Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Housing Authority of Snohomish County (HASCO)

Snohomish County

Audit Period
July 1, 2012 through June 30, 2013

Report No. 1011412

Issue Date
March 10, 2014

WASHINGTON
TROY KELLEY
STATE AUDITOR

Washington State Auditor
Troy Kelley

March 10, 2014

Board of Commissioners
HASCO
Everett, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

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Federal Summary

HASCO
Snohomish County
July 1, 2012 through June 30, 2013

The results of our audit of the HASCO 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 its major federal program.

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

Identification of Major Programs:

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $935,984.

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*

HASCO
Snohomish County
July 1, 2012 through June 30, 2013

Board of Commissioners
HASCO
Everett, 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 HASCO, Washington, as of and for the year ended June 30, 2013, 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 January 31, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

January 31, 2014

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

HASCO
Snohomish County
July 1, 2012 through June 30, 2013

Board of Commissioners
HASCO
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the HASCO, Washington, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

January 31, 2014

Independent Auditor's Report on Financial Statements

HASCO
Snohomish County
July 1, 2012 through June 30, 2013

Board of Commissioners
HASCO
Everett, 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 HASCO, Snohomish County, Washington, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 11. We did not audit the financial statements of the Cedar Street Tax Limited Partnership and the Olympic and Sound View LLC, which combined represent 100 percent of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Cedar Street Tax Limited Partnership and the Olympic and Sound View LLC, is based on the report of the other auditors

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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 HASCO, as of June 30, 2013, 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 17 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 is supplementary information required by HUD. These schedules are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

January 31, 2014

Financial Section

HASCO
Snohomish County
July 1, 2012 through June 30, 2013

The Housing Authority of Snohomish County ("HASCO" or the "Authority") owns and manages property and administers rental subsidy programs to provide eligible low-income persons safe and affordable housing. HASCO is a political subdivision of the State of Washington created under the authority of Revised Code of Washington (RCW) Chapter 35.82. The Authority manages a broad range of federally and locally financed housing programs serving Snohomish County. The Authority owns or manages in excess of 2,100 units of housing and provides rental subsidies to over 3,300 additional families.

The Authority's mission is to expand affordable housing opportunities within Snohomish County, that enhance the quality of life for individuals and families with limited financial resources, that contributes to a safer and stronger community.

As management of the Authority, we offer readers of the Authority's financial statements and the related footnote disclosures, this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and accompanying footnotes. The management discussion and analysis is presented in conformance with the Government Accounting Standards Board (GASB).

The Authority's financial statements are designed so that all activities of the Authority, except the tax credit limited partnerships in which HASCO is the general partner, are reported in one total column. The tax credit limited partnerships are reported in a separate column as component units. All the tax credit partnerships have December 31st year ends. See Note 8 for more detailed information on these projects.

Overview of the Financial Statements

The financial statements are presented in accordance with generally accepted accounting principles. The Authority follows the "business type activity" reporting requirements that provide a comprehensive overview of the Authority's financial activities. The statements are:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

The statements are prepared on the accrual basis and present all assets and liabilities of the Authority, both financial and capital, and short and long term. They also present all revenues and expenses of the Authority during the year, regardless of when the cash was received or paid. Collectively the statements provide information regarding the Authority's financial condition as of June 30, 2013 and the results of its operations and cash flows for the year then ended.

The financial performance discussed below does not include the operating performance of two tax credit partnerships the Authority was involved in during the year, which are owned by separate limited partnerships or limited liability corporations but are managed by the Authority as general partner or managing member. These projects are reported in a separate component unit column on the financial statements.

Financial Highlights

- The total assets exceeded its total liabilities (net position) of the Authority at the close of the most recent fiscal year by $ 26,216,050. This was an increase of $ 713,979, or 2.8% from the prior year. There are several reasons for the increase; 1) was due to our re-acquiring one of our tax credit partnerships at a favorable purchase price; 2) another reason was our completion of re-financing two projects at much lower interest rates which enabled us to lower the overall debt on the projects; and 3) was the strength of the local rental market which generated higher revenues for our affordable housing portfolio. These three factors were enough to offset the reduction in funding from HUD for the Section 8 program and for the Public Housing Program, resulting in an increase in net position.

- The increase in net position of $713,979 means the Authority was profitable for the fiscal year. A surplus was generated, which is a positive result.

- As of the close of the current fiscal year the Authority had total revenues, both operating and non-operating, of $ 51,269,567, this was a decrease of $ 1,198,236, or 2.3% over the previous year total of $ 52,467,803. The main reason for the decrease in revenues is the reduction in federal appropriations for HUD funded programs. HASCO received $1,944,528 less in funding this year for HUD's Section 8 and Public Housing programs. As a result the Authority utilized reserves we had previously received from HUD to maintain the program at current levels. This resulted in a reduction in reserves for these programs. The Authority will have to look at reducing the size of the programs, reducing the number of families we can assist, in order to bring the programs in line with this lower level of federal support.

- Total expenses, both operating and non-operating, were $ 49,842,789, which was a decrease of $ 4,124,634, or 7.6% from the previous year total of $53,967,423. Of this total, $29,165,238, or 58.5%, was for pass through housing assistance payments in our Section 8 Housing Choice Voucher program. This was a decrease of $1,520,927 over the previous year's housing assistance payments. Our Maintenance Repair Expenses also decreased by $2,143,983 as the Authority became more aggressive at capitalizing property improvements that benefit future periods. A result was that some costs that had previously been expensed have now been capitalized and will be depreciated over multiple years. Our interest expense also was reduced by $300,864 which reflects savings due to our re-financing two bond issues.

Financial Statements

The Authority is a special purpose government and has chosen to use the "proprietary fund" reporting model for its business activities, which is similar to accounting methods used in for profit oriented business enterprises, that is then consolidated into columnar format and presents one column for the entire Authority.

