

**Washington State Auditor's Office**  
**Financial Statements and Federal Single Audit Report**

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**Housing Authority of Grant County**

Audit Period  
**January 1, 2012 through December 31, 2012**

**Report No. 1010367**

Issue Date  
**September 9, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

September 9, 2013

Board of Commissioners  
Housing Authority of Grant County  
Moses Lake, Washington

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

Please find attached our report on the Housing Authority of Grant 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 KELLEY**  
STATE AUDITOR

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# Federal Summary

## Housing Authority of Grant County January 1, 2012 through December 31, 2012

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

### **FINANCIAL STATEMENTS**

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

#### ***Internal Control Over Financial Reporting:***

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

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

### **FEDERAL AWARDS**

#### ***Internal Control Over Major Programs:***

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

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

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

***Identification of Major Programs:***

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
10.415	Rural Rental Housing Loans
14.850	Public and Indian Housing

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

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

# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

## Housing Authority of Grant County January 1, 2012 through December 31, 2012

Board of Commissioners  
Housing Authority of Grant County  
Moses Lake, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Grant County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report thereon dated August 6, 2013. Our report includes a reference to other auditors who audited the financial statements of the Tax Credit Partnerships, Baird Springs Apartments, Beasley Hills Apartments, Camas Court, Capehart Wherry Apartments, Dawn Village, Frenchman Hills Apartments, Jardin de Rosas, Pelican Horn Apartments, Pershing Apartments, Priest Rapids Apartments and Wahluke Slope Apartments, as described in our report on the Housing Authority of Grant County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Tax Credit Partnerships, Baird Springs Apartments, Beasley Hills Apartments, Capehart Wherry Apartments, Frenchman Hills Apartments, Jardin de Rosas, Pershing Apartments, Priest Rapids Apartments and Wahluke Slope Apartments, were not audited in accordance with *Government Auditing Standards*.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

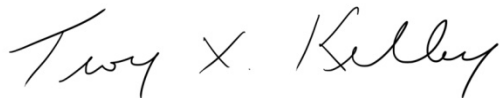
## **COMPLIANCE AND OTHER MATTERS**

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

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

## **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

August 6, 2013

# Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

## Housing Authority of Grant County January 1, 2012 through December 31, 2012

Board of Commissioners  
Housing Authority of Grant County  
Moses Lake, Washington

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

We have audited the compliance of the Housing Authority of Grant County, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### ***REPORT ON INTERNAL CONTROL OVER COMPLIANCE***

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

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

### ***PURPOSE OF THIS REPORT***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It

also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

**TROY KELLEY**  
STATE AUDITOR

August 6, 2013

# Independent Auditor's Report on Financial Statements

## Housing Authority of Grant County January 1, 2012 through December 31, 2012

Board of Commissioners  
Housing Authority of Grant County  
Moses Lake, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Grant County, Washington, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 11.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tax Credit Partnerships, Baird Springs Apartments, Beasley Hills Apartments, Camas Court, Capehart Wherry Apartments, Dawn Village, Frenchman Hills Apartments, Jardin de Rosas, Pelican Horn Apartments, Pershing Apartments, Priest Rapids Apartments and Wahluke Slope Apartments, which represent 99 percent, 99 percent and 87 percent, respectively, of the assets, net position and revenue of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Tax Credit Partnerships, Baird Springs Apartments, Beasley Hills Apartments, Capehart Wherry Apartments, Frenchman Hills Apartments, Jardin de Rosas, Pershing Apartments, Priest Rapids Apartments and Wahluke Slope Apartments, were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinion***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Housing Authority of Grant County, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### ***OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2013 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

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

**TROY KELLEY**  
STATE AUDITOR

August 6, 2013

# Financial Section

## **Housing Authority of Grant County January 1, 2012 through December 31, 2012**

### ***REQUIRED SUPPLEMENTARY INFORMATION***

Management's Discussion and Analysis – 2012

### ***BASIC FINANCIAL STATEMENTS***

Statement of Net Position – 2012

Statement of Revenues, Expenses and Changes in Net Position – 2012

Statement of Cash Flows – 2012

Notes to Financial Statements – 2012

### ***SUPPLEMENTARY AND OTHER INFORMATION***

Schedule of Expenditures of Federal Awards – 2012

Notes to the Schedule of Expenditures of Federal Awards – 2012

Actual Modernization Cost Certificate – WA19P014501-08

Financial Data Schedule – 2012

# **Housing Authority of Grant County Management's Discussion and Analysis December 31, 2012**

The Housing Authority of Grant County is pleased to present its basic financial statements for the fiscal year that ended December 31, 2012. These financial statements were completed in conformance with the Governmental Accounting Standards Board (GASB) based on the financial reporting model set forth in GASB Statement No. 34.

In addition to providing financial statements, recently established reporting standards require the provision of a management discussion and analysis, which is a narrative review of the agency's financial performance during the previous year.

## **Overview of the Financial Statements**

Financial reporting standards require the inclusion of three basic financial statements, including:

- Statement of Net position (balance sheet);
- Statement of Revenues, Expenses and Changes in Net Position, and;
- Statement of Cash Flows

The financial statements provide both long term and short term information about the Housing Authority's overall financial condition. They also include notes that explain some of the information in the financial statements. The statements are followed by a section of other supplemental information that further explains and supports the information in the financial statements.

The Housing Authority's financial statements are prepared in conformance with accounting principles generally accepted in the United States of America as applied to governmental units on an accrual basis. Under this basis, revenues are recorded in the period in which they are earned, and expenses are recognized in the period in which they are incurred. Depreciation of assets is recognized in the Statement of Revenues, Expenses and Changes in Net position.

The financial statements presented in 2012 show a significant change from 2011. The most significant change relates to increases in capital assets. The affordable housing projects that were completed in 2012 were jointly funded by Washington State Housing Finance Commission and US Bank. The Housing Authority includes eleven Tax Credit Partnerships and one Development Corporation as component units in their financial statements due to their fiscal dependency on the Housing Authority, as prescribed by GASB 14.

## **Financial Highlights**

### **Statement of Net Position:**

Total assets in 2011 were \$37,323,766. This number increased to \$39,503,177 (primary government total column) in 2012. Total liabilities in 2011 were \$17,569,672 and increased to \$19,823,398 in 2012.

**Significant changes in assets and liabilities included the following:**

- Current Assets (primary government total) were \$1,741,248 in 2011 as compared to \$1,612,682 in 2012. This was a decrease of \$128,566.
- Total current liabilities were \$796,680 in 2011 and \$578,418 in 2012. Liabilities decreased by \$218,262.
- Total non-current assets were \$35,582,518 in 2011 and \$37,890,495 in 2012. The increase was \$2,307,977.
- Total non-current liabilities were \$16,772,992 in 2011, increasing to \$19,244,978 in 2012. This was an increase of \$2,471,986.

In summary, the Housing Authority's financial condition dipped slightly during the period under review with a net decrease in total net position of \$85,090.

A condensed version of the Statement of Net Position for the Fiscal years Ended December 31, 2011 and 2012 is provided below:

	2011	2012
<b>ASSETS</b>		
Total Current Assets	\$1,741,248	\$1,612,682
Total Non-Current Assets	\$35,582,518	\$37,890,495
Total Assets	\$37,323,766	\$39,503,177
<b>LIABILITIES AND NET ASSETS</b>		
Total Current Liabilities	\$796,680	\$578,418
Total Non-Current Liabilities	\$16,772,992	\$19,244,978
Total Liabilities	\$17,569,672	\$19,823,396
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$9,966,349	\$9,438,563
Restricted Assets	\$552,898	\$610,110
Unrestricted Assets	\$9,234,847	\$9,631,108
Total Net Assets	\$19,754,094	\$19,679,781
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$37,323,766	\$39,503,177

**Statement of Revenues, Expenses and Changes in Fund Net Position:**

Total revenue (operating and non-operating), which was \$6,841,605 in 2011, decreased by \$150,198 in 2012, to \$6,691,407.

A condensed version of the Statement of Revenues, Expenses and Changes in Fund Net Position for 2011 and 2012 is provided below.

	<b>2011</b>	<b>2012</b>
<b>Total Operating Revenue</b>	\$4,830,233	\$5,215,162
<b>Total Non-Operating Revenue</b>	\$1,442,423	\$905,420
<b>Total Revenues</b>	\$6,272,656	\$6,120,582
<b>Total Operating Expense</b>	\$6,909,642	\$6,677,217
<b>Total Non-operating Expenses</b>	\$80,248	\$99,280
<b>Total Expenses</b>	\$6,989,890	\$6,776,497
<b>Capital Grant revenue</b>	\$568,949	\$570,825
<b>Change in Net Position</b>	-\$148,285	-\$85,090

**Financial Analysis:**

The statement of net position presents the assets, liabilities and net position (assets minus liabilities) at the end of the fiscal year. Assets are broken down into two categories, "current assets" and "non-current assets." Current assets are things like cash, prepaid expenses, inventories, and short-term investments. Non-current assets include land, buildings, equipment, furnishings and capital improvements made to agency-owned buildings. Liabilities also are broken down into "current liabilities" and "non-current liabilities." Current liabilities generally represent cash that will be paid out by the agency over the short term. This category includes things like accounts payable in the next 90 days, the current portion of long-term debt and accrued interest payable. It also includes items that might need to be paid in the short term, such as tenant security deposits. Non-current liabilities are generally the long-term portion of notes or bonds.

A primary measure of creditworthiness is the ratio obtained by dividing an organization's current assets by its current liabilities (called "current ratio"), with a minimum standard typically being 1.2 to 1. The Housing Authority's current ratio as of December 31, 2012 was 2.1 to 1, which exceeds the minimum standard.

Revenue compared to expense provides a picture of the Housing Authority's income and how that compares to what it cost to pay for agency operations. The agency's total income in 2012 (primary government column) was \$6,691,407, while total expenses were \$6,776,497.

**Capital Assets and Long-Term Debt Activity:**

The capital assets were \$40,039,082 in 2011 increasing to \$43,061,454 in 2012, with a net Capital Asset increase of approximately \$1,920,769, net of depreciation.

Long-term debt, net of current maturities, was \$16,410,733 in 2011 and increased to \$18,857,052 in 2012, an increase of \$2,446,319. The increase was primarily due to the development of low income housing properties, financed by the Washington State Housing Finance Commission and US Bank, where the Housing Authority is the owner and manager. The majority of this long-term debt is offset by the related notes receivable from the Tax Credit Partnerships.

