts in 2011 caused higher utilization in the first half of the 2012 contract. The result of this fluctuation in the unit months leased and a 4.8% increase in average rental assistance per household, caused an increase of housing assistance payments for the HCV program for the fiscal year end June 30, 2012 over 2011 of $0.8 million or 6.8%.

Maintenance and operations expense, representing 60.8% of operating revenues for the year ended June 30, 2012, decreased 12.1% from the prior year, primarily due to the Neighborhood Stabilization Program in 2011 not included in 2012.

Management's analysis of the Authority's overall position and results of operations is a modest improvement. Net assets and changes in net assets may be used as a measure of the financial health of an organization. In 2012, the Housing Authority's net assets increased by $478,942 or 3.4% compared to the prior year's net assets. This year's increase is primarily due to the $1.34 million state and local capital grants received to help fund the construction of an additional 40 units at Sequoia Landing (Littlerock Road Project) in Tumwater, Washington. This increase is offset by a reduction is Net Restricted Assets of $1.13 million. Without the effect of the capital grants and decrease in Net Restricted Assets in 2012, the Housing Authority's net assets increased by $272, 765 in 2012 and $457,176 in 2011.

Capital asset and debt administration

Capital assets

Detailed information regarding the Housing Authority's capital assets may be found in Note 4 to the financial statements. The following table summarizes the changes in capital assets between fiscal years 2011 and 2012:

	June 30, 2011	June 30, 2012	Net Change
Land	$ 4,373,152	$ 4,489,585	$ 116,433
Buildings and improvements	17,068,113	17,504,012	435,899
Equipment	579,741	587,643	7,902
Construction in progress	1,045,524	4,351,427	3,305,903
Totals	23,066,530	26,932,667	3,866,137
Accumulated depreciation	(5,054,171))	(5,559,362)	(505,191)
Capital assets, net	$ 18,012,359	$ 21,373,305	$ 3,360,946

On July 9, 2010 the Housing Authority entered into a contract to purchase land on Littlerock Road in Tumwater, Washington for $675,000 on which 40 units of rental housing will be constructed. The total cost of the project is estimated at $6,779,095. This project was funded by a grant from the Housing Finance Commission for $2,500,000, a grant from Thurston County for $400,000, bank financed debt of $3,568,621 and Housing Authority funds of $310,474. The units are available to lease September, 2012. Construction in progress costs of this project as of June 30, 2012 is $4,169,409.

In addition, on January 23, 2012, the Housing Authority purchased a dilapidated property on Golf Club Road in Lacey, Washington for $150,000. The current tenants were assisted in there move out and the building was demolished. The lot will accommodate a three unit complex that is adjacent to an existing three unit complex and a single family residence currently owned by the Housing Authority.

The Housing Authority has a preventative maintenance program to preserve the value and extend the life of its housing assets. The Housing Authority invested $530,904 in repairs, maintenance, and minor capital replacements for its buildings and equipment during the recent fiscal year. Additionally, the Housing Authority sets aside cash in capital replacement reserves for future expenditures.

Long-term Liabilities

The Housing Authority typically issues various types of debt obligations, including installment notes, deferred notes and revenue bonds to finance the acquisition and construction of assets. Detailed information regarding the Housing Authority's outstanding long-term debt may be found in Note 8 to the financial statements. At June 30, 2012 the Housing Authority had deferred loans payable and net long-term debt outstanding in the amount of $11.4 million.

On August 25, 2004, the Housing Authority entered into an agreement with Heritage Savings Bank providing for the issuance of a single pooled refunding revenue bond of the Authority in a principal amount not to exceed $8,300,000. The proceeds of the bond were used to refund all of the Authority's Housing Revenue Bonds, 1993 (Surrey Lane Project), Housing Revenue Bonds, 1993 (Forest Park Project – Olympia Crest), and Housing Revenue Bonds, 1994 (Villa Granada Project – Falls Pointe), and to pay the costs of issuing the bond. Refunding of the Authority's revenue bonds occurs on interest payment dates of September 1, 2004 for Olympia Crest (Forest Park), January 1, 2005 for Surrey Lane, and February 1, 2005 for Falls Pointe (Villa Granada). In addition, $221,724 of the proceeds, along with $117,159 of cash, was used to pay off a loan secured by the Shadow Wood apartment complex.

In October, 2003, the Housing Authority entered into a contract with the Washington State Department of Community Trade and Economic Development (DCTED) to administer a revolving fund. As of June 30, 2012, the Housing Authority has assisted 35 families with their first-time home purchases and the balance at year end is $1,340,503. Detailed information regarding the Housing Authority's outstanding long-term liability may be found in Note 7 to the financial statements.

Beginning in fiscal year 2009, the Housing Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how housing authorities should account for and report their costs related to post-employment health care and other non-pension benefits. The net OPEB obligation as of June 30, 2012 is $316,532. Detailed information regarding the Housing Authority's outstanding long-term liability may be found in Note 13 to the financial statements.

Contacting the Housing Authority's Financial Management

The financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information should be addressed to the Executive Director of the Housing Authority of Thurston County. The Housing Authority's offices are located at 1206 12th Avenue SE, Olympia, Washington 98501. The telephone number is (360) 753-8292.

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	3,677,394
Accounts receivable		878,790
Mortgage receivable - current portion		31,632
Restricted cash and cash equivalents		1,267,284
Other current assets		26,040
Total current assets		5,881,140
NONCURRENT ASSETS:		
Capital assets--net		21,373,305
Mortgage receivable		1,272,738
Bond issue costs - net		156,143
Total noncurrent assets		22,802,186
Total assets	$	28,683,326

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	$	210,191
Accued taxes payable		2,643
Deferred Revenue		-
Accrued compensated absences		141,016
Current portion of long-term debt		416,448
Payable from restricted assets:		
Tenant security deposits		169,316
Escrow deposits payable		145,326
Total current liabilities		1,084,940
LONG-TERM LIABILITIES:		
Revolving loan fund		1,340,503
Deferred loans payable		1,361,892
Long-term debt--net		10,059,535
Net OPEB Obligaton		316,532
Total long-term liabilities		13,078,462
Total liabilities		14,163,402