These statements include a Statement of Net Position which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority and is presented in a format where assets less liabilities equal "net position", formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as either current (generally convertible or redeemable with cash within one year) or non-current.

The balance sheet presents information about "net position" in three broad categories:

Investment in Capital Assets, Net of Related Debt: This component of net position consists of all capital assets, reduced by the amount of outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of net position consists of assets that are restricted by external contracts or regulations, such as those of creditors (e.g. debt service reserves), grantors, laws, or other regulations. Self imposed restrictions by the Authority do not result in restricted net positions.

Unrestricted Net Position: This component generally consists of anything that does not meet the definition of either of the first two components.

The Authority wide financial statements also include a Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an income statement. This statement includes the operating revenues and expenses as well as the non-operating revenues and non-operating expenses. The focus of the statement is the "change in net position" which is similar to net income or loss.

The Authority also includes a Statement of Cash Flows which discloses net cash provided by, or used for operating activities, non-capital financing activities, capital and related financing activities and investing activities.

Statement of Net Position

The Statement of Net Position includes all assets and liabilities of the Authority using the accrual basis of accounting. The following table reflects the condensed information from the Authority's Statement of Net Position for the last fiscal year.

Condensed Statement of Net Position (Balance Sheet)
(in millions)

	June 30 2013	June 30 2012
Assets:		
Current Assets	23.4	26.2
Capital Assets, net of depreciation	94.3	94.2
Non Current Assets	20.2	20.8
Total Assets	137.9	141.2
Deferred Outflow of Resources	3.2	4.7
Liabilities:		
Current Liabilities	1.6	1.6
Current Portion of Long Term Debt	2.6	2.1
Long Term Debt	99.4	103.3
Non Current Liabilities	8.0	8.7
Total Liabilities	111.6	120.4
Deferred Inflow of Resources	3.2	4.7
Net Position:		
Invested in Capital Assets – net of related debt	4.3	1.0
Restricted Net Position	4.4	7.2
Unrestricted Net Position	17.5	17.3
Total Net Position	26.2	25.5

Major Factors Affecting the Statement of Net Position

The Statement of Net Position measures the amount by which assets exceed the corresponding liabilities, or net position. Over time this may serve as useful measure of the Authority's financial position. The total net position of $26.2 million is broken into 3 categories.

The first category – Investment in Capital Assets, represents the book value amount invested in capital assets net of depreciation and the related debt. The primary change that affected this category was the result of our ability to refinance two projects at lower interest rates. The new debt instruments allowed us to lower, or eliminate the debt service reserves and use these funds to decrease the total amount of debt outstanding. The current portion of long term debt increased by $0.5 million but the long term debt was reduced by $3.9 million, which corresponds to more equity and an increase in net position in this category.

The Restricted Net Position consists of two main financial assets, debt service reserves held by trustees to support our debt service commitments and financing covenants, and Section 8 Housing Assistance Payment reserves, which are restricted and can only be used for housing assistance payments for our Section 8 Housing Choice Voucher program. The change in this portion of net position reflects changes to both or these restricted reserves. As noted previously in the financial highlights, section reduced federal appropriations have required the Authority to utilize our housing assistance payment reserves to maintain the current Section 8 program levels. This has resulted in a reduction in these reserves of $1.6 million. Also as noted above, the Authority refinanced two projects and used the debt service reserves to reduce the amount to be borrowed by approximately $1.2 million, which also lowered the restricted reserve amounts.

The Unrestricted Net Positions represent the Authority's unrestricted cash and investments, which is essentially anything that does not fall into the first two categories. The increase in this category is essentially the offset to the decrease in the first category – Investment in Capital Assets, Net of Related Debt.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the results of operations as well as the non-operating revenues and expenses. It is necessary to consider both operating and non-operating revenues and expenses to gauge the results of operations because often times the distinctions between operating and non operating are merely accounting definitions. As a result we believe it best to consider all sources and uses of resources.

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30th (millions)

	2013	2012
Operating Revenues		
Dwelling Income	16.3	15.1
Operating Subsidies and Grants	30.0	32.0
Other Income	1.9	2.1
Total Operating Revenues	48.2	49.2
Non Operating Revenues		
Grants	1.6	1.7
Interest and Other Non Operating	1.0	.8
Disposition of Assets	.4	.8
Total Non Operating Revenues	3.0	3.3
Total Revenues	51.2	52.5
Operating Expenses		
Operating and Administrative Expenses	14.2	17.0
Housing Assistance Payments	29.2	30.7
Depreciation	2.9	2.4
Total Operating Expenses	46.3	50.1
Non Operating Expenses		
Interest Expense and Subsidy	3.5	3.9
Other Non Operating	0	0
Total Non Operating Expenses	3.5	3.9
Total Expenses	49.8	54.0

Income Before Contributions, Transfers, and Special Items	1.4	(1.5)
Capital Contributions	0	.1
Transfers In (Out)	(0.7)	0
Extraordinary/Special Items	.0	0
Change In Net Position	0.7	(1.4)
Total Net Position – Beginning of Year	25.5	27.0
Prior Period Adjustment	0	(.1)
Total Net Position – End of Year	26.2	25.5

Major Factors Affecting the Statement of Revenues, Expenses, and Changes in Net Position

Direct grants and subsidies from HUD, or other grant programs, make up approximately 62% of the revenue we receive. By far the largest program the Authority administers is the Housing Choice Voucher Program, commonly known as Section 8. This program also generates our largest single category of expense as well in the form of Housing Assistance Payments, which are transfer payments to private landlords to assist eligible low income families with their rent. Accordingly, a major factor affecting our Statement of Revenues, Expenses, and Changes in Net Position is Congress' continued appropriation and support for these programs. In fiscal year 2013, this support declined due to lower federal appropriations. There is a chance that this support will continue to decline.

In addition to administering certain programs for our grantor agencies, the Authority is also a real estate owner and is affected economically by the local real estate market. The local real estate market in Snohomish County has strengthened. This has led to rising rent levels and corresponding lower vacancy rates.