## **Economic Factors Affecting the Housing Authority's Future:**

In 2012, \$3,478,590, or nearly 50% of the agency's total revenue, was income from the federal government, appropriated by the United States Congress to support capital improvements or help nearly a thousand Grant County families afford to pay rent. Additionally, a single funding source, the U.S. Department of Housing and Urban Development (HUD), has contributed \$12,983,479 to the Housing Authority's total capital assets of \$43,061,454 over our 70 plus – year operating history. Even though this funding typically has use restrictions and limits our ability to leverage debt financing, it is a major contribution to the success of our mission. Because national budget priorities have shifted over the past several years, federal support for affordable housing has eroded and is at risk for continued erosion.

The Housing Authority of Grant County, like similar agencies across the state and across the country is challenged by the continued decline in federal support. Our Housing Authority has responded to this challenge by adopting a short-term strategy of developing new rental properties and capturing certain portions of the development revenue to augment agency operating income. This is a daunting strategy to implement because it requires both short and long-term cash investments in a period when cash is in short supply. During 2012, the Housing Authority of Grant County completed one project funded by the Washington State Housing Finance Commission and US Bank. Because of the risks involved and the timing estimates made at the conception of the project, anticipated development income in 2012 differed insignificantly from projected, but provided an added revenue stream for a constantly declining subsidized program. Strategic planning for a longer-term solution to the decline in federal support while still providing additional housing for low-income residents is still continuing. The development projects completed during the last few years, have become valuable self-sustaining projects and sources of revenue for the Housing Authority, and thereby has assisted the Authority in fulfilling its mission.

Local government and for-profit businesses have some economic realities in common, the most primary being the fact that operating costs perpetually increase. The greatest challenge to our Housing Authority is the severe limitation on ways in which we can increase revenues to offset cost increases. On federally subsidized properties and those built using other types of government funds, rent levels are dictated by statute. The agency has no taxing authority, and by state law has limitations on business activities it can engage in. Future economic challenges, therefore, must be met through creative planning and with great caution. With the recent decline in federal funding and the reduced availability of financing through low income housing tax credits, the Housing Authority has partnered with state agencies and private lenders to continue supplementing its resources necessary for future development.

# Housing Authority of Grant County

## Statement of Net Position

December 31, 2012

<u>Assets</u>	<u>Primary Government</u>	<u>Component Units</u>
Current Assets:		
Cash and cash equivalents		
Unrestricted cash and cash equivalents	710,574	690,233
Unrestricted investments	540,286	-
Restricted cash and cash equivalents	1,545	-
Tenant security deposits	153,751	91,829
Accounts receivable:		
HUD	61,279	-
Miscellaneous	35,641	-
Tenants, dwelling units	48,390	15,941
Allowance for doubtful accounts	(5,378)	-
Fraud recovery	-	-
Prepaid expenses and other assets	30,121	94,180
Inventories	36,473	-
Total current assets	1,612,682	892,183
Noncurrent Assets:		
Restricted investments	608,565	1,505,655
Capital assets:		
Land	2,931,529	641,423
Land improvements	1,717,126	-
Buildings	35,515,313	34,706,073
Furniture and equipment, dwelling	736,385	1,057,653
Furniture and equipment, administrative	949,950	-
Construction in progress	1,211,151	-
Less accumulated depreciation	(17,985,495)	(10,035,280)
Capital assets, net	25,075,959	26,369,869
Notes and mortgages receivable	778,481	-
Notes receivable from component units	11,409,327	-
Other assets	18,163	224,472
Total noncurrent assets	37,890,495	28,099,996
Total assets	39,503,177	28,992,179

(continued)

See accompanying notes to financial statements.

# Housing Authority of Grant County

## Statement of Net Position, continued

December 31, 2012

<u>Liabilities and Net Assets</u>	<u>Primary Government</u>	<u>Component Units</u>
Current Liabilities:		
Accounts payable	212,573	84,832
Accrued compensated absences	21,349	-
Accrued interest payable	23,964	5,618
Tenant security deposits	148,642	91,828
Deferred revenues	34,307	9,004
Other current liabilities	-	114,230
Current maturities of long-term debt and other	<u>137,583</u>	<u>112,322</u>
Total current liabilities	578,418	417,834
Noncurrent Liabilities:		
Long-term debt, net of current maturities	18,857,052	12,956,840
Other long-term liabilities	<u>387,926</u>	<u>842,273</u>
Total other non-current liabilities	<u>19,244,978</u>	<u>13,799,113</u>
Total liabilities	<u>19,823,396</u>	<u>14,216,947</u>
Net Position:		
Invested in capital assets, net of related debt	9,438,563	12,458,434
Restricted	610,110	1,505,655
Unrestricted	<u>9,631,108</u>	<u>811,143</u>
Total net position	<u>19,679,781</u>	<u>14,775,232</u>
Total liabilities and net position	<u>39,503,177</u>	<u>28,992,179</u>

See accompanying notes to financial statements.

**Housing Authority of Grant County**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2012**

	<b>Primary Government</b>	<b>Component Units</b>
Operating revenues:		
Tenant rentals	2,211,140	1,920,503
Housing assistance payment subsidies	2,735,956	-
Other	<u>268,066</u>	<u>452,882</u>
Total operating revenues	5,215,162	2,373,385
Operating expenses:		
Administration	1,864,273	940,589
Utility services	818,070	371,273
Maintenance	1,104,753	505,680
Protective services	13,704	-
Housing assistance payments	1,559,650	-
Other	166,974	208,971
Depreciation and amortization	<u>1,149,793</u>	<u>998,362</u>
Total operating expenses	6,677,217	3,024,875
Income (loss) from operations	(1,462,055)	(651,490)
Non-operating revenue and (expenses):		
Operating grants	-	-
Interest income	171,204	1,888
Interest expense	(99,280)	(523,297)
Other	<u>734,216</u>	<u>-</u>
Total non-operating revenue and expenses	806,140	(521,409)
Income (loss) before capital contributions	(655,915)	(1,172,899)
Contributions:		
Capital grant revenue	570,825	-
Partner capital contributions	<u>-</u>	<u>104,252</u>
Total contributions	570,825	104,252
Change in net position	<u>(85,090)</u>	<u>(1,068,647)</u>
Net position at beginning of year	<u>19,764,871</u>	<u>15,843,879</u>
Net position at end of year	<u><u>19,679,781</u></u>	<u><u>14,775,232</u></u>

See accompanying notes to financial statements.

**Housing Authority of Grant County**  
**Statement of Cash Flows**  
**Increase (Decrease) in Cash and Cash Equivalents**  
**For the Year Ended December 31, 2012**

	<u>Primary Government</u>	<u>Component Units</u>
<i><b>CASH FLOWS FROM OPERATING ACTIVITIES:</b></i>		
Cash received from:		
Tenants	2,408,518	2,204,205
Housing assistance payment subsidies	2,735,956	-
Other funds	34,615	-
Other	268,066	452,882
Cash paid to/for:		
Rental operations	(3,915,734)	(1,233,311)
General & Administrative	(1,863,589)	(940,589)
Other funds	(34,616)	-
Net cash provided by (used in) operating activities	<u>(366,784)</u>	<u>483,187</u>
<i><b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b></i>		
Other income	<u>744,993</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>744,993</u>	<u>-</u>
<i><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b></i>		
Land, building, and equipment additions	(3,070,562)	(15,179)
Capitalized financing costs	-	-
Principal borrowing (payments) on long-term debt	2,494,296	258,718
Capital contributions	570,825	104,252
Mortgage interest paid	(99,280)	(523,297)
Net cash used in capital and related financing activities	<u>(104,721)</u>	<u>(175,506)</u>
<i><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b></i>		
Interest received on contracts and investments	171,204	1,888
Net cash transferred (to) from investments	(66,666)	(156,287)
Investment in notes and financing leases	(320,543)	16,316
Net cash provided by (used in) investing activities	<u>(216,005)</u>	<u>(138,083)</u>
<i><b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b></i>	57,483	169,598
<i><b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b></i>	<u>1,348,673</u>	<u>612,464</u>
<i><b>CASH AND CASH EQUIVALENTS, END OF YEAR</b></i>	<u>1,406,156</u>	<u>782,062</u>
<i><b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b></i>		
Income (Loss) from operations	(1,462,055)	(651,490)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,149,793	998,362
Change in assets and liabilities:		
Decrease (increase) in assets:		
Accounts and other receivables	197,378	283,702
Inventories	(5,644)	-
Prepaid expenses and other assets	(5,685)	100,541
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(233,909)	(254,431)
Prepaid rent	(6,662)	6,503
Net cash provided by (used in) operating activities	<u>(366,784)</u>	<u>483,187</u>

See accompanying notes to financial statements.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:***

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***Organization and Program Descriptions:***

The Housing Authority of Grant County (Housing Authority) was duly created pursuant to the authority of the Constitution and statutes of Washington and is a municipal corporation established particularly pursuant to Title 35.82 RCW. The primary purpose of the Housing Authority is to finance the acquisition, construction, rehabilitation and ownership of housing intended for occupancy or ownership, or both, by families of low or moderate income in Grant County and to operate its housing programs in accordance with Federal and State laws and regulations.

***Reporting Entity:***

The Housing Authority is governed by an elected six-member board. The Housing Authority is not financially dependent on any other entities and is not considered to be a component unit of any other entities. The Housing Authority reports all of its activities as one enterprise fund, in accordance with Generally Accepted Accounting Principles (GAAP).

As defined by GAAP established by the Governmental Accounting Standards Board (GASB), the reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component units' board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (c) the component unit is financially dependent on the primary government.

Component units are reported as part of the reporting entity under either the blended or discreet method of presentation. There are two situations where blending is allowed (1) when the board of the component unit is substantially the same as that of the primary government and (2) when the component unit serves the primary government exclusively, or almost exclusively.

***Program Descriptions:***

The Housing Authority's programs are accounted for through the use of various project accounting codes created to demonstrate compliance with financial and legal requirements. These individual programs and projects, which are described below, are assigned to various programs which comprise the single enterprise proprietary fund of the Housing Authority. The following are the programs and housing projects of the Housing Authority:

- **Operating Program and Projects**

**Larson**— The Larson project was established to account for the original purchase of the Larson Air Force Base in 1977. The base consisted of 1,186 housing units located on 374 acres in Moses Lake, Washington. Since the original purchase, the Larson has been engaged in the transition of these housing units to private ownership and to federal housing programs. The project currently consists of approximately 107 housing units, which are used to provide low and moderate-income housing.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

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***Summary of Significant Accounting Policies (continued):***

***Organization and Program Descriptions (continued):***

- **Operating Program and Projects, continued**

**Mental Health Housing** – The Mental Health Housing project consists of 10 housing units in Moses Lake and Ephrata, Washington. The project was established in 1995 to provide low-income housing to individuals with chronic mental illness. Funding for the construction of the housing units was provided through a Washington Department of Community Development loan.