NET ASSETS

Invested in capital assets, net of related debt		9,535,430
Net Restricted Assets - Housing Choice Vouchers		916,575
Unrestricted		4,067,919
Total net assets	$	14,519,924

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

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended June 30, 2012

OPERATING REVENUES:	
Tenant rental revenue	$ 3,520,328
Commercial rental revenue	48,000
Miscellaneous income	26,475
Total operating revenues	3,594,803
OPERATING EXPENSES:	
Salaries	1,703,118
Employee benefits & taxes	677,872
Housing assistance payments	13,383,946
Maintenance & operations	2,184,522
Professional services	36,572
Insurance	59,232
Operating expenses	426,127
Depreciation and amortization	515,980
Total operating expenses	18,987,369
Operating income (loss)	(15,392,566)
NON-OPERATING REVENUES (EXPENSES):	
Federal program grants	14,260,098
State and local program grants	551,651
Interest income	49,297
Interest expense	(386,992)
Loss on Capital Asset Disposition	(599)
Miscellaneous income	62,219
Net non-operating revenues before capital contributions	14,535,674
Income before capital contributions	(856,892)
State and local capital grants	1,335,834
INCREASE IN NET ASSETS	478,942
NET ASSETS, beginning of year	14,040,982
NET ASSETS, end of year	$ 14,519,924

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

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and funders	$ 3,507,801
Cash payments to suppliers for goods and services	(16,014,408)
Cash payments to employees for services	(2,370,383)
Net cash used by operating activities	(14,876,990)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Payments received on DPA Mortgages	(44,867)
Operating grants received	14,474,587
Net cash provided by non-capital financing activities	14,429,720
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on revenue bonds and other debt	(407,145)
Interest paid on revenue bonds and other debt	(375,907)
Proceed on revenue bonds and other debt	2,422,626
Proceeds on capital grants	1,335,834
Proceed on sale of capital asset	900
Purchases of property and equipment	(3,868,235)
Net cash used by capital and related financing activities	(891,927)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income received	59,953
Net cash provided (used) by investing activities	59,953
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,279,244)
CASH AND CASH EQUIVALENTS, at beginning of year	6,223,922
CASH AND CASH EQUIVALENTS, at end of year	$ 4,944,678
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (15,392,566)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and Amortizaton expense	515,980
Net OPEB Obligation	93,265
Changes in current assets and liabilities:	
Increase in operating accounts receivable	(99,457)
Increase in operating other current assets	35,727
Derease in accounts payable	(40,410)
Increase in accrued taxes payable	91
Decrease in accrued compensated absences	10,516
Tenant security deposits received	27,048
Tenant security deposits refunded	(14,593)
Escrow deposits received	77,429
Escrow deposits paid out	(90,020)
Net cash provided (used) by operating activities	$ (14,876,990)

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

The following notes are an integral part of the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Housing Authority of Thurston County (HATC) was organized pursuant to the laws of the State of Washington for the purpose of providing safe, decent, sanitary and affordable housing to low-income families in Thurston County, Washington. The Authority, established in 1971 by a resolution by Thurston County, operates under the laws of the State of Washington applicable to Housing Authorities (Chapter 35.82 RCW).

The accounting policies of HATC conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the most significant policies (including identification of those policies which result in departures from generally accepted accounting principles):

a. <u>Reporting Entity:</u>
The Housing Authority is a municipal corporation governed by an appointed six member board. As required by generally accepted accounting principles, management has considered all potential component units in defining the reporting entity. HATC has no component units.

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

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

Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred.3 Capital asset purchases are capitalized and long-term liabilities are accounted for in the fund.

c. <u>Budgetary Data</u>:
Budget procedures are mandated by HUD. The budget, as adopted by the Housing Authority and partially approved by HUD, constitutes the authority for expenditures. The partially approved budget by HUD includes the Housing Choice Voucher, Moderate Rehabilitation and Single Room Occupancy (SRO) programs.

d. <u>Vacation and Sick Leave Benefits</u>:
All regular full-time and part-time employees are eligible to accrue annual leave based upon length of employment. Regular full-time employees accrue sick leave at a rate of one sick day (eight hours) for each month of continuous service. Regular part-time employees accrue sick leave at a rate determined by multiplying the employee's full-time equivalency rate by eight hours.

All accrued unused annual leave will be paid out upon termination of employment. Regular employees who have completed five years of continuous employment with the HATC who are leaving HATC due to retirement pursuant to the Public Employees Retirement System or due to death will be partially paid for accumulated sick leave. Under no other circumstances are payments made for accrued, unused sick leave.

In addition, non-exempt employees are allowed to accumulate compensatory time in lieu of overtime pay. Compensatory time, if elected, shall accrue at the rate of one-and-one-half hours for each hour of overtime worked. All accrued, unused compensatory time will be paid out upon termination of employment. Compensated absences payable, as reported on the balance sheet, is based on the accrued annual leave and compensatory time balances as of June 30, 2012.

e. Capital Assets:

Property and equipment purchases are recorded at cost. The Housing Authority's policy is to capitalize purchased property and equipment with a cost greater than $1,200 for the capital projects and those with a cost greater than $5,000 for all other funds. Maintenance and repairs are charged to expenses as incurred; major improvements are capitalized. Depreciation is calculated on the straight-line basis over the estimated useful lives of the respective assets, which are as follows:

Land improvements	5 to 20 years
Buildings and improvements	15 to 40 years
Equipment	5 to 12 years

f. Bond Issuance & Closing Costs:

Debt issue costs are amortized over the period for which the related debt is outstanding.

g. Receivables:

Accounts receivable consist primarily of amounts due from HUD and other governments. These accounts include amounts due for grants, entitlements, and charges for services. An estimate of uncollectible accounts is made annually and an allowance for uncollectible accounts receivable are based on historical trends of accounts receivable write-offs.

h. Mortgages Receivable:

Mortgages receivable consist of second mortgage loans made under a down payment assistance program for first time home buyers. These loans are 0% interest loans secured by a deed of trust and payable upon sale or transfer of title or change of use.

i. Use of Estimates:

The 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 contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

j. Cash and Cash Equivalents:

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

k. Federal Income Taxes:
The Housing Authority is a municipal corporation and is, therefore, exempt from federal income taxes.

l. Public Support and Revenues:
The Housing Authority receives a substantial amount of its funding from HUD. In the event that HUD would discontinue its support because of budget cuts, the Housing Authority could experience a significant loss of support.

m. Operating Revenues/Expenses:
The Housing Authority reports operating revenues as defined in GASB 9. Operating revenues generally result from fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating subsidies and grants are reported as non-operating revenues and are presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those expenses that are directly incurred in the operation of providing low income housing.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents - Cash of the Housing Authority is combined with Thurston County's investment pool. The Authority is invested at 100% of their daily balance for each of its funds. The investment instruments are diversified under the guidelines of the Thurston County Investment Policy and conform to all state statutes, including Chapter 36.29.020 RCW, Chapter 39.58 RCW, Chapter 39.59 RCW and Chapter 43.250 RCW.