As a result of these factors our locally owned real estate has performed well in the local real estate market. Interest rates remain at historically low levels. This allowed us to re-finance two projects last year and realize significant cost savings. We expect to see rents remain firm and likely increase, which should lead to increases in our operating revenues, however this would be offset by potentially lower revenues from our government sponsored programs. We operate in a limited geographical area and are unable to diversify our holdings across multiple markets.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the Authority had $ 94.3 million invested in capital assets as reflected in the following schedule, which is presented in detail in note number 3 in the financial statement footnotes.

Capital Assets at Year End
(Net of Depreciation - in millions)

	June 30 2013	June 30 2012
Land	24.2	24.2
Buildings and Structures	59.5	62.2
Capitalized Improvements	8.4	7.0
Equipment and Personal Property	.2	.2
Capital Assets, net of accumulated depreciation	92.3	93.6
Add: Construction Work in Progress	2.0	0.6
Total Capital Assets net of accumulated depreciation	94.3	94.2

The following reconciliation summarizes the change in capital assets for fiscal year 2013, which is presented in detail in the notes to the financial statements.

Change in Capital Assets
(in millions)

	2013	2012
Balance as of the Beginning of Fiscal Year	94.2	78.1
Additions	4.1	20.1
Retirements/Sales, net	(1.1)	(1.6)
Depreciation Expense	(2.9)	(2.4)
Balance as of the End of the Fiscal Year	94.3	94.2

Debt Administration

As of June 30, 2013 the Authority had $ 102.0 million of bonds, notes, and loans payable outstanding, as compared to $ 105.4 million outstanding as of June 30, 2012, a decrease of $ 3.4 million. There was reduction in our debt due to normal repayment of our bonds as well as early retirements of three bond issues due to refinancing transactions. This information is presented in detail in note 5 in the footnotes to the financial statements.

Change in Long Term Debt
(in millions)

	2013	2012
Balance as of the Beginning of the Fiscal Year	105.4	99.3
Additions	23.1	10.0
Early Retirements/Payoffs, net	(24.1)	(1.5)
Scheduled Redemptions	(2.4)	(2.4)
Balance as of the End of the Fiscal Year	102.0	105.4

Economic Factors

As noted earlier, the Authority is an owner of rental property as well as an administrator of housing programs that are primarily funded through federal government grant programs.

Legislative or regulatory changes or lack of congressional appropriations for the programs can and will affect the Authority's operations. This is evident this year with respect to the reduction in revenues and corresponding expenses in grant funded programs, particularly the Housing Choice Voucher program, commonly referred to as Section 8.

The Authority also provides affordable housing by owning rental property. As such, we are affected by, and subjected to, fluctuations in the local real estate market. Because our area of operation is limited to one county, it is impossible to provide economic diversification of our real estate holdings.

Washington State in general and Snohomish County in particular have had stable real estate markets in the past. Weakness has occurred since 2008 as a result of the national economic down turn however economic activity has stabilized and has improved. We are currently enjoying a strong local rental market with rising rents and low vacancies. We expect vacancy rates in our local real estate market to remain low and economic activity to continue to improve.

Housing Authority of Snohomish County

Statement of Net Position

As of June 30, 2013

	Primary Government	Component Unit
ASSETS		
Current Assets:		
Unrestricted Cash and Cash Equivalents	18,321,682	415,259
Restricted Cash and Cash Equivalents	4,361,980	-
Accounts Receivable - (net)	245,328	2,708
Prepaid Expenses	188,037	-
Notes and Loans Receivable - Current	254,033	-
Total Current Assets	**23,371,060**	**417,967**
Noncurrent Assets:		
Capital Assets		
Construction in Progress	2,007,127	-
Land	24,215,800	2,074,667
Structures & Equipment, Net of Depreciation	68,065,025	8,831,510
Total Capital Assets	**94,287,952**	**10,906,177**
Notes and Loans Receivable		
Notes and Loans Receivable - Noncurrent	10,663,390	-
Notes Receivable - Limited Partners	8,932,500	-
Other Assets	594,835	161,416
Total Noncurrent Assets	**20,190,725**	**161,416**
Total Current and Noncurrent Assets	**137,849,737**	**11,485,560**
DEFERRED OUTFLOW OF RESOURCES		
Accumulated decrease in fair value of hedging derivatives	3,204,789	1,230,190
LIABILITIES		
Current Liabilities:		
Accounts Payable	155,035	13,588
Tenant Security Deposits	555,958	26,830
Accrued Interest Payable	256,865	201,717
Current Portion of Long Term Debt	2,632,269	130,000
Deferred Revenues	27,283	-
Compensated Absences - Current	311,143	-
Other Accrued Liabilities	319,276	-
Total Current Liabilities	**4,257,829**	**372,135**
Noncurrent Liabilities:		
Bonds, Notes and Loans Payable	99,390,957	5,515,000
Compensated Absences - Noncurrent	121,007	-
Deferred Revenue Noncurrent	7,863,894	-
Other Noncurrent Liabilities	0	4,654,441
Total Noncurrent Liabilities	**107,375,858**	**10,169,441**
Total Current and Noncurrent Liabilities	**111,633,687**	**10,541,576**
DEFERRED INFLOW OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	3,204,789	1,230,190
NET POSITION		
Net Investment in Capital Assets	4,328,199	5,261,177
Restricted Net Position	4,361,980	-
Unrestricted Net Position	17,525,871	(4,317,193)
TOTAL NET POSITION	**26,216,050**	**943,984**

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

Housing Authority of Snohomish County
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year July 1, 2012 through June 30, 2013