**Developmentally Disabled** – The Developmentally Disabled project consists of 5 housing units in Moses Lake, Washington. The project was established in 1994 to provide low-income housing to developmentally disabled individuals. Funding for the construction of the housing units was provided through a Washington Department of Community Development loan.

**Esperanza** – The Esperanza project consists of temporary housing units in Mattawa, Washington. The project was established in 1999 to provide seasonal low-income farmworker housing to domestic farm laborer families. Funding for the project was provided by a Washington State Department of Community Trade and Economic Development Block Grant.

- **Rural Rental Assistance Payments Program and Projects**

**Farmworker Larson** – The Farmworker Larson project consists of 18 housing units for low-income agriculture workers located in Moses Lake, Washington. The funding for the renovation of the houses was provided through a USDA Rural Development loan in 1981. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

**Mattawa** – The Mattawa project consists of 20 housing units for low-income agricultural workers located in Mattawa, Washington. The funding for the renovation of the 20 houses was provided through a USDA Rural Development loan in 1986. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

**Beverly Lane Apartments** – The Beverly Lane Apartments project consists of 32 housing units for low-income rural housing located in Quincy, Washington. The Housing Authority acquired the project in 1998 by assuming the existing USDA Rural Development loan and by issuing additional tax-exempt promissory notes. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

**Karen Lane Apartments** – The Karen Lane Apartments project consists of 24 housing units for low-income rural housing located in Ephrata, Washington. The Housing Authority acquired the project in 1998 by assuming the existing USDA Rural Development loan and by issuing additional tax-exempt promissory notes. The project receives ongoing rental assistance subsidies from USDA. There are no housing assistance payments paid.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Organization and Program Descriptions (continued):***

**Spring Canyon** - The Spring Canyon project consists of 17 low-income housing units located in Grand Coulee, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The project receives ongoing rental assistance from HUD. The project was purchased in 2008.

**Nueva Vida** - The Nueva Vida project consists of 9 low-income agricultural worker housing units located in Mattawa, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The project was acquired in 2009.

**Joseph Cove** - The Joseph Cove project consists of 18 low-income housing units located in Bridgeport, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The project receives ongoing rental assistance from HUD. The project was purchased in 2010, and was completed in 2011.

**Bell Hotel** - The Bell Hotel project consists of 14 low-income apartment housing units, and 7 commercial units located in Ephrata, Washington. The funding for the purchase and renovation was provided by Washington State Department of Commerce and WCRA loans. The project was purchased in 2010.

**Rose Garden** - The Rose Garden project consists of 9 low-income apartment housing units located in Ephrata, Washington. The funding for the purchase was provided by a Washington State Department of Commerce loan. The project was purchased in 2010.

**Purple Sage** – The Purple Sage projects consists of 8 housing units located in Quincy, Washington and 16 units in Ephrata, Washington. The funding for the purchase and renovation was provided by a Washington State Department of Commerce loan. The original 8 Quincy Project units were purchased in 2010 and through rehab and additions, have been renamed Purple Sage and was completed during 2012.

**Airway Apartments** - The Airway Apartments project consists of 12 transitional housing units located in Moses Lake, Washington. The project was purchased in 2010.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Organization and Program Descriptions (continued):***

- **Section 8 Program**

**Section 8 Larson** – The Section 8 Larson project consists of 47 housing units for low-income families located in Moses Lake, Washington. The funding for the renovation of the 47 houses was provided through a U.S. Department of Agriculture (USDA) Rural Development loan in 1982. The project receives ongoing rental assistance payments from HUD. There are no housing assistance payments paid.

- **Low Rent Public Housing Program**

**HUD Public Housing** – The HUD Public Housing project consists of 217 housing units for low-income families located in Moses Lake, Washington, and other surrounding communities. The U.S. Department of Housing and Urban Development (HUD) provided the funding to purchase these housing units. HUD provides ongoing operating subsidies to the project.

- **Housing Choice Vouchers Program**

**Section 8 Voucher** – The Section 8 Voucher program was established to account for the income and expenses related to the administration of the HUD Section 8 Voucher program. The Housing Authority administers approximately 237 housing vouchers which assist low-income families to obtain rental housing.

- **Public Housing Capital Fund Program**

**HUD Capital Fund Program and Comprehensive Improvement Assistance Program** – The HUD Capital Fund Program (CFP) and Comprehensive Improvement Assistance Program (CIAP) was established to account for capital funds provided by HUD to improve and upgrade existing public housing units. During 2012, the CIAP improvements of the existing public housing units were completed and improvements of \$572,645 were not yet transferred from CFP to the HUD Public Housing Program.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Reporting Entity (continued):***

As of and for the year ended December 31, 2012, the Housing Authority had the following component units:

- **Beasley Hills Apartments Limited Partnership** – Beasley Hills Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on June 15, 1998, entered into a limited partnership agreement with Beasley Hills Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Beasley Hills Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Beasley Hills Apartments Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

- **Frenchman Hill Apartments, Limited Partnership** – Frenchman Hill Apartments, Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 15, 1998, entered into a limited partnership agreement with Frenchman Hill Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Frenchman Hill Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Frenchman Hill Apartments Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

- **Camas Court Limited Partnership** – Camas Court Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on December 15, 2007, entered into a limited partnership agreement with Camas Court Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Camas Court Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Reporting Entity (continued)***

- **Wahluke Slope Apartments, Limited Partnership** – Wahluke Slope Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on April 9, 1999, entered into a limited partnership agreement with Wahluke Slope Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Wahluke Slope Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Wahluke Slope Apartments Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

- **Priest Rapids Apartments, Limited Partnership** – Priest Rapids Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 29, 2001, entered into a limited partnership agreement with Priest Rapids Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Priest Rapids Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Priest Rapids Apartments, Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

- **Pershing Apartments, Limited Partnership** – Pershing Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority entered into a limited partnership agreement with Pershing Apartments Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Pershing Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Pershing Apartments, Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Reporting Entity (continued)***

- **Baird Springs Apartments, Limited Partnership** – Baird Springs Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 29, 2001, entered into a limited partnership agreement with Baird Springs Apartments, Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Baird Springs Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Baird Springs Apartments, Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

- **Capehart Wherry Apartments Limited Partnership** – Capehart Wherry Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority on May 29, 2001, entered into a limited partnership agreement with Capehart Wherry Apartments, Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Capehart Wherry Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Capehart Wherry Apartments, Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

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***Summary of Significant Accounting Policies (continued):***

***Reporting Entity (continued):***

- **Jardin De Rosas, Limited Partnership** – Jardin De Rosas Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority entered into a limited partnership agreement with Jardin De Rosas Limited Partnership for the purpose of constructing and operating a residential housing project. The Housing Authority is a general partner with a .01% interest in the partnership. All profits, losses, and credits are allocated to the partners in accordance with their partnership interests.

Jardin De Rosas Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit.

Jardin De Rosas, Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

- **Palisades Development Group** – Palisades Development Group is a legally separate entity formed in 2003 by the Housing Authority to develop real estate construction projects for the Authority and other developers. The charter of Palisades Development Group stipulates that the organization exists for the direct benefit of the Housing Authority and therefore is shown as a discretely presented component unit.

During 2012 Palisades Development Group did not make any contributions to the Housing Authority. There is no assurance or requirement that Palisades Development Group will contribute funds to the Housing Authority in future years.

- **Pelican Horn Apartments Limited Partnership** – Pelican Horn Apartments Limited Partnership is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority is the general partner with a .01% interest in the Partnership. Pelican Horn Apartments Limited Partnership is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit. Pelican Horn Apartments Limited Partnership received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.
- **Dawn Village, LLC** – Dawn Village LLC is a legally separate entity formed to take advantage of low income housing tax credits needed to finance the project. The Housing Authority is the managing member with a .01% interest in the LLC. Dawn Village LLC is fiscally dependent on the Housing Authority, does not serve the primary government exclusively, or almost exclusively, and therefore is shown as a discretely presented component unit. Dawn Village LLC received an unqualified opinion on their audited financial statements as of December 31, 2012, and a copy of the financial statements may be obtained by contacting the Housing Authority.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Basis of accounting and presentation***

The Housing Authority funds are accounted and reported using the economic resources measurement focus. The Housing Authority uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property and equipment purchases are capitalized and long-term liabilities are accounted for in the appropriate fund. Depreciation of assets is recognized and all assets and liabilities associated with the operation of the Housing Authority are included in the statement of net position. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Operating revenues include fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD) for each unit rented to qualified tenants in the public housing and Section 8 programs. The use of this classification is based on guidance from HUD, the primary user of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing.

This presentation results in an operating income that is higher than a non-operating revenue presentation by the amount of the subsidies and/or grants. Overall it does not affect the presentation of net income or the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents in the statement of cash flows.

The accounting records are maintained in accordance with Financial and Accounting Handbooks (RHA 7510.1 and 7420.6) prescribed by HUD and applicable rules prescribed by the Department of Agriculture, Farmers Home Administration (USDA-RD)

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Housing Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those after November 30, 1989, in accounting and reporting for its proprietary operations.

The Housing Authority has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The primary impact of the implementation of this statement on the Housing Authority is the addition of a Management’s Discussion and Analysis as required supplementary information; a change in the classifications of fund equity from fund balances to net position, which are also required to be further categorized between (1) invested in capital assets, net of related debt, (2) restricted net position and (3) unrestricted net position; use of the direct method to present the statement of cash flows; and certain additional note disclosures.

The Housing Authority has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The primary impact of the implementation of this statement on the Housing Authority is the renaming of equity to net position and the titles of the financial statements have been revised to reflect the implementation.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Cash and cash equivalents***

For purposes of the statements of cash flows, all unrestricted and restricted cash and highly liquid unrestricted investment with an original maturity of three months or less are considered to be cash equivalents.