The Authority has complete liquidity in all funds under the care of the Thurston County Treasurer. Because of this liquidity, it is never necessary to call funds early for cash management purposes, and the Housing Authority does not hold funds in specific time securities owned exclusively by the Authority. Therefore, all funds on deposit with the Thurston County Treasurer are considered cash equivalents.

As required by Washington State law, the Housing Authority's cash and cash equivalents are limited to obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. Because Washington State law limits the Authority's deposits and investments to those with no risk of loss, the Housing Authority has no policies addressing custodial credit risk. As of June 30, 2012, all of the Housing Authority's cash and cash equivalents are in the Thurston County Investment Pool or in checking and savings accounts with Washington State banks and credit unions. The cash and cash equivalents are recorded at cost plus accrued interest earnings, which approximate fair value.

At June 30, 2012, all cash and cash equivalents of the Housing Authority are fully insured and are held by the Housing Authority, or their agents in the Housing Authority's name.

	Carrying Amount	Fair Value
Local Banks and Credit Unions	$ 187,211	$ 187,211
Thurston County Investment Pool	4,757,467	4,757,467
Total	$ 4,944,678	$ 4,944,678

At June 30, 2012, unrestricted cash and cash equivalents consists of the following--

Amounts designated for maintenance and operating reserves	$	961,920
Amounts designated for Section 8 programs		688,461
Undesignated cash and cash equivalents		2,027,013
Total cash and cash equivalents	$	3,677,394

Restricted cash and cash equivalents consist of the following:

a. Net restricted assets – Housing Choice Voucher (HCV) Program
Housing authorities are required to maintain the balance of rental assistance funds received in excess of expenditures. The cumulative balance of those excesses is referred to as Net Restricted Assets (NRA). The NRA balance is restricted by HUD to be used for HCV rental assistance payments only.

b. FSS payable to tenants:
FSS payable to tenants reflects the accumulated deposits and interest earnings to be paid to the FSS program participants upon their successful completion of the program.

c. Tenant security deposits:
Tenants are required to pay a security deposit at the time they move into one of the Housing Authority's developments. The security deposits are refundable provided that the unit's physical condition is satisfactory at the time the tenant moves out. Security deposit checking accounts have been established to cover the total security deposits payable to tenants.

d. Restricted revolving loan funds
As a provision of the Down Payment Assistance (DPA) program, all funds received to pay off the corresponding mortgages are accounted for separately and restricted for use consistent with the DPA program.

At June 30, 2012, restricted cash and cash equivalents consist of the following--

Housing Choice Voucher Program – Net Restricted Assets	$	916,575
FSS payable to tenants		145,326
Tenant security deposits		169,316
DPA restricted loan funds		36,067
Total restricted cash	$	1,267,284

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2012, accounts receivable consists of the following--

Accounts receivable--federal grants	$	78,088
Accounts receivable--state and local grants		40,281
Accounts receivable--property management companies		148,682
Accounts receivable--portable vouchers		1,096
Accounts receivable--other		550,948
Accounts receivable—over paid HAP		78,733
Allowance for doubtful accounts		(19,038)
Total accounts receivable	$	878,790

NOTE 4 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the year ended June 30, 2012:

	Balance, Beginning of year	Additions	Retirements	Balance, End of year
Capital assets not being depreciated:				
Land	$ 4,373,152	$ 116,433	$	$ 4,489,585
Construction in Progress	1,045,524	3,311,298	5,395	4,351,427
Total capital assets not being depreciated	5,418,676	3,427,731	5,395	8,841,012
Capital assets being depreciated				
Buildings and improvements	17,068,113	435,899		17,504,012
Equipment	579,741	10,000	2,098	587,643
Total capital assets being depreciated	17,647,854	445,899	2,098	18,091,655
Less accumulated depreciation	(5,054,171)	(505,790)	(599)	(5,559,362)
Total capital assets being depreciated-net	12,593,683	(59,891)	1,499	12,532,293
Total capital assets - net	$ 18,012,359	$ 3,367,840	$ 6,894	$ 21,373,305

NOTE 5 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents expenditures as of June 30, 2012 on a new development located on Littlerock Road in Tumwater, Washington and a property adjacent to an existing tri-plex in Lacey, Washington that was purchased and demolished to make way for a new tri-plex to be built on the site.

The new development project on Littlerock Road in Tumwater, Washington will consist of 40 units at an estimated cost of $6,779,095 including land. The project is funded by a $3,568,621 tax exempt bond issued by the Washington State Housing Finance Commission (WSHFC) and a $2,500,000 grant from the WSHFC, a $400,000 grant from Thurston County and $310,474 from cash.

NOTE 6 - ACCOUNTS PAYABLE:

At June 30, 2012, accounts payable consists of the following--

Accounts payable—vendors	$	140,231
Accounts payable—HUD		69,960
Total accounts payable	$	210,191

NOTE 7 – REVOLVING LOAN FUND

In October, 2003 the Housing Authority entered into a contract with the Washington State Department of Community Trade and Economic Development (DCTED) to administer a revolving fund. The total award is in the form of a recoverable grant with no expectation of repayment if the Housing Authority is in compliance with the terms and conditions set forth in the agreement for the term of the commitment ending December 31, 2034. Under this agreement, the Housing Authority issues second mortgages in connection with first-time home purchases for eligible low-income families. The second mortgages are secured by a deed of trust and any payments are restricted for the purpose of providing additional opportunities for low-income families to purchase homes. As of June 30, 2012, the Housing Authority has assisted 37 families with their first-time home purchases.