	Primary Government	Component Unit
Operating Revenues		
Dwelling Income	16,293,661	1,173,663
Tenant Income - Other	834,591	38,518
HUD PHA Grants	30,052,770	-
Other Grants	35,935	-
Other Income	1,034,538	-
Total Operating Revenues	48,251,495	1,212,181
Operating Expenses		
Administrative Wages & Benefits	4,475,119	-
Office Administrative Expenses	1,242,882	261,521
Professional Services	124,419	-
Outside Management	506,267	44,532
Utilities	1,788,582	110,449
Maintenance Wages & Benefits	1,942,859	87,433
Maintenance Operating Expenses	1,673,619	138,389
Maintenance Repair Expenses	1,034,857	-
Taxes and Insurance	401,281	36,694
Housing Assistance Payments	29,176,976	-
Home Buyer/Rehab Loans and Other Exp	948,047	-
Other Expenses	72,312	-
Depreciation Expense	2,923,371	514,523
Total Operating Expenses	46,310,591	1,193,541
Operating Income (Loss)	1,940,904	18,640
Non-Operating Revenues		
HUD PHA Grants	551,407	-
Other Grants	891,083	-
Interest Income	118,315	308
Interest Credit Subsidy	208,519	-
Disposition of Assets	369,808	(604,603)
Other Non-operating Revenue	878,940	-
Total Non-Operating Revenues	3,018,072	(604,295)
Non-Operating Expenses		
Interest Expense	3,323,679	362,184
Interest Subsidy	208,519	-
Other Non-Operating Expenses	-	148,076
Total Non-Operating Expenses	3,532,198	510,260
Income Before Contributions, Transfers, Extraordinary and Special Items	1,426,778	(1,095,915)
Capital Contributions	26,910	-
Transfers In (Out) to other Govt.	(739,709)	-
Change in Net Position	713,979	(1,095,915)
Total Net Position Beginning of Year	25,502,071	2,039,899
Prior Period Adjustments	-	-
Total Net Position End of Year	26,216,050	943,984

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

Housing Authority of Snohomish County
Statement of Cash Flows
Fiscal Year Ended June 30, 2013

Cash Flows from Operating Activities	
Cash received from tenants	17,066,035
Cash received from other sources	30,979,541
Cash (paid) received on loan servicing	123,751
Cash payment to suppliers for goods or services	(7,383,016)
Cash payments on housing assistance	(29,297,421)
Cash payments to employees for wages/benefits	(6,442,768)
Net cash flows (used) from operating activities	**5,046,122**
Cash Flows from Non-Capital Financing	
Cash received from grantors	1,934,901
Operating transfers to primary govt/component units/other	(739,709)
Repayment of long term debt or loans	(75,000)
Interest paid on long term debt or loans	(104,402)
Other non-capital proceeds (payments)	828,942
Net cash provided (used) by non-capital financing	**1,844,732**
Cash Flows from Capital and Related Financing	
Net Change in Capital Assets	(2,982,965)
Gain (loss) on disposal of capital assets	(15,236)
Proceeds from long term debt or loans	20,254,874
Repayment of long term debt or loans	(21,590,652)
Interest and fees paid on long term debt or loans	(5,512,327)
Net cash provided (used) by capital financing	**(9,846,306)**
Cash Flows from Investing Activities	
Interest Income	118,315
Net change in investment	(13,108)
Net increase (decrease) in cash or equivalents	**(2,850,245)**
Add Net Increase/Decrease to Beginning Cash	
Cash & Equivalents at Previous Fiscal Year End	25,533,908
Balance to Current Cash	
Cash & Equivalents at Current Fiscal Year End	22,683,662
Adjustments to reconcile income from operations to net cash provided	
Income from Operations	1,940,904
Depreciation	2,923,371
(Increase) Decrease in A/R - Tenants	10,977
(Increase) Decrease in Prepaid Expenses	(99,910)
(Increase) Decrease in Other Assets	740,046
(Increase) Decrease in Security Deposits	51,979
(Increase) Decrease in Accrued Liabilities	154,835
(Increase) Decrease in Deferred Revenues	(676,080)
Net Cash Provided (Used) by Operating Activity	**5,046,122**

The accompanying notes are an integral part of this statement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity

The Housing Authority of Snohomish County was created by resolution of the Snohomish County Council on April 15, 1971. The Authority was duly organized and incorporated as an independent municipal corporation on May 6, 1971, pursuant to the State of Washington Housing Authorities Law, RCW Chapter 35.82. The Housing Authority is governed by a six member Board of Commissioners who are appointed to staggered five-year terms by the county council. The Board of Commissioners appoints an Executive Director to implement Board policy and oversee the daily operations of the Authority. The Authority is the lowest level of government over which the Board of Commissioners and the Executive Director exercise oversight responsibility. The financial statements include all the accounts of the Authority's operations. The Authority develops, acquires, maintains, and manages affordable housing. The Authority also administers Housing Assistance Programs for low income, handicapped, and elderly residents of Snohomish County. These functions are funded through a variety of grants and contracts. The Housing Authority has no taxing powers.

The Authority has also entered into one partnership to administer low income housing tax credits allocated by the Washington State Housing Finance Commission. This partnership is further described in Note 8. The Authority was the general partner in two partnerships during the fiscal year. The Authority was able to exercise a bargain purchase option during the year and obtain full ownership of one property thereby dissolving this partnership. This partnership activity is reported in the component unit column of the financial statements. These partnerships meet the requirements of Governmental Accounting Standards Board Statement 14 to be treated as component units because of the “imposition of will” and “financial benefit/burden” criteria. As such, they are considered a part of the reporting entity. The partnerships financial reporting is summarized in a separate column using the discrete presentation method. Each of the partnerships uses a calendar year-end reporting period which is different from the Authority’s. No attempt was made to reconcile between these reporting periods. Each partnership is audited separately. Separate copies of the financial reports can be obtained by contacting the Housing Authority.