As of December 31, 2012 the Housing Authority's carrying amounts of deposits was \$710,574 and are classified as cash and cash equivalents on the statement of net position. The Housing Authority's deposits and certificates of deposit are entirely covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

***Accounts receivable***

An allowance for doubtful tenant accounts receivable has been established by management based on historical collection results. Accounts receivable from HUD are comprised primarily of grant funds receivable under the HUD Capital Fund Program. No allowance for doubtful accounts for HUD and other accounts receivable has been established as management believes these amounts will be collected in full.

***Inventories***

Inventories of materials and supplies are stated at the lower of cost or market on a first-in, first-out method.

***Restricted assets***

Restricted assets consist of cash and investments that are restricted in use by various lease agreements, loan agreements and regulatory agreements. Restricted assets were held for the following purposes:

	Primary Government	Component Units
Escrow accounts (taxes and insurance)	\$ 1,190	-
HUD Family Self Sufficiency	355	-
Tenant security deposits	153,751	91,829
Operating and replacement reserve accounts	561,255	1,505,655
Down payment assistance program	47,310	-
	<u>\$ 763,861</u>	<u>1,597,484</u>

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

***Summary of Significant Accounting Policies (continued):***

***Capital assets and Depreciation***

All capital assets are recorded at historical cost. Property and equipment acquired through contributions are recorded at the fair value on the date donated. All capital assets, including expenditures for property and equipment including major improvements and renovations, with a value greater than \$1,000 and a useful life of over one year are capitalized. Expenditures for maintenance, repairs, and minor replacements are charged to expenses when incurred. Assets retired, replaced, or otherwise disposed of are eliminated from the asset accounts and the related amounts of accumulated depreciation are eliminated from the accumulated depreciation accounts.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The related property and equipment categories and their respective depreciable range of lives are as follows:

Buildings	20 – 40 years
Furniture, equipment, and machinery	3 – 10 years

Depreciation is not computed on housing units until the construction is completed.

***Income taxes***

Income received or generated by the Housing Authority is not subject to federal income tax pursuant to Internal Revenue Code Section 115. The Authority is exempt from state and local property taxes.

***Accrued compensated absences***

The Housing Authority records unpaid leave for compensated absences as an expense and liability when earned by the employee. Both union and nonunion employees are entitled to paid sick leave and vacation which is earned over a scheduled period of time as follows:

- Sick leave – Full-time employees accrue sick leave at the rate of 96 hours per year worked up to a maximum of 480 hours for union employees and 960 hours for nonunion employees. Any such leave accrued in excess of these limitations will be paid out each year at the rate of one day's pay for every three days of sick leave. Upon termination of employment, employees will be paid 30% of up to the maximum accrual amount of 960 hours.
- Vacation – Full-time union and all nonunion employees are entitled to receive annual vacation pay after completion of one year of service. Unused vacation for union employees may be accumulated and carried over to the next year up to a maximum of 160 hours or up to 240 hours with approval from the Executive Director. Nonunion employees are able to accumulate and carry over vacation up to a maximum of 500 hours. Any vacation leave in excess of these limitations will be forfeited. Upon termination of employment, all employees will be allowed vacation pay for any vacation earned and accrued but not yet taken.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

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

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***Summary of Significant Accounting Policies (continued):***

Vacation is accumulated for employees as follows:

0 – 2 year of service	96 hours
3 – 4 years of service	120 hours
5 – 8 years of service	136 hours
9 – 14 years of service	152 hours
15+ years of service	176 hours

Part-time nonunion employees accrue annual vacation leave prorated on the basis of hours actually worked in a standard work year of 2,080 hours.

***Donations, and nonexchange transactions***

The Housing Authority has implemented GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*. The statement requires entities to recognize capital contributions to proprietary funds as revenues and not as contributed capital. Donations and nonexchange transactions are accounted for based upon guidance provided by the Statement.

***Allowance for loan losses***

The Housing Authority provides for loan losses when a specific need for an allowance is identified. The provision for loan losses charged or credited to operating expense is the amount necessary, in management's judgment to maintain the allowance at a level it believes sufficient to cover losses on collection of loans. Estimated future losses involve the exercise of management's judgment and assumptions with respect to future conditions. The principal factors considered by management in determining the adequacy of the allowance are the composition of the loan portfolio, historical loss experience, economic conditions, the value and adequacy of collateral, and the current level of the allowance. The provision for loan losses was \$5,378 for the year ending December 31, 2012.

***Use of estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 2 — INVESTMENTS:**

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As required by state law, all investments of the Housing Authority's funds are obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the Grant County of Washington Investment Pool, bankers' acceptances, or certificates of deposit with Washington State banks and savings and loan institutions. All investments are stated at cost plus accrued interest, which approximates fair market value.

Certain cash deposits and investments are classified as restricted assets if their use for general operating purposes is legally or contractually prohibited. Restricted cash and investments held by the Housing Authority comprise primarily tenant security deposits, debt service reserves, and reserves held for future capital improvements on properties owned by the Housing Authority. Cash deposits and investments at December 31, 2012 are categorized as follows:

Cash and cash equivalents:	
Money market savings	\$ 1,325,800
Investments:	
Investment in Grant County investment pool	690,413
	<u>\$ 2,016,213</u>

There are many factors that can affect the value of investments. Some, such as custodial risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed-income securities. Fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Housing Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Interest rate risk is the risk that the value of fixed-income securities will decline because of rising interest rates. The prices of fixed-income securities with a longer time to maturity tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter maturities. The Housing Authority's investment policy does not restrict investment maturities. At year end, the average maturities of investments are less than one year.

Concentration of credit risk is the risk of loss associated with a lack of diversification of having too much invested in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Securities issued or explicitly guaranteed by the U.S. government, mutual funds, external investment pools, and other pooled investments are excluded from this review. Investments in the various investment pools managed by the State are external investment pools and are not subject to concentration of credit risk. There is no concentration of any single individual issuer of equity or non-U.S. government fixed income securities that comprise more than five percent of total investments.

Foreign currency risk is the possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit or investment's fair value. The Housing Authority has no exposure to foreign currency risk.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 3 — NOTES AND MORTGAGES RECEIVABLE:***

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The Housing Authority's notes and mortgages receivable are comprised of second mortgages issued in connection with the sale of housing units to low-income families. Substantially all mortgage receivables are secured by a lien on the real property. The Housing Authority's notes receivable from component units were issued in conjunction with the acquisition and construction of housing units and are comprised of secured and unsecured notes receivable.

A portion of these notes are related to the sale of housing units in the HUD Public Housing program. These homes are sold as part of the HUD Hope I program. The Hope I notes include a provision in which principal and interest is forgiven over fourteen years starting six years after the date of the note. Consequently, the Housing Authority has recorded a deferred credit in noncurrent liabilities on the balance sheets equal to the amount of Hope I notes.

The Housing Authority has also issued second mortgages in connection with the sale of Larson Division housing units to low-income families. These notes bear interest in the range of 5% to 7%. All interest and principal payments are deferred for five years from the date of the note.

The Housing Authority administers a revolving loan fund in cooperation with the Washington State Department of Community Trade and Economic Development (DCTED). Under this agreement the Housing Authority has issued second mortgages in connection with the sale of housing units to low-income families. The note principal payment is deferred 50 years. Contingent interest will be charged if there is a default on the note before the 50-years maturity. The Housing Authority has recorded the principal amount of these notes as assets on the balance sheets with an offsetting amount in concurrent liabilities representing the liability for the revolving loan funds to DCTED.

At December 31, 2012, the Housing Authority's notes and mortgages receivable were as follows:

HUD Public Housing Hope I notes	\$ 82,209
Larson Division second mortgages	65,809
DCTED revolving loan fund notes	554,778
Other notes receivable	75,685
Notes receivable from component units	<u>11,409,327</u>
	<u>\$ 12,187,808</u>

Notes and mortgages receivable at year-end consist of amounts owed on mortgages, promissory notes or contracts receivable. Amounts owed on mortgages, promissory notes or contracts receivable generally refer to loan amounts that are due and payable over time and consist of long-term receivables for loans that are secured by real property, or for deferred developer fees from our tax credit partnerships, which are component units of the Authority. Because the material account balances are generally secured by partnership agreements, or secured by liens against real property there is generally no need to estimate uncollectible amounts.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 3 — NOTES AND MORTGAGES RECEIVABLE (continued):***

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Notes receivable due from component units, as of December 31, 2012, consisted of the following:

Baird Springs Apartments Limited Partnership	\$ 389,310
Beasley Hills Apartments Limited Partnership	714,545
Camas Court Limited Partnership	709,054
Capehart Wherry Apartments Limited Partnership	3,337,452
Dawn Village Apartments, LLC	1,267,140
Frenchman Hill Apartments Limited Partnership	1,688,805
Jardin De Rosas, Limited Partnership	1,066,938
Pelican Horn Apartments, Limited Partnership	1,013,864
Pershing Apartments, Limited Partnership	528,810
Priest Rapids Apartments Limited Partnership	297,404
Wahluke Slope Apartments Limited Partnership	396,005
	<u>\$ 11,409,327</u>

**Beasley Hills Apartments Limited Partnership**

During 2001 an unpaid developer fee was converted to an unsecured developer note receivable. The note is payable in full on the expiration date of the compliance date as defined in the Partnership Agreement. The note provides for payments contingent on cash flow and other factors and accrues interest at 6.39%, compounded annually. The outstanding balance of the unsecured developer note receivable and accrued interest at December 31, 2012, was \$490,886.

In addition, the project was developed by the Housing Authority. At December 31, 2012, Beasley Hills Apartments Limited Partnership had payables totaling \$225,993 due to the general partner, the Housing Authority.

**Frenchman Hill Apartments Limited Partnership**

During 2001 an unpaid developer fee was converted to an unsecured developer note receivable. The note is payable in full on the expiration date of the compliance date as defined in the Partnership Agreement. The note provides for payments contingent on cash flow and other factors and accrues interest at 6.77%, compounded annually. The outstanding balance of the unsecured developer note receivable at December 31, 2012, was \$432,908.

The Housing Authority has a note receivable from the partnership in the amount of \$642,237, payable in annual installments of \$13,107, beginning in 2001, including interest at zero percent, secured by a deed of trust and maturing in June 2050.

The Housing Authority has a second note receivable from the partnership in the amount of \$383,236, payable in annual installments of \$9,777, beginning in 2001, including interest at one percent, secured by a deed of trust and maturing in March 2050.