Revolving loan Fund as of June 30, 2012 is summarized as follows:

Beginning Balance	Additions	Reductions	End of Year
$1,348,503	$0	$8,000	$1,340,503

NOTE 8 – LONG-TERM DEBT AND PROPERTY ACQUISTITIONS

The Housing Authority issued a variety of revenue bonds, notes and deferred notes to acquire several of its apartment complexes. Descriptions and terms of the debt issued for each complex are as follows:

1. **Notes Payable**:

   a. **Lake Park Complex – Deferred Note Payable**:
   The Housing Authority executed a Purchase and Sales Agreement in November 1999 for the purchase of an 8-unit apartment complex. The Housing Authority received a deferred note from the Department of Community, Trade and Economic Development Housing Finance Unit to purchase and rehabilitate the eight units in the amount of $470,911. The deferred note is a zero-interest note with payment deferred for twenty-five years and is secured by a Deed of Trust on the property. Seven of the project's eight units must be used for transitional housing for homeless families with children in households that have incomes at or below 50% of Thurston County's median income. If the terms and conditions of the contract have been met, the note will be forgiven on December 31, 2027.

   b. **Mansfield Complex (Referendum 37) – Deferred Note Payable**:
   The Housing Authority originally closed a loan with the City of Olympia in the amount of $20,325 for the purposes of renovating the Mansfield Complex. The City made an additional loan for the complex in the amount of $14,675, and combined the new loan with the original loan by issuing a promissory note in the amount of $35,000. On July 18, 2007, the City of Olympia

issued an additional deferred loan for the purpose of rehabilitation to the complex bringing the total deferred notes payable to $63,560. The notes are secured by a Deed of Trust on the property. Both notes are zero interest notes with payment deferred until the property is sold, provided that the property is used as low-income housing. If the property is no longer used as low-income housing, the note shall be payable in 240 equal monthly payments bearing interest at 12% per annum.

c. <u>Olympia Crest Phase II – Notes Payable:</u>

1. **<u>Deferred note Payable:</u>**
   The Housing Authority received a deferred note payable on May 21, 2008 from the City of Olympia for $360,000 to purchase land adjacent to the existing property on which 24 new units were built. The note is secured by a Deed of Trust on the property. The note is a zero interest note with payment deferred until the property is sold, provided that the property is used as low-income housing. If the property is no longer used as low-income housing, the note shall be payable in 240 equal monthly payments bearing interest at 12% per annum. It is the intent of both the borrower and the lender to renegotiate the terms of this loan agreement every 5 years on or about the anniversary of the loan closing date for the purpose of determining the feasibility of converting this to an installment payment loan at 0%.
2. **<u>Note Payable:</u>**
   The Housing Authority received a contract award of $2,000,000 in April, 2009 from the Department of Community, Trade and Economic Development (CTED) to build 24 units adjacent to the existing Olympia Crest Apartment Complex. The contact is secured by a Deed of Trust on the property. $1,000,000 of the award is a recoverable grant with no expectation of repayment if the terms and conditions of the contract have been met through the term of the commitment that ends on September 30, 2050. The remaining $1,000,000 of the award is a zero interest note with quarterly payment beginning March 31, 2011 with the final payment due March 31, 2045.

d. <u>Horizons West – Notes Payable</u>:
The Housing Authority received two loans from the Department of Community Development (DCD) for the acquisition and rehabilitation of the Horizons West apartment complex. Tenants of this complex must have household income that does not exceed 50% of the median income for Thurston County. Both notes are secured by a Deed of Trust on the property. The terms of the loans are as follows:

1. **<u>Deferred Note Payable</u>**: The Housing Authority received a zero interest note from DCD for $467,421, with terms deferred until sale, refinance, change of use, or fifty years, whichever occurs first.
2. **<u>Amortized Note Payable</u>**: The Housing Authority received an additional note payable from DCD for $151,590. This note requires payments of $3,031.80 per year, 0% interest, and the note matures in December 2043.

2. Bonds Payable:

<u>Refunding Revenue Bond – Heritage Bank:</u>
On August 25, 2004, the Housing Authority entered into an agreement with Heritage Bank providing for the issuance of a single pooled refunding revenue bond of the Authority in a principal amount of $8,300,000. The proceeds of the bond were used to refund all of the Authority's Housing Revenue Bonds, 1993 (Surrey Lane Project), Housing Revenue Bonds, 1993

(Forest Park Project – Olympia Crest), and Housing Revenue Bonds, 1994 (Villa Granada Project – Falls Pointe), and to pay the costs of issuing the bond. In addition, $221,724 of the proceeds, along with $117,159 of cash, was used to pay off a 7.25% loan payable on the Shadow Wood apartment complex. The pooled refunding revenue bond was issued in the aggregate principal amount of $8,300,000, bears an interest rate of 4.90% per annum and matures on August 25, 2024. The unamortized discounts on the refunded bonds payable will be amortized over the life of the pooled refunding revenue bond.

Revenue Bond - Heritage Bank:

On October 28, 2009, the Housing Authority entered into an agreement with Heritage Bank providing for the issuance of a revenue bond of the Authority in a principal amount not to exceed $1,800,000. On June 15, 2011, the Housing Authority modified the Heritage Bank agreement bringing the principal amount down to $1,125,000. The proceeds of the bond were used to build 24 units referred to as Olympia Crest Apartments Phase II. This revenue bond bears an interest rate of 5.50% per annum and matures October 28, 2029.

Multifamily Revenue Bond – Washington Sate Housing Finance Commission:

On May 15, 2011, the Housing Authority entered into an agreement with the Washington State Housing Finance Commission (WSHFC) providing funding for the Littlerock Project with a $2,500,000 grant and issuance of a Multifamily Revenue Bond in the principal amount of $3,568,621. The proceeds of the bond will be used to build 40 units on Littlerock Road in Tumwater, Washington. This bond bears an interest rate of 4.95% per annum and matures June 1, 2043. During the construction period (first 24 months) monthly interest only payments are based on the draws and outstanding balance during the month. Beginning July 1, 2013, monthly principal and interest payments of $19,055.87 are due on the 1st of each month amortized over a 30-year period. The amount of the monthly construction period interest payments will be adjusted after each draw. As of June 30, 2012, total draws on the bond are $2,419,238 and include capitalized interest of $99,008.