b. Basis of Accounting and Financial Statement Presentation

The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the Washington State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using Generally Accepted Accounting Principles (GAAP); however it has the option to use either the single enterprise proprietary fund or special purpose governmental fund model. The Authority has elected to use the single enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. Proprietary funds are used to account for activities that are operated in a manner similar to private enterprise business. Under this method revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long term liabilities are accounted for in the fund. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

c. Cash, Cash Equivalents, and Investments

The Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, balances in investment pools, and short-term investments with a maturity of three months or less. It is the policy of the Authority to invest all temporary cash surpluses. Any excess cash is invested in short-term instruments in accordance with state law and the Authority's investment policy. State law prohibits any equity investments. Investments by the Authority are reported at fair value which is materially equivalent to cost. This is more fully disclosed in Note 2.

d. Restricted Cash and Investments
Certain cash and investment balances, such as a debt service reserve accounts, are usually required by bond trust indentures. These funds are typically held by a trustee in accordance with the bond indenture. These reserves are established to insure the financial stability of the projects and to provide additional security to bond holders. Any balances held by trustees in a debt service reserve accounts at year end on behalf of the Authority, which are irrevocably pledged for the repayment of debt, are reported as restricted cash and investments. This category will also include any funds being held from a grantor agency for which there exists a restriction on its use. An example of this is funding from HUD which can only be used to make housing assistance payments on behalf of eligible program participants.

e. Accounts Receivable
Accounts receivable at year-end consist of amounts owed from various organizations or individuals for goods and services rendered, or owed on promissory notes or contracts receivable. Amounts owed on promissory notes or contracts receivable generally refer to loan amounts that are due and payable over time. The major receivables at year end are due from grantor agencies as amounts owed to the Authority but not yet received as well as 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 receivable balances are generally secured by grant or partnership agreements, or secured by liens against real property there is generally no need to estimate uncollectible accounts receivable. Any immaterial accounts receivable deemed to be uncollectible are typically written off throughout the year as they are discovered.

f. Inventory
The Authority does not maintain any significant inventory items. All such expenditures are expensed when purchased and no inventory is reported because it would be an immaterial amount.

g. Land, Structures, and Equipment and Depreciation
See Note 3 – Capital Assets and Depreciation.

h. Notes and Loans Receivable
Represent loans of bond proceeds to our tax credit partnerships as well as loans we have made in the various loan programs we operate for down payment assistance or mortgage financing for our Thomas Place project. These loans are expected to be repaid through project cash flows or by the loan recipients. These are classified as non-current because they are not expected to be repaid within one year.

i. Other Assets – Unamortized Bond Issue Costs
The amounts recorded as prepaid expenses represent unamortized bond issue costs. The costs of issuing bonds are paid up front but must be amortized over the life of the bonds. These costs therefore represent a prepaid expense. This expense is amortized using the straight-line method over the life of the bonds.

j. Accrued Interest Payable
Represents accrued interest payable on various bonds, loans, and notes as of the last day of the reporting period.

k. Accrued Compensated Absences
The balances represent the Authority's estimate of the cash value of accrued administrative leave. This is more fully described in Note 7.

l. Rehab Loans Payable
The Authority administered a Rehab Loan Program for Snohomish County that was funded by Snohomish County Community Development Block Grant (CDBG). These grant dollars were loaned to eligible individuals, in accordance with program guidelines, and can range from being deferred with no interest to being repayable with 3% interest depending on the borrower's eligibility. When the loans are repaid, the funds are repaid to the County. The loan program has been discontinued but the Authority continues to service the loan portfolio.

m. Deferred Developer Fees

The deferred developer fees represent amounts due to the Authority from its one tax credit partnership the Authority is involved in as the general partner. The developer fees are payable over a 15-year tax credit compliance period from the projects available excess cash flow. These amounts are recorded as due to general partner in the partnership's records. In the Authority's records, these amounts have been recorded as deferred revenue along with offsetting receivables. Since the fees are payable from excess cash flow, if there is any, and there is no predetermined payment schedule, it is unknown if and when the fees will be collected. This partnership is reported as a component unit of the Authority and is more fully explained in Note 8.

n. Bonds/Notes/Loans Payable

All bonds, notes, and loans payable, which represent long-term liabilities, are reported on the financial statements at par value, net of any unamortized bond discounts. Several of these loans and notes contain clauses which defer payments, grant credits, or forgive indebtedness, which depend on the Housing Authority complying with specific provisions of the agreements. These items are more fully described in Note 5 - Long Term Debt.

o. Operating Revenues and Expenses

The Authority reports operating revenues as defined in GASB Statement 9. Operating revenues result from 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). The use of this classification is based on guidance from HUD, one of the primary users 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 income presentation by the amounts of the subsidies 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. This also changes the reporting classifications on the cash flow statement as subsidies are reported as operating activity rather than non capital financing, but has no affect overall.

p. Budgets

The Board of Commissioners formally adopts annual operating budgets each year although there is no statutory requirement to do so. Budgets are submitted to grantor agencies when required by the program regulations. When required by the grantor agencies budgets are approved by the Board of Commissioners. Program budgets are not reported because they are often prepared on different fiscal years or accounting bases other than that of the financial statements, and therefore could be misleading. Additionally, since the Authority reports using the enterprise model there is no requirement to report budget information.

NOTE 2 – CASH DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS

Any available excess cash or demand deposits of the Authority are invested in accordance with RCW 35.82.070 (6) and the Authority's policies. It is the policy of the Authority, when making deposits or investing in bank market rate savings, money market funds, or certificates of deposit, to use banks which are qualified public depositories as designated by the Washington Public Deposit Protection Commission (WPDPC) pursuant to Chapter 39.58 RCW. The WPDPC is a risk sharing pool whereby member banks that are designated as "qualified public depositories", mutually insure public deposits against loss. As a result, the FDIC or WPDPC insures all demand deposits and bank balances of the Authority against loss.

The Authority voluntarily participates in the Washington State Local Government Investment Pool (LGIP). The LGIP was created by the state legislature in 1986 and is overseen by the Office of the State Treasurer. The State Treasurer created the LGIP Advisory Committee that is comprised of 12 members selected from active pool participants. The LGIP is considered extremely low risk. The LGIP is operated in a manner consistent with the SEC's rule 2a-7, which limits investments to high quality obligations with an average maturity of less than 90 days. This minimizes both market and credit risk. Any balances in the LGIP are reported at par value, which is the same as the fair value of the pool shares. The investments in government backed securities are rated AA+, however the LGIP itself is not rated.