In addition, the project was developed by the Housing Authority. At December 31, 2012, Frenchman Hill Apartments Limited Partnership had accrued interest and payables totaling \$229,582 due to the general partner, the Housing Authority.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 3 — NOTES AND MORTGAGES RECEIVABLE (continued):***

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**Wahluke Slope Apartments Limited Partnership**

A note receivable for the purpose of construction, is receivable from the limited partnership. The note is non-interest bearing. Annual installment of \$10,140 is due and receivable commencing August 2001 through April 2017. Annual installments of \$10,410 are due and receivable commencing April 2018 through April 2051. The note is collateralized by real estate. The balance owing at December 31, 2012, is \$396,004.

**Priest Rapids Apartments Limited Partnership**

During 2003 an unpaid developer fee was converted to an unsecured developer note receivable. The note is payable in full on the expiration date of the compliance date as defined in the Partnership Agreement. The note provides for payments contingent on cash flow and other factors and accrues interest at 4.90%, compounded annually. The outstanding balance of the unsecured developer note receivable at December 31, 2012, was \$272,975. At December 31, 2012, Priest Rapids Apartments Limited Partnership had payables totaling \$21,664 due to the general partner, the Housing Authority.

**Baird Springs Apartments Limited Partnership**

The project was developed by the general partner. At December 31, 2012, Baird Springs Apartments Limited Partnership had payables totaling \$389,310 due to the general partner, the Housing Authority.

**Capehart Wherry Apartments Limited Partnership**

During 2003 an unpaid developer fee was converted to an unsecured developer note receivable. The note is payable in full on the expiration date of the compliance date as defined in the Partnership Agreement. The note provides for payments contingent on cash flow and other factors and accrues interest at 4.85%, compounded annually. The outstanding balance of the unsecured developer note receivable, including accrued interest, at December 31, 2012, was \$392,708.

Notes and mortgages receivable include a lease receivable from the Capehart-Wherry Apartments Limited Partnership resulting from the sale of 50 housing units which make up the Capehart-Wherry project. The agreement is a financing lease under accounting principles generally accepted in the United States of America. The outstanding balance, including accrued interest, at December 31, 2012, is \$2,942,503. The lease requires quarterly payments sufficient to amortize the lease over 50 years at an assumed rate of 5.7%. Payments were due beginning November 1, 2003, and are contingent upon cash flow. No principal reduction payments are expected during the next five years; therefore, the entire balance is classified as long term.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 3 — NOTES AND MORTGAGES RECEIVABLE (continued):***

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**Pershing Apartments Limited Partnership**

The project was developed by the general partner. At December 31, 2012, Pershing Apartments Limited Partnership a developer fee of \$304,160, including accrued interest at 4.72 percent, due to the general partner, the Housing Authority. These amounts are directly related to the construction of the project. At December 31, 2012, the Housing Authority had advances to the partnership of \$225,324 and are unsecured and non-interest bearing.

**Jardin De Rosas Limited Partnership**

The project was developed by the general partner. At December 31, 2012, Jardin De Rosas Apartments Limited Partnership had payables totaling \$193,183 due to the general partner, the Housing Authority. These amounts are directly related to the construction of the project. The project also has a note payable of \$870,142 due to the general partner.

**Pelican Horn Apartments Limited Partnership**

The project was developed by the general partner. At December 31, 2012 Pelican Horn Apartments Limited Partnership had a note payable for syndication fees of \$52,954 and a Developer Fee note payable and accrued interest of \$151,032. The project also has a note payable with accrued interest for a total of \$809,642 due to the general partner.

**Dawn Village, LLC**

The project was developed by the managing member. At December 31, 2012, Dawn Village Apartments LLC had two acquisition notes payable, including accrued interest, payable to the managing member, the Housing Authority, totaling \$1,269,382.

**Camas Court Limited Partnership**

The project was developed by the general partner. At December 31, 2012 Camas Court Limited Partnership had a note payable for an assigned acquisition note of \$709,054.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 4 — CAPITAL ASSETS:**

The following is a summary of the changes in capital assets of the Housing Authority:

Primary government:

	Balance January 1, 2012	Additions	Dispositions and Transfers	Balance December 31, 2012
Capital assets not being depreciated:				
Land	2,931,529	-	-	2,931,529
Construction in progress	1,246,931	418,187	(453,967)	1,211,151
Depreciable capital assets:				
Buildings	32,449,897	2,626,737	438,679	35,515,313
Furniture, equipment and machinery, dwelling	752,470	1,569	(17,654)	736,385
Furniture, equipment and machinery, administrative	941,130	14,366	(5,546)	949,950
Leasehold improvements	1,717,126	-	-	1,717,126
	<u>35,860,623</u>	<u>2,642,672</u>	<u>415,479</u>	<u>38,918,774</u>
Less accumulated depreciation	<u>16,883,891</u>	<u>1,101,603</u>	<u>-</u>	<u>17,985,494</u>
Total capital assets being depreciated, net	<u>18,976,732</u>	<u>1,541,069</u>	<u>415,479</u>	<u>20,933,280</u>
Total capital assets, net	<u>23,155,192</u>	<u>1,959,256</u>	<u>(38,488)</u>	<u>25,075,960</u>

The following is a summary of the changes in capital assets of the Housing Authority's component units:

	Balance January 1, 2012	Additions	Dispositions and Transfers	Balance December 31, 2012
Capital assets not being depreciated:				
Land	641,423	-		641,423
Construction in progress	-			-
Depreciable capital assets:				
Buildings and improvements	34,706,073	-		34,706,073
Furniture, equipment and machinery, dwelling	1,057,653	-		1,057,653
	<u>35,763,726</u>	<u>-</u>	<u>-</u>	<u>35,763,726</u>
Less accumulated depreciation	<u>9,052,097</u>	<u>983,183</u>	<u>-</u>	<u>10,035,280</u>
Total capital assets being depreciated, net	<u>26,711,629</u>	<u>(983,183)</u>	<u>-</u>	<u>25,728,446</u>
Total capital assets, net	<u>27,353,052</u>	<u>(983,183)</u>	<u>-</u>	<u>26,369,869</u>

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 5 — PENSION PLANS:**

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All full-time and part-time permanent Housing Authority employees participate in the Public Employees' Retirement System administered by the Department of Retirement Systems of the State of Washington (DRS) under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The 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*.

***Plan Description:***

Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plan 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not 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 after 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 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. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the state legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age 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 annual pension is 2% of the average final compensation per year of service, capped at 60%. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost of living allowance is granted based on years of service credit and is capped at 3% annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with 5 years of service, or at the age of 55 with 20 years of service, with an allowance of 2% of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3% per year reduction applies, otherwise an actuarial reduction will apply. There is no cap on years of service credit and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index) capped at 3% annually.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 5 — PENSION PLANS (continued):**

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***Plan Description (continued):***

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 benefit calculated at 1% of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3% per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2. 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 Employee Retirement Benefits Board.

Six-year historical trend information showing PERS' progress in accumulating sufficient assets to pay benefits when due is presented in the PERS December 31, 2012 combined actuarial valuation report. Such report can be obtained from the Washington State Department of Retirement Systems at 402 Legion Way, Olympia, WA 98504.

***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 6% and do not vary from year to year. The employer and employee contribution rates for Plan 2 and the employer contribution rates 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. PERS Plan 3 defined contribution is a noncontributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15%; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 5 — PENSION PLANS (continued):***

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***Funding Policy (continued):***

The Housing Authority currently has two employees who are enrolled in PERS Plan 1, twenty-eight employees in PERS Plan 2 and three employees in PERS Plan 3. The required contribution rates for year ended December 31, 2012, were:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer	7.21%	7.21%	7.21%
Employee	6.00%	4.64%	varies

Both the Housing Authority and the employees made the required contributions to the pension plans. The Housing Authority's required contributions for the year ended December 31 were:

	<u>PERS Plan I</u>	<u>PERS Plan II</u>	<u>PERS Plan III</u>
2012	\$ 6,247	\$ 84,714	\$ 10,073
2011	\$ 5,322	\$ 75,705	\$ 8,285
2010	\$ 4,185	\$ 54,985	\$ 5,512
2009	\$ 5,509	\$ 62,853	\$ 4,856
2008	\$ 5,302	\$ 54,588	\$ 3,987
2007	\$ 4,319	\$ 41,057	\$ 5,463
2006	\$ 2,416	\$ 23,886	\$ 5,442

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 6 — LONG-TERM DEBT:**

Primary government:

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012
Section 8 Larson Project:				
Note payable to USDA Rural Housing Service, payable \$9,010 per month, including interest at 10.75%; secured by the project's real estate. Principal repayment began September 23, 1983, and will continue for a period of no more than 50 years.	5,590	-	-	5,590
Mattawa Project:				
Note payable to USDA Rural Housing Service, payable \$288 per month, including interest at 1% with final payment due July 2019; secured by the project's real estate	25,244	-	3,220	22,024
Farmworker Housing Project:				
Note payable to USDA Rural Housing Service, payable \$642 per month, including interest at 1% with final payment due December 2005; secured by the project's real estate	13,797	-	6,780	7,017
Beverly Lane Apartments:				
Note payable to USDA Rural Housing Service, payable \$4,456 per month, including interest at 6.75% with final payment due June 2025; secured by the project's real estate	465,624	-	14,921	450,703
Note payable to Washington Community Reinvestment Association, payable \$3,995 per month, including interest at 6.375% with final payment due July 2028; secured by the project's real estate	490,016	-	17,193	472,823
Karen Lane Apartments:				
Note payable to USDA Rural Housing Service, payable \$1,458 per month, including interest at 6.75% with final payment due May 2029; secured by the project's real estate	170,695	-	2,811	167,884
Note payable to Washington Community Reinvestment Association, payable \$2,899 per month, including interest at 6.375% with final payment due July 2028; secured by the project's real estate.	355,628	-	12,483	343,145
NuevaVida Apartments:				
Note payable to CTED, annual interest payments of 1%; secured by the project's real estate. Final payment of all remaining principal due April, 2053.	1,287,251	-	7,454	1,279,797
Spring Canyon Apartments:				
Note payable to CTED, annual interest payments of 1% commencing April, 2010; secured by the project's real estate. Final payment of all remaining principal due April, 2049.	2,439,416	-	-	2,439,416
Joseph Cove Apartments				
Note payable to CTED with 0% annual payments of \$15,000 beginning August 2012, secured by the project's real estate, final payment due August 2050.	2,871,422	-	14,999	2,856,423
Purple Sage Apartments				
Note payable to US Bank, payable \$6,541 per month including interest at 4.86%. Final payment due May, 2021.	-	1,056,289	-	1,056,289
Note payable to Washington State Housing Finance Commission with 0% interest, secured by the project's real estate. Final payment due May 2086.	957,107	1,500,209	-	2,457,316
Note payable - HAGC	-	6,500	-	6,500
Rose Garden Apartments				
Note payable to CTED with 0% annual payments of \$5,248 beginning December 2012, secured by the project's real estate. Final payment due June 2054	225,679	-	5,249	220,430