Deferred loans payable at June 30, 2012 is summarized as follows--					
DCTED Note payable--Lake Park	$ 470,911	$ -	$ -	$ 470,911	$ -
City of Olympia Note payable--Mansfield	35,000	-	-	35,000	-
City of Olympia Note payable--Mansfield	28,560	-	-	28,560	-
City of Olympia Note payable--Olympia Crest	360,000	-	-	360,000	-
DCD Note payable--Horizons West	467,421	-	-	467,421	-
Total deferred loans payable	$ 1,361,892	$ -	$ -	$ 1,361,892	$ -
Long-term debt at June 30, 2012 is summarized as follows--					
DCD Note payable--Horizons West	$ 100,049	$ -	$ 3,031	$ 97,018	$ 3,032
Bond Payable - Heritage Bank	6,371,851	-	350,729	6,021,122	369,386
HTF Note Payable - Olympia Crest Phase II	1,000,000	-	36,000	964,000	24,000
Bond Payable - Heritage - Olympia Crest Phase II	1,067,865	57,135	17,385	1,107,615	20,030
Construction phase long-term debt as of June 30, 2012 is summarized as follows--					
WSHFC-Bond Payable-Sequoia Landing	53,747	2,365,491	-	2,419,238	-
Total long-term debt	$ 8,593,512	$ 2,422,626	$ 407,145	10,608,993	$ 416,448
Less current portion of long-term debt				(416,448)	
Less discounts on refunded bonds payable				(133,010)	
Long term debt--net				$ 10,059,535	

The annual debt service requirements to maturity for long-term debt as of June 30, 2012 are as follows--

	Principal	Interest
2013	416,448	348,171
2014	485,524	507,762
2015	508,928	557,360
2016	532,257	461,029
2017	559,316	419,910
2018-2022	3,231,953	1,748,548
2023-2027	2,110,008	991,154
2028-2032	1,457,238	703,802
2033-2037	886,675	391,837
2038-2042	208,728	6,671
2043-2046	211,918	-
Totals	$ 10,608,993	$ 6,136,244

NOTE 9 – SPRING COURT COMPLEX

In November 1997, the Housing Authority executed a Purchase and Sales Agreement for the purchase of an eight-unit apartment complex. The Housing Authority, in cooperation with the City of Tumwater, prepared an application to obtain Community Development Block Grant funds to purchase and rehabilitate the complex. The Housing Authority closed on the project July 31, 1998.

The City of Tumwater conveyed the City's interest in the property to the Housing Authority so that the Authority may own, rehabilitate, and manage the complex for the purpose of ensuring that rental rates will be affordable to low and moderate-income households for a period of no less than ten years. The complex serves households that have incomes at or below fifty percent of Thurston County's median income.

NOTE 10 – PENSION PLANS

Substantially all full–time Housing Authority employees and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

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

Plan Description

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

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service. (AFC is the monthly average of the 24 consecutive highest-paid service credit months.) The retirement benefit may not exceed 60 percent of AFC. The monthly benefit is subject to a minimum for PERS Plan 1 retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. If a survivor option is chosen, the benefit is further reduced. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, which is increased 3 percent annually. Plan 1 members may also elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity payable to the age of 60. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60. A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance is granted at age 66 based upon years of service times the COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 1 members can receive credit for military service while actively serving in the military, if such credit makes them eligible to retire. Members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

The surviving spouse or eligible child or children of a PERS Plan 2 member who dies after leaving eligible employment having earned ten years of service credit may request a refund of the member's accumulated contributions. Effective July 22, 2007, said refund (adjusted as needed for specified legal reductions) is increased from 100 percent to 200 percent of the accumulated contributions if the member's death occurs in the uniformed service to the United States while participating in *Operation Enduring Freedom* or *Persian Gulf, Operation Iraqi Freedom.*

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. The defined benefit portion provides a monthly benefit that is 1 percent of the AFC per year of service. (AFC is the monthly average of the 60 consecutive highest-paid service months.)

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

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

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

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. There is no cap on years of service credit and Plan 3 provides the same cost-of-living allowance as Plan 2.

PERS Plan 3 defined contribution retirement benefits are solely dependent upon the results of investment activities.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Director of the Department of Retirement Systems.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service.

These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions. Effective July 24, 2005, a member who becomes totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit. Additionally, PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on-the-job injury.

PERS members may also purchase up to five years of additional service credit once eligible for retirement. This credit can only be purchased at the time of retirement and can be used only to provide the member with a monthly annuity that is paid in addition to the member's retirement benefit.

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction, if the member was not at normal retirement age at death. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Department of Labor and Industries.

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

There are 1,197 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2010:

Retirees and Beneficiaries Receiving Benefits	76,899
Terminated Plan Members Entitled to but not yet Receiving Benefits	28,860
Active Plan Members Vested	105,521
Active Plan Members Non-vested	51,005
Total	**262,285**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at six percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payrolls, as of June 30, 2012, were as follows:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	7.08%	7.08%	7.08%**
Employee	6.00%	4.64%	***

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

The Housing Authority and the employees made all required contributions. The Housing Authority's required contributions, which represent its full liability under the system, for the years ended June 30, were as follows:

2012	$120,920
2011	$ 91,232
2010	$ 89,393

NOTE 11 - DEFERRED COMPENSATION PLAN

The Housing Authority of Thurston County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the State of Washington Committee for Deferred Compensation. The plan, available to eligible employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

In June 1998, the State of Washington Deferred Compensation Program Plan assets were placed in trust for the exclusive benefit of participants and their beneficiaries. Pursuant to GASB Statement 32, since the Housing Authority of Thurston County is no longer the owner of these assets, the plan assets and liabilities are not recorded on the financial statements of the Housing Authority of Thurston County.