All cash and investment amounts are recorded at fair value which is materially equivalent to cost. As of June 30, 2013, the Authority was holding $ 18,321,682 in unrestricted cash and demand deposits, short-term investments, and cash equivalents. All restricted cash and investments held in bond trust accounts are invested in accordance with the provisions of the various trust indentures. As of June 30, 2013, the Authority was holding $ 4,361,980 in restricted cash and investments.

These balances are invested in the following investment types:

Unrestricted Investments

Investment	Maturity	Fair Value	Rating
State Treasurer's LGIP	Next Day or On Demand	$10,156,889	Not Rated
Government Securities Money Market Fund	Next Day Liquidity	642,155	Not Rated
Bank Accounts	Next Day Liquidity	7,522,638	Not Rated
Total Unrestricted Cash and Investments		$18,321,682	

Restricted Investments

Investment	Maturity	Fair Value	Rating
Government Securities Money Market Fund	Next Day Liquidity	$ 705,869	Not Rated
Investment Agreements	May 1, 2031	543,113	Not Rated
FNMA Bond 2.875%	December 11, 2013	538,522	AA+
FHLB Discount Note	September 30, 2013	196,980	AA+
State Treasurer's LGIP and Bank Accounts	Next Day Liquidity	2,377,496	Not Rated
Total Restricted Investments		$ 4,361,980	

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However the large majority of the Authority's investments are short term in nature. The only longer term investments are typically in debt service reserve funds held by the trustee for various revenue bond issues.

Custodial Risk
Is the risk that in the event of a failure of the counterparty (e.g. broker-dealer) to an investment transaction, the Authority would not be able to recover the value of the investment or collateral securities, which may be in the possession of another party. The Authority believes our investments are secured through sufficient collateral mechanisms and trust agreements and therefore our custodial risk exposure is minimal.

Credit Risk
Credit risk is the risk that the debt issuer or other counterparty will not meet its obligations under the terms of the debt instrument. The credit risk is measured by quality rating of investments in debt securities as described by a national statistical rating agency, such as Standard and Poor's or Moody's. As noted above, state law limits the types of investments that can be made by the Authority to those identified in RCW 35.82.070 (6). As such, the Authority's investments are limited to those investments that were guaranteed by the U.S. Government or an instrumentality, such as FNMA, investments in external investment pools, or insured bank accounts.

Concentration of Credit Risk
The Authority places no limit on the amount that can be invested in any one investment.

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

Capital Assets

Capital assets are recorded at historical cost in the Land, Structures, and Equipment accounts. Improvements that extend the useful life of the structure and are in excess of $5,000 are capitalized while costs associated with repairs and maintenance are expensed. All costs of acquiring, constructing, or renovating capital assets in the other programs are included in those programs as capital assets. This includes capitalization of interest when appropriate.

For certain subsidized programs, grant funds are used for capital improvements, such as the Comprehensive Grant Program (CGP) and Community Development Block Grant (CDBG) program. Costs are accounted for within the appropriate program in order to prepare proper financial and program compliance reports. If costs are to be capitalized, the assets are transferred to the appropriate program upon completion of the project. Other costs for repair and maintenance are expensed as incurred. Generally interest is not capitalized in these programs because these improvements are not financed, funding is provided as reimbursements are requested.

Capital assets are depreciated using the straight-line method. Depreciation begins the fiscal year after acquisition; or the date the asset was placed in service, no depreciation is taken in the year of acquisition. Depreciable lives are as follows:

Land	Not Depreciated
Buildings and Structures	30 years
Capital Improvements	7-15 years
Equipment and Personal Property	3-5 years

Proceeds of any disposal or write-offs of any capital assets are recognized in the period sold in the appropriate program. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Other Assets also includes any construction work in progress that has not been completed and placed in service and other miscellaneous deferred debits.

Capital Asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated:				
Land	$ 24,215,800	0	0	$ 24,215,800
Construction Work in Progress (net)	568,023	1,977,421	538,317	2,007,127
Total Capital Assets not being depreciated:	$ 24,783,823	1,977,421	538,317	$ 26,222,927
Capital Assets being depreciated:				
Buildings and Structures	$ 87,310,583	0	914,367	$ 86,396,216
Capitalized Improvements	12,359,820	2,076,275	41,152	14,394,943
Equipment and Personal Property	731,319	39,815	132,660	638,474
Total Capital Assets being depreciated:	$ 100,401,722	2,116,090	1,088,179	$101,429,633
Less accumulated depreciation: (net)				
Buildings and Structures	(25,062,785)	358,662	2,206,906	(26,911,029)
Capitalized Improvements	(5,353,758)	25,915	643,923	(5,971,766)
Equipment and Personal Property	(545,645)	131,373	67,542	(481,814)
Total accumulated depreciation:	(30,962,188)	515,950	2,918,371	(33,364,609)
Total Capital Assets being depreciated, net:	$ 69,439,534	2,632,040	4,006,550	$68,065,024
Total Capital Assets, net of depreciation	$ 94,223,357	4,609,461	4,544,867	$ 94,287,951

NOTE 4 - PENSION PLAN

Substantially all the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement System (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 disclosure are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers,* and GASB Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

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

Plan Description

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

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

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until the choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and 3 members may opt out of plan membership if terminally ill, with less than 5 years to live.

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest upon separation from PERS covered employment.

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

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living adjustment (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

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

The survivor of a PERS Plan 1 member who dies after having earned ten years of service credit has the option, upon the member's death, of either a monthly survivor benefit or the lump sum of contributions plus interest.

PERS Plan 2 members are vested after completion of 5 years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest paid service months.