**NOTE 6 — LONG-TERM DEBT (continued):**

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

Primary government (continued):

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012
<b>Bell Hotel</b>				
Note payable to CTED with 0% payments of \$3,412 beginning September 2014, secured by the project's real estate. Final payment due June 2052.	867,257	-	390	866,867
Note payable to WCRA with 6.75% annual payments of \$5,798 beginning September 2010, secured by the project's real estate. Final payment due September 2035.	74,389	-	1,981	72,408
<b>Larson Division:</b>				
Note payable to Washington Trust with payments of \$469 per month including interest at 6.25% secured by the project's real estate.	51,913		5,059	46,854
Note payable to Washington Trust with payments of \$512 per month including interest at 6.25% secured by the project's real estate.	59,977		2,082	57,895
Note payable to Washington Trust \$467 per month, including interest at 6.25% by the project's real estate.	48,971	1,741	-	50,712
Note payable to Washington State Department of Community, Trade and Economic Development (CTED), payable \$10,410 annually with 0% interest; secured by the project's real estate. Final payment of all remaining principal due September 2050	405,991	-	10,410	395,581
Note payable to CTED, payable \$13,107 annually with 0% interest; secured by the project's real estate. Final payment of all remaining principal due June 2050.	602,916	-	-	602,916
Note payable to CTED dated June 7, 2005 and bears interest at 3%. Quarterly payments of \$5,018 commence on May 31, 2021. The note is due in full on February 28, 2046.	789,568	20,074	-	809,642
Note payable to CTED payable upon maturity with 0% interest. Final payment of all remaining principal due June 2045.	870,142		-	870,142
Note payable to CTED. Interest on the note is payable annually at 1% simple interest. Final payment of all remaining principal due June 2047	365,484		-	365,484
Note payable to CTED payable upon maturity with 0% interest. Final payment of all remaining principal due June 2045.	709,054		-	709,054
<b>Developmentally Disabled Project:</b>				
Note payable to Washington Department of Community Development, with no minimum monthly payment at 0% interest due and payable in full in December 2024	344,343	-	-	344,343
<b>Mental Health Housing Project:</b>				
Note payable to Washington Department of Community Development, payable \$15,640 annually, including interest at 1% with final payment due December 2047	448,608		11,152	437,456
<b>Esperanza:</b>				
Note payable to CTED, with no minimum monthly payment at 0% interest due and payable in full June 2024	1,579,924	-	-	1,579,924
<b>Total long-term debt</b>	<b>16,526,006</b>	<b>2,584,813</b>	<b>116,184</b>	<b>18,994,635</b>

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 6 — LONG-TERM DEBT (continued):**

Primary government (continued):

Principal maturities of long-term obligations as of December 31, 2012 are as follows:

<u>Years</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2012	137,583	107,289	244,872
2013	145,356	102,538	247,894
2014	150,523	97,470	247,993
2015	156,033	92,064	248,097
2016	161,909	86,297	248,206
2017 - 2021	900,328	330,726	1,231,054
2022 - 2026	2,881,689	129,374	3,011,063
2027 - 2031	436,086	13,445	449,531
2032 - 2036	362,749	8,842	371,591
2037 - 2041	354,107	5,574	359,681
2042 - 2046	3,110,008	2,138	3,112,146
2047 - 2051	8,907,957	-	8,907,957
2052 - 2056	1,290,307	-	1,290,307
	<u>18,994,635</u>	<u>975,757</u>	<u>19,970,392</u>

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	<u>Balance January 1, 2012</u>			<u>Balance December 31, 2012</u>	<u>Due within One Year</u>
	<u>Additions</u>	<u>Reductions</u>			
Long term debt (notes payable)	16,526,006	2,584,813	(116,184)	18,994,635	137,583
Other long-term liabilities	362,259	25,666	-	387,925	-
	<u>16,888,265</u>	<u>2,610,479</u>	<u>(116,184)</u>	<u>19,382,560</u>	<u>137,583</u>

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

**NOTE 6 — LONG-TERM DEBT (continued):**

Component Units:

	Balance January 1, 2012	Additions	Dispositions and Transfers	Balance December 31, 2012
Baird Springs Apartments, Limited Partnership	788,526	5,630	(6,966)	787,190
Beasley Hills Apartments, Limited Partnership	877,652	20,810	4,337	902,799
Camas Court Limited Partnership	709,054	-	-	709,054
Capehart Wherry Apartments, Limited Partnership	3,324,117	169,739	-	3,493,856
Dawn Village Apartments LLC	1,439,653	-	(6,455)	1,433,198
Frenchman Hills Apartments, Limited Partnership	1,615,363	27,450	-	1,642,813
Jardin De Rosas, Limited Partnership	870,141	-	-	870,141
Pelican Horn, LLC	1,175,878	-	(4,800)	1,171,078
Pershing Apartments, Limited Partnership	997,976	12,456	(65,665)	944,767
Priest Rapids Apartments, Limited Partnership	719,424	12,379	(13,118)	718,685
Wahluke Apartments, Limited Partnership	405,991	-	(10,410)	395,581
	<u>12,923,775</u>	<u>248,464</u>	<u>(103,077)</u>	<u>13,069,162</u>

Principal maturities of long-term obligations of the component units as of December 31, 2012 are as follows:

Years	Total Principal	Total Interest	Total
2013	112,322	177,030	289,352
2014	486,386	302,536	788,922
2015	1,243,445	274,170	1,517,615
2016	375,089	269,843	644,931
2017	622,689	265,136	887,825
2018 - 2022	1,751,766	1,231,711	2,983,477
2023 - 2027	763,720	1,058,925	1,822,645
2028 - 2032	965,421	851,059	1,816,480
2033 - 2037	659,372	664,129	1,323,501
2038 - 2042	528,315	564,811	1,093,126
2043 - 2047	3,221,511	445,671	3,667,182
2048 - 2052	2,339,126	287,991	2,627,117
2053 - 2057	-	-	-
	<u>13,069,162</u>	<u>6,393,012</u>	<u>19,462,174</u>

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 7 — HOUSING AUTHORITY RISK RETENTION POOL:***

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The Housing Authority of Grant 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 purchases \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

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

**Housing Authority of Grant County**  
**Notes to Financial Statements**  
**December 31, 2012**

***NOTE 8 — CONTINGENCIES:***

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In connection with various Federal and State grant programs, the Housing Authority is obligated to administer related programs and spend funds in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the Housing Authority to refund program monies. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although the Housing Authority expects such amount, if any, to be immaterial.

The Housing Authority receives approximately 50% of its rental revenue in the form of subsidies from HUD and USDA Rural Housing Service. These subsidy contracts expire at various intervals and are subject to renewal by the funding agency.

As of December 31, 2012, the Housing Authority and its component units have outstanding construction contracts and other commitments totaling approximately \$45,304. These commitments are primarily related to the implementation of redevelopment activities and capital projects funded by Federal, State and local financial assistance and tax credit equity contributions.

The Housing Authority is also contingently liable in connection with claims and contracts arising in the normal course of its activities. The Housing Authority's management is of the opinion that the outcome of such matters will not have a material effect on the accompanying financial statements.

The possibility exists that HUD contributions may decrease in the future. In the event such contributions were significantly reduced, the Housing Authority would need to seek other funding sources to maintain operations at current levels.

The Housing Authority assists qualifying individuals with the purchase of homes through a bank by being the guarantor on the loan if the borrower should default. The total amount outstanding at December 31, 2012, is approximately \$201,847. Management believes that all loans in which the Housing Authority is the guarantor will be paid in full.

The Housing Authority has entered into agreements with Beasley Hills Apartments, L.P., Frenchman Hill Apartments, L.P., Wahluke Apartments, L.P., Priest Rapids Apartments, L.P., Baird Springs Apartments, L.P., Capehart Wherry Apartments, L.P., Camas Court L.P., Pershing Apartments, L.P., Jardin De Rosas, L.P. Dawn Village, LLC and Pelican Horn Apartments, L.L.C. whereby the Housing Authority has agreed to loan to the project partnership any funds required to fund operating deficits of the project partnership incurred during the period commencing with a breakeven date and ending on the third anniversary of the break even date. The Housing Authority has also agreed to guaranty and pay any development deficit and any downward adjustment excess amounts and any unpaid deferred development fee amount and that from the date of the agreement until the break even date the Housing Authority will pay all expense of operating and maintaining the improvements in excess of the gross collections to the extent necessary to maintain break even operations. All payments made by the guarantor to the project partnership and limited partners shall be made without any right of repayment.

In addition, The Housing Authority has agreed to guarantee the repayment of any tax credit recapture event that is triggered by the filing of a tax return claiming less credits than the amounts allowed per the agreement or as a result of an audit by the Internal Revenue Service which results in the assessment of a tax deficiency.