NOTE 12 – WASHINGTON HOUSING AUTHORITIES' RISK RETENTION POOL

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

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

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

Coverage limits for General Liability, Errors & Omissions and Property are $2,000,000 per occurrence and $2,000,000 annual aggregate. (Some members have chosen greater Property limits for higher valued properties.) Limits for Automobile Liability are $1,000,000/$1,000,000.

HARRP self insures the full layer of coverage for liability lines ($2,000,000 per occurrence and $2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For property, HARRP retains $2,000,000 and $63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of $65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion. The Housing Authority claims have not exceeded insurance in the past three years.

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

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

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS

Background
Beginning in fiscal year 2009, the Housing Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how housing authorities should account for and report their costs related to post-employment health care and other non-pension benefits. GASB 45 requires the Housing Authority to accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the Housing Authority.

Plan Description and Funding Policy
The Housing Authority provides medical benefits through the Public Employees Benefit Board (PEBB). The plan provides healthcare insurance for eligible retirees and their dependants. The eligible retirees can choose to participate in the plan and pay 100% of the cost. Entities that belong to PEBB have an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. The Housing Authority funds this subsidy on a pay-as-you-go basis.

Annual OPEB cost and Net OPEB Obligation

	FYE 2012	FYE 2011	FYE 2010
Annual required contribution	$107,628	$ 86,837	$ 81,627
Annual OPEB costs	$103,969	84,448	80,479
Estimated pay-as-you-go employer contributions	(10,704)	(6,967)	(4,683)
Net OPEB costs for 2011	93,265	77,481	75,796
Starting Net OPEB Obligation	223,267	145,786	69,990
Net OPEB Obligation	$316,532	$223,267	$145,786

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of the plan for 2012 are $103,969, 10.3% and $93,265, respectively.

Funded Status and Funding Progress
As of June 30, 2012, based on the actuarial date of June 30, 2010, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the Housing Authority's pay-as-you-go policy. Following is the funded status for the plan as of June 30:

	2012	2011	2010
Actuarial value of assets (a)	$ --	$ --	$ --
AAL (b)	891,685	709,264	626,936
UAAL (b-a)	$ 891,685	$ 709,264	$ 626,936
Funded ratio (a/b)	--	--	--
Covered payroll (c)	$1,703,118	$1,822,657	$1,770,043
UAAL as a percentage of covered payroll ((b-a)/c)	52.4%	38.9%	65.4%

Actuarial Methods and Assumptions
The Housing Authority used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the September 30, 2010 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2011. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation.

NOTE 14 – CONTRACTS AND AGREEMENTS

The Housing Authority has agreements with two property management companies for the property management of 456 apartments owned by the Housing Authority located in Olympia, Lacey and Tumwater, Washington. Under the terms of the agreements, the property management companies are responsible for leasing and managing the property, including tenant selection, collection of rents and other receipts, payment of operating expenses, maintenance, and accounting for the property's operations.

In exchange for the services, the Housing Authority pays the property management companies a monthly fixed fee plus a percentage of the total monthly gross receipts from each project.

NOTE 15 – CONTINGENCIES AND LITIGATION

The Housing Authority is occasionally party to various legal proceedings which normally occur in housing authority operations. These legal proceedings have historically been resolved in the Housing Authority's favor, and future legal proceedings are not likely to have a material adverse impact on the affected funds of the Housing Authority. Also, the Housing Authority is covered against litigation through the Housing Authorities' Risk Retention Pool, as discussed in Note 12. At June 30, 2012, the Housing Authority was not aware of any pending or threatened litigation or other contingent liabilities that are required to be accrued or disclosed in the financial statements.

NOTE 16 – SUBSEQUENT EVENTS

In September 2012, the Housing Authority opened and began leasing 40 apartments at Sequoia Landing (Littlerock Road Project). The total cost of the project was estimated at $6,779,095. This project was funded by a grant from the Housing Finance Commission for $2,500,000, a grant from Thurston County for $400,000, bank financed debt of $3,568,621 and Housing Authority funds of $310,474.

In June 2012, the Housing Authority board approved the sale of the Mansfield apartments located at 303 17th Avenue SW in Olympia, WA. The property was placed with a local real estate agent and on October 9, 2012, the Housing Authority signed an agreement to sell the property for $285,000. The sale is expected to close in November, 2012.

Housing Authority of Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of HUD	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA049-SRO-001		138,181	138,181	
U.S. Department of HUD		14.249	WA049-SCO-001		59,639	59,639	
U.S. Department of HUD	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	WA049-MRO-001		229,785	229,785	
U.S. Department of HUD	Section 8 Housing Choice Vouchers	14.871	WA049-VO		14,093,209	14,093,209	
U.S. Department of HUD	Hud-Veterans Affairs Supportive Housing (Hud-Vash) Program	14.VSH	WA049-VSH		193,834	193,834	
U.S. Department of HUD	Supportive Housing with Persons with Disabilities	14.181	WA049 DV		473,014	473,014	
U.S. Department of HUD	Supportive Housing Program	14.235	04-45503-16		142,502	142,502	
U.S. Dept. of HUD/ Pass through from Thurson County	Home Investment Partnerships Program	14.239	N/A	237,287		237,287	
U.S. Dept. of HUD/ Pass through from WA State Department of Commerce	Community Development Block Grant	14.228	06-64004-054	10,279		10,279	
U.S. Dept. of HUD/ Pass through from City of Olympia	Community Development Block Grant	14.228	RRP-188	360,000		360,000	3
	Total Community Development Block Grant			370,279	-	370,279	
U.S. Dept. of HUD/ Pass through from the WA State Department of Commerce	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	F07-43207-428	76,394		76,394	
	Total Federal Awards Expended			**683,960**	**15,330,164**	**16,014,124**	

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to the Schedules of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

NOTE 1 - BASIS OF ACCOUNTING AND PRESENTATION

The Housing Authority maintains its accounting records in accordance with U.S. Generally Accepted Accounting Principles (GAAP) on the accrual basis. Revenues are recognized in the period earned, with the corresponding receivable recorded at that time. Expenses are recognized in the period incurred.