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

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

With a benefit that is reduced by 3 percent for each year before age 65; or

With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return to work rules.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. The surviving spouse or eligible child(ren) of a PERS Plan 2 member who dies after having earned ten years of service credit has the option of either a monthly benefit or a lump sum payment of the member's contributions plus interest.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are made in the same portfolio as that of the PERS 2/3 defined benefit plan.

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were $95.2 million, and plan refunds paid out were

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

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

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

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

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

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

PERS Plan 2 and Plan 3 members may have up to ten years of interruptive military service credit; five years at no cost and five years that may be purchased by paying the required contributions.

PERS Plan 2 and Plan 3 members who become totally incapacitated for continued employment while serving the uniformed services, or a surviving spouse or eligible children, may apply for interruptive military service credit.

PERS Plan 2 and Plan 3 members can also purchase up to 24 months of service credit lost because of an on the job injury.

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

Beneficiaries of a PERS Plan 2 or Plan 3 member with ten years of service who is killed in the course of employment receive retirement benefits without actuarial reduction. This provision applies to any member killed in the course of employment, on or after June 10, 2004, if found eligible by the Director of the Department of Labor and Industries.

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

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

Members who chose to participate would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75% of AFC; stop contribution to the Judicial Retirement Account (JRA); pay higher contributions; and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; not be subject to a benefit cap; continue to participate in the JRA; and not have the option to increase the multiplier for past judicial service.

There are 1,184 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2011:

Retirees and Beneficiaries Receiving Benefits	79,363
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	29,925
Active Plan Members Vested	105,578
Active Plan Members Non-vested	46,839
Total	261,705

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

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

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

The required contribution rates expressed as a percentage of current year covered payroll, as of December 31, 2012, were as follows:

PERS	Plan 1	Plan 2	Plan 3
Employer*	7.21% **	7.21% **	7.21% ***
Employee	6.00% ****	4.64% ****	*****

* The employer rates include the employer administrative expense fee currently set at 0.16%.
** The employer rate for state elected officials in 10.74% for Plan 1 and 7.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials in 7.50% for Plan 1 and 4.64% for Plan 2 and Plan 3.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

Both the Authority and the employees made the required contributions. The Authority's required contributions for the fiscal years ending June 30 were as follows:

PERS	Plan 1	Plan 2	Plan 3
2010	$ 14,273	$ 147,711	$ 20,358
2011	$ 14,448	$ 151,119	$ 22,690
2012	$ 20,121	$ 202,472	$ 32,451
2013	$ 11,801	$ 211,299	$ 34,001

NOTE 5 - LONG TERM DEBT

The Authority's long-term obligations consist of bonds payable, notes payable, and grants and loans payable. These bonds, loans, and notes have been issued for purchasing or constructing housing or to provide funds for capital improvements or loaned to various non-profit groups as conduit financing to do the same. Accordingly, all the debt is classified as capital related debt. All of the debt is tax exempt debt, which means that the interest earned by the holders of the debt is exempt from income taxes on their personal tax returns. As tax exempt debt the Authority is subject to compliance with IRS regulations related to arbitrage. To the best of our knowledge the Authority is in compliance with all required finance related covenants and regulations related to our debt.

A. Revenue Bonds Payable

Housing Authority Financed Projects

From time to time, the Authority has issued revenue bonds to provide financial assistance to private entities for the acquisition or construction of housing deemed to be in the public interest. The bonds were issued and the proceeds were loaned to the private entities under the terms of the governing loan and regulatory agreements. The bonds are secured by liens on the property financed and are payable from payments received on the underlying loans. The liens are secured solely by the revenues generated by the property secured by the underlying deed of trust granted to the Authority.

The bonds are issued in the name of the Authority and are liabilities of the Authority. No other governmental agency is liable for these bonds except the Authority. The underlying non profit owners and partnerships are current on all obligations under the terms of the governing loan and regulatory agreements. The Authority has no taxing powers. All the bonds are tax-exempt revenue bonds, and are subject to arbitrage requirements, except the bonds for the Bristol Square project, formerly known as the West Pacific Limited Partnership. As of June 30, 2013 the total outstanding balance of bonds payable for conduit financed projects is $9,290,973 and consists of the following bonds payable:

Conduit Bond Issues	Issue Date	Interest Rate	Original Amount	Amount Outstanding
Snohomish Affordable Housing Group				
McDonald Street	07/02	5.00%	$ 625,000	$ 0
5th Avenue Senior Housing	10/08	5.50 – 6.00%	$2,500,000	$ 0
Refunding Revenue Bond	05/13	3.875%	$2,841,500	$ 2,841,500
Housing Hope				
Avondale Village Project	11/05	6.00 – 7.00%	$1,450,000	$ 804,473
Olympic and Sound View LLC				
Olympic and Sound View	11/07	Variable Rate with Swap Hedge	$ 6,500,000	$ 5,645,000
Bonds Payable – HA Financed Projects				$ 9,290,973

Housing Authority Owned Projects

The serial revenue bonds were issued to finance the purchase and/or the development of the aforementioned projects with the exception of the Thomas Place Mortgage Bonds. These bonds were issued, after receiving private activity bond cap from the Washington State Housing Finance Commission, to provide mortgages for first time homebuyers at the Thomas Place Manufactured Home Park. Debt service on the bond issues are paid from bond funds established pursuant to Board resolutions. The bond funds are funded from net operating revenues of the respective projects that the bonds are secured by. The Authority is responsible under the bond indentures to maintain various coverage ratios and covenants. The Authority is in compliance with all such requirements.