# Housing Authority of Grant County

## Notes to Financial Statements

### December 31, 2012

**NOTE 9 — DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL INFORMATION:**

**Balance Sheet Information**

	Baird Springs	Beasley Hills	Camas Court	Capehart Wherry	Dawn Village	Jardin De Rosas	Frenchman Hill	Palisades	Pelican Horn	Pershing	Priest Rapids	Wahluke Slope
<b>Assets</b>												
Current Assets:												
Cash and cash equivalents												
Unrestricted cash and cash equivalents	806	9,975	157,423	42,463	89,968	25,744	33,796	117,791	97,181	17,264	2,682	95,140
Tenant security deposits	8,500	8,770	5,160	15,410	6,283	6,750	8,045	-	8,491	8,305	8,200	7,915
Accounts receivable:												
Tenants, dwelling units and other	1,775	3,031	-	3,209	3,112	740	1,287	-	2,167	620	-	-
Prepaid expenses and other assets	-	-	2,101	4,884	68,068	3,212	2,991	-	4,082	2,934	3,110	2,798
Total current assets	11,081	21,776	164,684	65,966	167,431	36,446	46,119	117,791	111,921	29,123	13,992	105,853
Restricted Assets:												
Restricted investments	48,370	56,361	201,622	111,013	275,564	74,164	39,669	-	333,706	88,497	79,561	197,128
Total restricted assets	48,370	56,361	201,622	111,013	275,564	74,164	39,669	-	333,706	88,497	79,561	197,128
Noncurrent Assets:												
Land	-	-	140,200	-	121,000	225,000	59,123	-	96,100	-	-	-
Buildings	2,643,515	2,577,702	3,736,432	4,064,978	3,052,504	3,177,048	2,952,666	-	4,676,376	2,818,682	2,625,813	2,380,357
Furniture, equipment and machinery, dwelling	189,888	104,839	2,697	232,529	3,887	15,885	119,078	-	544	36,090	190,442	161,774
Less accumulated depreciation	2,833,403	2,682,541	3,879,329	4,297,507	3,177,391	3,417,933	3,130,867	-	4,773,020	2,854,772	2,816,255	2,542,131
	(1,001,339)	(1,152,309)	(444,926)	(1,312,011)	(480,978)	(714,387)	(1,428,632)	-	(769,673)	(708,884)	(1,034,394)	(987,747)
	1,832,064	1,530,232	3,434,403	2,985,496	2,696,413	2,703,546	1,702,235	-	4,003,347	2,145,888	1,781,861	1,554,384
Other assets	21,179	5,072	70,921	1,699	-	23,442	4,925	-	45,038	42,329	9,867	-
Total noncurrent assets	1,853,243	1,535,304	3,505,324	2,987,195	2,696,413	2,726,988	1,707,160	-	4,048,385	2,188,217	1,791,728	1,554,384
Total Assets	1,912,694	1,613,441	3,871,630	3,164,174	3,139,408	2,837,598	1,792,948	117,791	4,494,012	2,305,837	1,885,281	1,857,365
<b>Liabilities and Net Assets</b>												
Current Liabilities:												
Accounts payable	11,045	10,775	2,621	5,970	28,265	4,165	1,710	2,246	2,391	1,936	12,350	1,357
Accrued interest payable	2,597	-	-	-	-	-	-	-	-	-	3,021	-
Tenant security deposits	8,500	8,770	5,159	15,410	6,283	6,750	8,045	-	8,491	8,305	8,200	7,915
Deferred revenues	136	196	891	1,287	10	-	-	-	6,127	39	307	11
Accrued expenses	-	17,722	-	3,000	2,335	-	33,173	-	-	28,000	30,000	-
Current maturities of long-term debt and other	7,470	4,674	-	7,445	6,973	-	19,111	-	40,688	6,902	8,649	10,410
Total current liabilities	29,748	42,137	8,671	33,112	43,866	10,915	62,039	2,246	57,697	45,182	62,527	19,693
Noncurrent Liabilities:												
Long-term debt, net of current maturities	779,720	898,125	709,054	3,486,411	1,426,225	870,141	1,623,702	-	1,130,390	937,865	710,036	385,171
Other long-term liabilities	79,198	133,863	5,299	-	136,695	193,183	45,150	-	171,412	-	77,473	-
Total other non-current liabilities	858,918	1,031,988	714,353	3,486,411	1,562,920	1,063,324	1,668,852	-	1,301,802	937,865	787,509	385,171
Total liabilities	888,666	1,074,125	723,024	3,519,523	1,606,786	1,074,239	1,730,891	2,246	1,359,499	983,047	850,036	404,864
Net Assets:												
Invested in capital assets, net of related debt	965,676	493,570	2,720,050	(508,360)	1,126,520	1,640,222	14,272	-	2,660,857	1,201,121	985,703	1,158,803
Restricted	48,370	56,361	201,622	111,013	275,564	74,164	39,669	-	333,706	88,497	79,561	197,128
Unrestricted	9,982	(10,615)	226,934	41,998	130,538	48,973	8,116	115,545	139,950	33,172	(30,019)	96,570
Total net assets	1,024,028	539,316	3,148,606	(355,349)	1,532,622	1,763,359	62,057	115,545	3,134,513	1,322,790	1,035,245	1,452,501
Total liabilities and net assets	1,912,694	1,613,441	3,871,630	3,164,174	3,139,408	2,837,598	1,792,948	117,791	4,494,012	2,305,837	1,885,281	1,857,365

# Housing Authority of Grant County

## Notes to Financial Statements

### December 31, 2012

#### NOTE 9 — DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL INFORMATION:

	Operating Statement Information											
	Baird Springs	Beasley Hills	Camas Court	Capehart Wherry	Dawn Village	Jardin De Rosas	Frenchman Hill	Palisades	Pelican Horn	Pershing	Priest Rapids	Wahluke Slope
Operating revenues:												
Tenant rentals	141,516	134,121	77,269	261,850	268,163	152,394	139,079	-	259,928	170,812	159,570	155,801
Housing assistance payment subsidies	-	-	-	-	-	-	-	-	-	-	-	-
Other	11,872	12,961	74,919	22,130	5,058	331	1,366	314,033	4,138	2,203	2,944	927
Total operating revenues	153,388	147,082	152,188	283,980	273,221	152,725	140,445	314,033	264,066	173,015	162,514	156,728
Operating expenses:												
Administration	44,032	38,509	53,310	89,030	69,863	52,749	33,808	327,365	69,048	38,349	42,704	43,688
Tenant services	-	-	-	-	-	-	-	-	-	-	-	-
Utility services	29,894	31,779	23,970	60,327	30,341	38,774	38,369	-	20,047	30,950	32,747	34,075
Maintenance	31,143	43,590	18,097	121,910	42,799	25,710	32,305	67,615	35,637	35,778	25,207	25,889
Protective services	-	-	-	-	-	-	-	-	-	-	-	-
Housing assistance payments	-	-	-	-	-	-	-	-	-	-	-	-
Other	24,627	26,212	14,857	34,377	44,865	33,609	16,444	(166)	15,425	12,463	9,933	14,459
Depreciation and amortization	81,741	83,426	98,343	104,629	79,908	93,309	102,047	-	120,993	85,800	83,490	64,676
Total operating expenses	211,437	223,516	208,577	410,273	267,776	244,151	222,973	394,814	261,150	203,340	194,081	182,787
Income (loss) from operations	(58,049)	(76,434)	(56,389)	(126,293)	5,445	(91,426)	(82,528)	(80,781)	2,916	(30,325)	(31,567)	(26,059)
Non-operating revenue and (expenses):												
Operating grants	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	85	99	219	236	243	64	49	-	149	132	150	462
Interest expense	(41,181)	(43,606)	(3,545)	(189,980)	(74,394)	-	(31,283)	-	(50,940)	(43,321)	(45,047)	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Total non-operating revenue and expense:	(41,096)	(43,507)	(3,326)	(189,744)	(74,151)	64	(31,234)	-	(50,791)	(43,189)	(44,897)	462
Contributions:												
Capital grant revenue	-	-	-	-	-	-	-	-	-	-	-	-
Partner/Member contributions	-	-	-	-	-	-	-	-	-	104,252	-	-
Total contributions	-	-	-	-	-	-	-	-	-	104,252	-	-
Transfers:												
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-
Total transfers	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets	(99,145)	(119,941)	(59,715)	(316,037)	(68,706)	(91,362)	(113,762)	(80,781)	(47,875)	30,738	(76,464)	(25,597)
Total net assets at beginning of year	1,123,173	659,257	3,208,321	(39,312)	1,601,328	1,854,721	175,819	196,326	3,182,388	1,292,052	1,111,709	1,478,098
Total net assets at end of year	1,024,028	539,316	3,148,606	(355,349)	1,532,622	1,763,359	62,057	115,545	3,134,513	1,322,790	1,035,245	1,452,501

HOUSING AUTHORITY OF GRANT COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For The Year Ended     DECEMBER 31, 2012**

1	2	3	4	5			6
Federal Agency Name / Pass-Through Agency Name	Federal Program Name	CFDA Number	Other I.D. Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture	Rural Rental Housing Loan-FW Larson	10.415	56-013-916000964-016		\$7,060		
	Rural Rental Housing Loan-Beverly Lane		56-013-916000964-034		\$450,702		
	Rural Rental Housing Loan-Karen Lane		56-013-916000964-046		\$167,884		
	Rural Rental Housing Loan-Farmworker Mattawa		56-013-916000964-022		\$22,024		
	Rural Rental Housing Loan-Section 8 larson		56-013 772065345-058		\$5,590		
	Rural Rental Housing Loan Subsidy Credits-Karen Lane		56-013-916000964-046		\$8,806		
	Rural Rental Housing Loan Subsidy Credits-Beverly Lane		56-013-916000964-034		\$25,160		
			Subtotal		\$687,226	<b>\$687,226</b>	
U.S. Department of Housing and Urban Development (HUD)	Section 8 Housing Assistance Payments Program-Special Allocations	14.195	WA014		\$173,165	<b>\$173,165</b>	
U.S. Department of Housing and Urban Development (HUD)/ Grant County	Emergency Solutions Grant (ESG)	14.231	13-46107-008	\$29,930		<b>\$29,930</b>	
U.S. Department of Housing and Urban Development (HUD)/ WA State Dept of Commerce	Home Investment Partnership Program (TBRA)	14.239	11-47101-120/12-47101-120	\$124,737		<b>\$124,737</b>	
U.S. Department of Housing and Urban Development (HUD)	Public and Indian Housing	14.850	WA014		\$444,221	<b>\$444,221</b>	

U.S. Department of Housing and Urban Development (HUD)	Section 8 Housing Choice Vouchers	14.871	WA014VO		\$1,227,290	<b>\$1,227,290</b>	
U.S. Department of Housing and Urban Development (HUD)	Public Housing Capital Fund-2008	14.872	WA19P014501-08		\$44,798		
	Public Housing Capital Fund-2009		WA19P014501-09		\$160,119		
	Public Housing Capital Fund-2010		WA19P014501-10		\$149,697		
	Public Housing Capital Fund-2011		WA19P014501-11		\$215,506		
	Public Housing Capital Fund-2012		WA19P014501-12		\$2,525		
			Subtotal		\$572,645	<b>\$572,645</b>	
Total Federal Awards Expended				\$154,667	\$3,104,547	<b>\$3,259,214</b>	

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

**Grant County Housing Authority**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**January 1, 2012 through December 31, 2012**

**NOTE 1-BASIS OF ACCOUNTING**

The Housing Authority prepares the Schedule of Expenditures of Federal Awards on the same basis of accounting as the Housing Authority's financial statements. The Housing Authority uses the accrual basis of accounting for all programs receiving federal financial assistance.