NOTE 2 - PROGRAM COSTS

The amounts shown as current year expenditures represent only the grant portion of the program costs for the federal awards. Costs expended from other sources are not included on these schedules.

NOTE 3 - LOANS

The Housing Authority of Thurston County was approved for a loan from the City of Olympia using Community Development Block Grant funds totaling $360,000. The funds were used to acquire land to build 24 additional units at an existing property for low income individuals and families. The amount listed is the outstanding balance from prior years. The project was completed in July 2011.

HOUSING AUTHORITY OF THURSTON COUNTY
Olympia WA

COMBINED FINANCIAL DATA SCHEDULES
Fiscal Year Ending June 30, 2012

Line #	CFDA:	1 Business Activities	2 State & Local	14.181 Supp. Housing Pers W/Disab.	14.228 CDBG	14.235 HATS	14.239 HOME	14.241 HOPWA	14.871 Section 8 Voucher	14.VSH VASH	14.228 Othr Fed #3 NSP	97.024 FEMA	14.900 LHCG	14.249 Section 8 SRO I & II	14.856 Section 8 Mod Rehab	Elimination	Total
111	Cash - Unrestricted	2,897,814		102,483					731,304				48,617	21,251	21,251		3,822,720
113	Cash - Other Restricted	36,067							916,575								952,642
114	Cash - Tenant Security Deposits	169,316															169,316
115	Cash-Restricted for payment of Current Liabilities								-								0
100	Total Cash	3,103,197	-	102,483	-	-	-	-	1,647,879	-	-	-	48,617	21,251	21,251	-	4,944,678
121	A/R - PHA Projects								1,096						-		1,096
122	A/R - HUD Other Projects								2,954								2,954
124	A/R - Other Government		40,281		-	10,900	64,234	-									115,415
125	A/R - Miscellaneous	691,443															691,443
126.2	Allownace for Doubtful Accts - Other																0
127	Notes,Loans, & Mortgage Receivable -Current	31,632															31,632
128	Fraud Recovery								78,733								78,733
128.1	Allownace for Doubtful Accts - Fraud								(19,038)								(19,038)
129	Accrued Interest Receivable	5,298							2,840						49		8,187
120	Total Receivables, net of allowances for Doubt. Accts	728,373	40,281	-	-	10,900	64,234	-	66,585	-	-	-	-	-	49		910,422
142	Prepaid Expenses & Other Assets	26,040															26,040
144	Interprogram Due From	1,409,912														(1,409,912)	(0)
150	Total Current Assets	5,267,522	40,281	102,483	-	10,900	64,234	-	1,714,464	-	-	-	48,617	21,251	21,300	(1,409,912)	5,881,140
161	Land	4,912,250															4,912,250
162	Buildings	17,081,347															17,081,347
163	Furniture, Equipment & Machinery - Dwellings	253,791															253,791
164	Furniture, Equipment & Machinery - Admin	333,852															333,852
166	Accumulated Depreciation	(5,559,362)															(5,559,362)
167	Contruction in Progress	4,351,427															4,351,427
160	Total Fixed Assets, Net of Accum Depr	21,373,305	-	-	-	-	-	-	-	-	-	-	-	-	-		21,373,305
171	Notes,Loans, & Mortgage Receivable - Non Current	1,272,738															1,272,738
174	Other Assets	156,143															156,143
180	Total Non-Current Assets	22,802,186	-	-	-	-	-	-	-	-	-	-	-	-	-		22,802,186
190	Total Assets	28,069,708	40,281	102,483	-	10,900	64,234	-	1,714,464	-	-	-	48,617	21,251	21,300	(1,409,912)	28,683,326
311	Bank Overdrafts																0
312	Accounts Payable <90 days	116,546	1,050			513	9,225		12,857						40		140,231
321	Accrued Wages / Payroll Taxes Payable	891	101	70		159	72		1,277	13				30	30		2,643
322	Accrued Compensated Absences	63,731	5,666	2,363		7,731	2,535	-	56,640	769				786	795		141,016
325	Accrued Interest Payable	-															0
331	A/P - HUD PHA Programs			15,000										40,037	14,923		69,960
341	Tenant Security Deposits	169,316															169,316
342	Deferred Revenues																0
343	Current Portion of Long Term Debt - Capital Prjcts	416,448															416,448
345	Other Current Liabilities								145,326								145,326
347	Interprogram Due To		353,101		58,557	607,815	120,047		109,314	106,257	5,979			11,202	37,640	(1,409,912)	(0)
310	Total Current Liabilities	766,932	359,918	17,433	58,557	616,218	131,879	-	325,414	107,039	5,979	-	-	52,055	53,428	(1,409,912)	1,084,940
351	Long Term Debt, Net of Current - Capital Projects	11,421,427															11,421,427
353	Noncurrent liabilities other	1,340,503															1,340,503
357	OPEB Liability	64,883	7,895	8,788	2,865	23,397	4,198		187,991	1,861			2,238	6,106	6,310		316,532
350	Total Non-Current Liabilities	12,826,813	7,895	8,788	2,865	23,397	4,198	-	187,991	1,861	-	-	2,238	6,106	6,310		13,078,462
300	Total Liabilities	13,593,745	367,813	26,221	61,422	639,615	136,077	-	513,405	108,900	5,979	-	2,238	58,161	59,738	(1,409,912)	14,163,402
508.1	Investment in Capital assets, net of related debt	9,535,430													-		9,535,430
511.1	Restricted Net Assets								916,575	-	-						916,575
512.1	Unrestricted Net Assets	4,940,533	(327,532)	76,262	(61,422)	(628,715)	(71,843)	-	284,484	(108,900)	(5,979)	-	46,379	(36,910)	(38,438)	-	4,067,919
513	Total Equity	14,475,963	(327,532)	76,262	(61,422)	(628,715)	(71,843)	-	1,201,059	(108,900)	(5,979)	-	46,379	(36,910)	(38,438)	-	14,519,924
600	Total Liabilities & Equity	28,069,708	40,281	102,483	-	10,900	64,234	-	1,714,464	-	-	-	48,617	21,251	21,300	(1,409,912)	28,683,326
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
70300	Net Tenant Rental Revenue	3,388,635		-		-	-	-	-			-		-			3,388,635
70400	Tenant Revenue other	131,693															131,693
																	0
70500	Total Tenant Revenue	3,520,328	-	-	-	-	-	-	-			-	-	-	-		3,520,328
70600-010	Housing Assistance Payments								11,399,794								11,399,794
70600-020	Ongoing Administrative Fees Earned								1,428,149								1,428,149
70600-031	FSS Coordinator Grant								132,428								132,428
																	0