**NOTE 2-PROGRAM COSTS**

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

**Actual Modernization  
Cost Certificate**

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

OMB Approval No. 2577-0044 (exp. 12/31/2011)

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

Public Reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Reports Management Officer, Paperwork Reduction Project (0044 and 1057), Office of Information Technology, U.S. Department of Housing and Urban Development, Washington, D.C. 20410-3600. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a currently valid OMB control number. Do not send this form to the above address.

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

HA Name: <b>HOUSING AUTHORITY OF GRANT COUNTY</b>	Modernization Project Number: <b>WA19P014501-08</b>
--	--

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

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

A. Original Funds Approved	\$358,640.00
B. Funds Disbursed	\$358,640.00
C. Funds Expended (Actual Modernization Cost)	\$358,640.00
D. Amount to be Recaptured (A-C)	\$0.00
E. Excess of Funds Disbursed (B-C)	\$0.00

2. That all modernization work in connection with the Modernization Grant has been completed;

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the HA have been fully paid;


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

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

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

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

Signature of Executive Director & Date:

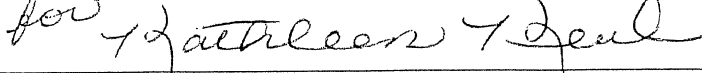
X   
Carol Anderson, Executive Director

Date: 7/12/12  
5/31/2012

For HUD Use Only

The Cost Certificate is approved for audit:

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

X 

Date: 7-30-12

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

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

Date:

X

facsimile form HUD-53001 (10/96)  
ref. Handbooks 7475.1 & .3

HA Of Grant County (WA014)  
MOSES LAKE, WA

Entity Wide Balance Sheet Summary

Fiscal Year End: 12/31/2012

Submission Type: Audited/A-133

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Sp cial Allocations	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.231 Emergency Shelter Grants Program	14.257 Homeless Prevention and Rapid Re-Housing Program (RAF)	14.885 Formula Capital Fund Stimulus Grant	10.427 Rural Rental Assistance Payments	6 Component Units	2 State/Local	14.239 HOME Investment Partnerships Program	Subtotal	Total
111 Cash - Unrestricted	\$1,652	\$0	\$3,419					\$246,722	\$690,233	\$458,781		\$1,400,807	\$1,400,807
112 Cash - Restricted - Modernization and Development													
113 Cash - Other Restricted			\$355							\$1,190		\$1,545	\$1,545
114 Cash - Tenant Security Deposits	\$51,442	\$15,423						\$55,866	\$91,829	\$31,020		\$245,580	\$245,580
115 Cash - Restricted for Payment of Current Liabilities													
100 Total Cash	\$53,094	\$15,423	\$3,774	\$0	\$0	\$0	\$0	\$302,588	\$782,062	\$490,991	\$0	\$1,647,932	\$1,647,932
121 Accounts Receivable - PHA Projects													
122 Accounts Receivable - HUD Other Projects													
124 Accounts Receivable - Other Government													
125 Accounts Receivable - Miscellaneous								\$137		\$35,504		\$35,641	\$35,641
126 Accounts Receivable - Tenants	\$8,221	\$4,090						\$23,685	\$15,941	\$12,394		\$64,331	\$64,331
126.1 Allowance for Doubtful Accounts - Tenants	-\$2,661	-\$1,288						-\$28	\$0	-\$1,035		-\$5,012	-\$5,012
126.2 Allowance for Doubtful Accounts - Other								\$0	\$0	-\$366		-\$366	-\$366
127 Notes, Loans, & Mortgages Receivable - Current													
128 Fraud Recovery													
128.1 Allowance for Doubtful Accounts - Fraud													
129 Accrued Interest Receivable													
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,560	\$2,802	\$0	\$0	\$0	\$0	\$0	\$23,794	\$15,941	\$107,776	\$0	\$155,873	\$155,873
131 Investments - Unrestricted	\$444,087	\$776						\$8,564		\$86,859		\$540,286	\$540,286
132 Investments - Restricted		\$32,676	\$102,231					\$425,761	\$1,505,655	\$47,897		\$2,114,220	\$2,114,220
135 Investments - Restricted for Payment of Current Liability													
142 Prepaid Expenses and Other Assets	\$12,829	\$1,058	\$335					\$451	\$94,180	\$15,448		\$124,301	\$124,301
143 Inventories										\$36,473		\$36,473	\$36,473
143.1 Allowance for Obsolete Inventories										\$0		\$0	\$0
144 Inter Program Due From		\$7,249						\$16,278		\$1,492		\$25,019	\$25,019
145 Assets Held for Sale													
150 Total Current Assets	\$515,570	\$59,984	\$106,340	\$0	\$0	\$0	\$0	\$777,436	\$2,397,838	\$786,936	\$0	\$4,644,104	\$4,644,104
161 Land	\$461,043	\$29,985						\$498,756	\$641,423	\$1,941,745		\$3,572,952	\$3,572,952
162 Buildings	\$12,052,146	\$1,443,792						\$15,097,248	\$34,706,073	\$6,922,127		\$70,221,386	\$70,221,386
163 Furniture, Equipment & Machinery - Dwellings	\$264,658	\$17,275						\$196,247	\$1,057,653	\$258,205		\$1,794,038	\$1,794,038
164 Furniture, Equipment & Machinery - Administration	\$507,964	\$58,709	\$5,319					\$6,516		\$371,443		\$949,951	\$949,951
165 Leasehold Improvements	\$556,402	\$83,595						\$16,306		\$660,823		\$1,717,126	\$1,717,126
166 Accumulated Depreciation	-\$8,472,784	-\$1,052,506	-\$5,319					-\$3,330,732	-\$10,035,280	-\$5,124,154		-\$28,020,775	-\$28,020,775
167 Construction in Progress	\$1,211,037									\$114		\$1,211,151	\$1,211,151
168 Infrastructure													
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,980,466	\$580,850	\$0	\$0	\$0	\$0	\$0	\$12,484,341	\$26,369,869	\$5,030,303	\$0	\$51,445,829	\$51,445,829
171 Notes, Loans and Mortgages Receivable - Non-Current	\$82,209											\$12,187,808	\$12,187,808



HA Of Grant County (WA014)  
MOSES LAKE, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 12/31/2012

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Sp ecial Allocations	14.871 Housing Choice Vouchers	10.415 Rural Housing Loans	14.231 Emergency Shelter Grants Program	14.257 Homelessnes s Prevention and Rapid Re-Housing Program (RAF)	14.885 Formula Capital Fund Stimulus Grant	10.427 Rural Rental Assistance Payments	6 Component Units	2 State/Local	14.239 HOME Investment Partnerships Program	Subtotal	Total
70300 Net Tenant Rental Revenue	\$713,257	\$110,959						\$640,014	\$1,920,503	\$746,910		\$4,131,643	\$4,131,643
70400 Tenant Revenue - Other	\$31,597	\$8,486						\$23,045	\$138,849	\$204,504		\$406,481	\$406,481
70500 Total Tenant Revenue	\$744,854	\$119,445	\$0	\$0	\$0	\$0	\$0	\$663,059	\$2,059,352	\$951,414	\$0	\$4,538,124	\$4,538,124
70600 HUD PHA Operating Grants	\$444,221	\$173,165	\$1,163,885					\$416,728		\$537,957		\$2,735,956	\$2,735,956
70610 Capital Grants	\$515,168									\$55,657		\$570,825	\$570,825
70710 Management Fee													
70720 Asset Management Fee													
70730 Book Keeping Fee													
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue													
70800 Other Government Grants													
71100 Investment Income - Unrestricted	\$10,246	\$31						\$679	\$1,888	\$157,752		\$170,596	\$170,596
71200 Mortgage Interest Income										\$434		\$434	\$434
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery			\$2,565									\$2,565	\$2,565
71500 Other Revenue	\$340	\$25,062							\$314,033	\$706,250		\$1,045,685	\$1,045,685
71600 Gain or Loss on Sale of Capital Assets													
72000 Investment Income - Restricted	\$30	\$30	\$2,420					\$34	\$0	\$12		\$2,496	\$2,496
70000 Total Revenue	\$1,714,829	\$292,671	\$1,193,932	\$0	\$0	\$0	\$0	\$1,080,500	\$2,375,273	\$2,409,476	\$0	\$9,066,681	\$9,066,681
91100 Administrative Salaries	\$284,856	\$52,724	\$71,876					\$15,253		\$422,941		\$847,650	\$847,650
91200 Auditing Fees	\$9,015	\$1,942	\$905					\$669		\$5,174		\$17,705	\$17,705
91300 Management Fee									\$38,134			\$38,134	\$38,134
91310 Book-keeping Fee	\$6,580	\$1,647	\$767					\$567		\$4,415		\$13,976	\$13,976
91400 Advertising and Marketing	\$6,468	\$1,415	\$450					\$1,341		\$6,774		\$16,448	\$16,448
91500 Employee Benefit Contributions - Administrative	\$106,480	\$21,409	\$30,677					\$6,422		\$181,109		\$346,097	\$346,097
91600 Office Expenses	\$49,064	\$11,123	\$10,652					\$304,113	\$902,455	\$67,220		\$1,344,627	\$1,344,627
91700 Legal Expense	\$10,111	\$1,113	\$519					\$382		\$8,204		\$20,329	\$20,329
91800 Travel	\$1,522	\$135	\$63					\$46		\$9,398		\$11,164	\$11,164
91810 Allocated Overhead													
91900 Other	\$48,367	\$6,884	\$11,386					\$2,328		\$79,084		\$148,049	\$148,049
91000 Total Operating - Administrative	\$522,463	\$98,392	\$127,295	\$0	\$0	\$0	\$0	\$331,121	\$940,589	\$784,319	\$0	\$2,804,179	\$2,804,179
92000 Asset Management Fee													
92100 Tenant Services - Salaries													
92200 Relocation Costs	\$500	\$184										\$684	\$684
92300 Employee Benefit Contributions - Tenant Services													
92400 Tenant Services - Other													







## **ABOUT THE STATE AUDITOR'S OFFICE**

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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.

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**Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of State and Local Audit**  
**Deputy Director of Quality Assurance**  
**Deputy Director of Communications**  
**Local Government Liaison**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

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**Doug Cochran**  
**Chuck Pfeil, CPA**  
**Kelly Collins, CPA**  
**Jan M. Jutte, CPA, CGFM**  
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