COMBINED FINANCIAL DATA SCHEDULES
Fiscal Year Ending June 30, 2012

Line #	CFDA:	1 Business Activities	2 State & Local	14.181 Supp. Housing Pers W/Disab.	14.228 CDBG	14.235 HATS	14.239 HOME	14.241 HOPWA	14.871 Section 8 Voucher	14.VSH VASH	14.228 Othr Fed #3 NSP	97.024 FEMA	14.900 LHCG	14.249 Section 8 SRO I & II	14.856 Section 8 Mod Rehab	Elimination	Total
70600	HUD PHA Grants			472,312		142,502	237,287			-	-		76,394	198,289	230,205		1,356,989
70800	Other Government Grants	1,335,910	433,614								-						1,769,524
71100-010	Investment Income - Unrestricted-HAP								5,885								5,885
71100	Investment Income - Unrestricted	30,041		702										66	66		30,875
71400-010	Fraud Recovery-HAP								35,775								35,775
71400-020	Fraud Recovery-Admin								35,775								35,775
71400	Fraud Recovery																0
71500	Other Revenue	92,972			10,279				137,810	14,994							256,055
71600	Gain or Loss on sale of fixed assets																0
72000-010	Investment Income - Restricted-HAP								12,537								12,537
70000	Total Revenue	4,979,251	433,614	473,014	10,279	142,502	237,287	-	13,188,153	14,994	-	-	76,394	198,355	230,271		19,984,114
91100	Administrative Salaries	345,096	91,468	52,633	4,056	147,598	45,436		839,979		422		6,751	30,239	27,405		1,591,083
91200	Auditing Fees			833					23,394					535	486		25,248
91300	Outside management fees	129,651	805														130,456
91400	Advertisitng and Marketing	15,399							1,702								17,101
91500	Employee Benefits - Administrative	86,543	34,030	24,212	1,633	55,458	18,286		381,749		124		2,650	13,700	12,527		630,912
91600	Office Expenses	61,636	1,570			1,239	173		42,108				-				106,726
91700	Legal Expense	9,895			970				721								11,586
91800	Travel	5,654	499		53	2,969	667		8,798		21		69	91	168		18,989
91900	Other expenses	57,282	44,563	770		3,077	150		147,236				368	486	439		254,371
92100	Tenant Services - Salaries								101,518								101,518
92300	Employee Benefits - Tenant Services								39,198								39,198
93100	Water	112,774															112,774
93200	Electricity	87,333	4,603														91,936
93300	Gas																0
93600	Sewer	193,758															193,758
93800	Other utilities expense	101,583	2,784														104,367
94200	Ord Maint & Oper - Other	908,120	254,544	5,393	24,640	12,817	174,700		95,764		237		71,253	3,244	2,982		1,553,694
95300	Protective services - Other	5,954	35														5,989
96110	Property Insurance	50,288															50,288
96120	Liability Insurance	4,504	17	120		86			4,085					72	60		8,944
96130	Workers Comp	1,023	404	277	18	637	187		4,852		1		27	175	161		7,762
96200	General Expense																0
96210	Compensated Absences	9,969	(3,736)	(9)		(4,702)	28		8,844		-		-	31	92		10,517
96600	Bad Debt-Other	-							9,363		1,500						10,863
96710	Interest Expense	386,992															386,992
96730	Amortize bond costs	10,190															10,190
96800	Severance Expense																0
96900	Total Operating Expense	2,583,644	431,586	84,229	31,370	219,179	239,627	-	1,709,311	-	2,305	-	81,118	48,573	44,320		5,475,262
97000	Excess Operating Revenue Over Operating Expense	2,395,607	2,028	388,785	(21,091)	(76,677)	(2,340)	-	11,478,842	14,994	(2,305)	-	(4,724)	149,782	185,951		14,508,852
97200	Casualty Losses - Non-Capitalized	-													-		0
97300-010																	0
97300-020	Home Ownership								52,492								52,492
97300-040	Tenant Protection								91,804								91,804
97300-050	All Other								12,294,188								12,294,188
97300	Housing Assistance Payments	481	14,960	401,586			-			176,701				158,034	193,700		945,462
97350	HAP - Portability In	-							116,233	13,979							130,212
97400	Depreciation Expense	505,790															505,790
97500	Fraud Losses								9,363								9,363
90000	Total Expenses	3,089,915	446,546	485,815	31,370	219,179	239,627	-	14,273,391	190,680	2,305	-	81,118	206,607	238,020		19,504,573
10080	Special Items. Net gain/loss	(599)															(599)
10100	Total Other Financing Sources (Uses)	(599)	-	-	-	-	-	-	-	-	-	-	-	-	-		(599)
10000	Excess (Deficiency) Operating Rev Over (Under) Exp	1,888,737	(12,932)	(12,801)	(21,091)	(76,677)	(2,340)	-	(1,085,238)	(175,686)	(2,305)	-	(4,724)	(8,252)	(7,749)		478,942
11020	Required Annual debt payments	405,211															405,211
11030	Beginning Equity	12,609,265	(314,600)	89,063	(40,331)	(552,038)	(69,503)	(2,940)	2,286,297	66,786	(3,674)	(19,099)	51,103	(28,658)	(30,689)		14,040,982
11040	Prior Period Adjustments, Equity Tfrs & Corrects	(22,039)						2,940				19,099					0
11170	Administrative Fee Equity								284,484								343,886
11180	Housing Assistance Payment Equit								916,575								857,173
11190	Unit Months Available			900					23,064	420				516	480		25,380
11210	Number of Months Leased			900					23,180	378				479	451		25,388

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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

State Auditor	**Troy Kelley**
Chief of Staff	**Doug Cochran**
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Director of Performance Audit	**Larisa Benson**
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