As of June 30, 2013 the total outstanding balance of bonds payable for Authority owned projects is $63,410,330 and consists of the following bonds payable:

Housing Authority Owned Projects	Issue Date	Interest Rate	Original Amount	Amount Outstanding
Thomas Place Mortgage Bonds	06/98	5.75% - 5.85%	$ 2,940,000	$ 480,000
Millwood Estates (Series A)	06/99	5.30% - 5.50%	$15,695,000	$ 0
Woodlake/Fairview Bonds	11/99	6.20% - 6.30%	$ 2,580,000	$ 1,975,000
Edmonds Highlands Bonds	05/01	5.10% - 5.60%	$ 11,365,000	$ 0
Ebey Arms Revenue Bonds Centerhouse, Raintree Village and Valley Commons Refunding Bonds	11/03	Variable Rate with Swap Hedge	$ 9,345,000	$ 7,965,000

Housing Authority Owned Projects	Issue Date	Interest Rate	Original Amount	Amount Outstanding
Autumn Chase Bonds	09/05	Variable Rate with Swap Hedge	$ 12,425,000	$10,985,000
Whispering Pines Bonds	12/05	4.75% - 5.75%	$ 8,000,000	$ 6,555,000
Westwood Crossing Bonds	05/07	5.25%	$ 4,800,000	$ 4,325,000
Squire/Kingsbury Mobile Home Park	05/07	4.40% - 4.50%	$ 4,110,000	$ 3,660,000
Bristol Square FNMA Bond (Taxable)	04/11	5.80%	$ 5,400,000	$ 5,256,761
FmHA Pooled Project	04/12	4.00%	$ 2,700,000	$ 2,531,530
Millwood Estates (FNMA Note)	12/12	2.61%	$10,100,000	$ 9,655,792
Edmonds Highlands Bonds	12/12	1.00% - 3.25%	$10,115,000	$10,015,000
Bonds Payable – Housing Authority Projects				$63,404,083
Total Bonds Payable				$72,695,056
Less: Total Unamortized Bond Discounts				(306,963)
Total Bonds Payable (Net of Unamortized Discounts)				$72,388,093

Total bonds payable activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Est. Due Next Year
Conduit Financing	$ 9,415,320	2,841,500	(2,965,847)	$ 9,290,973	$ 195,963
Bonds Payable	66,647,570	20,215,000	(23,458,487)	63,404,083	2,347,149
Unamort. Discounts	(397,466)	(56,744)	147,247	(306,963)	
Bonds Payable, net	$ 75,665,424	22,999,756	(26,277,087)	$ 72,388,093	

The estimated annual requirements to amortize all the Authority's revenue bonds outstanding as of June 30, 2013, including interest, are as follows:

Fiscal Year	Bond Principal	Interest
2014	2,347,149	2,619,119
2015	2,421,445	2,529,936
2016	2,510,545	2,443,442
2017	2,598,515	2,349,614
2018	2,696,408	2,252,717
2019-2023	19,017,349	9,042,819
2024-2028	11,208,919	5,708,318
2029-2033	11,065,000	3,871,471
2034-2038	8,030,000	1,949,406
2039-2043	1,515,000	99,450

At June 30, 2013, the Authority has $ 1,984,484 classified as restricted assets, held by trustees, as required by our bond indentures and agreements.

B. Notes Payable

The notes payable consist of several promissory notes with USDA, Rural Housing Services as well as a deferred promissory note with the Washington State Department of Community, Trade, and Economic Development (CTED), and two interim financing arrangements to facilitate closing on real estate transactions.

The Authority has entered into promissory notes with the U.S Department of Agriculture, Rural Development Division, formerly known as Farmers Home Administration. The Craigmont note financed the acquisition of this project. It is a 40-year note payable with an interest rate of 7.75%. The notes associated with the Pooled Project represent promissory notes assumed by the Authority upon acquisition of these projects. These notes have a 40-year term with an interest rate of 6.75%. These notes are subordinate to the Authority's revenue bonds on this project. By complying with provisions of the loan agreements, interest credits are granted on a monthly basis that makes the effective interest rate 1.00%. The amount of interest credit granted in any year is calculated and has been reported on the schedule of federal financial assistance as a subsidy. Annual debt service requirements on these notes could vary depending on the amount of interest credit granted. The Craigmont project is under a Section 8 housing assistance contract with HUD. The Pooled Project receives rental assistance through USDA, Rural Development.

The Authority entered into a promissory note with the Washington State Department of Community, Trade, and Economic Development (CTED). The note is subject to the terms and conditions of the Housing Finance Unit Agreement, contract number 03-49300-802, in consideration for the sale and financing of Ebey Arms Apartments. The contract is for a term of 40 years. Quarterly interest only payments of $2,723.75 are due for the first 15 years. The final interest only payment is due on November 30, 2018. Principal and interest payments of $12,327.10 shall be due beginning February 28, 2019 and quarterly thereafter for 25 years until the loan is due and payable in full on or before November 30, 2043.

The Authority acquired the Pacific Crest project on July 1, 2011. To complete the financing of the transaction the Authority issued a three year Revenue Note Payable in the amount of $8,190,000. It is the Authority's intention to create and sell this project to a partnership or limited liability company that will apply for and sell to investors low income tax credits. The proceeds of the sale of the tax credits will be used to perform additional rehabilitation work on the project. Accordingly the existing revenue note will be refinanced at that time and replaced with permanent long term financing.

In addition to the Revenue Note Payable the seller, Bethany at Pacific and Oakes Limited Partnership, also took back a $1,500,000 promissory note to complete the financing. The Authority pays 4% interest annually on the note. The note also accrues 1% simple interest annually. The note, along with all accrued interest is payable in full by June 30, 2018.

Notes Payable	Issue Date	Interest Rate	Original Amount	Amount Outstanding
Craigmont	11/92	1.00%-7.75%	$1,645,382	$ 1,342,043
USDA Pooled Project	04/96	1.00%-6.75%	$3,009,183	$ 2,460,540
Ebey Arms	11/03	1.00%	$1,089,500	$ 1,089,500
Pacific Crest Revenue Note	07/11	Variable 1 yr Libor	$8,190,000	$ 8,090,000
Pacific Crest Promissory Note	07/11	1.00% - 4.00%	$1,500,000	$ 1,500,000
Total Notes Payable				$14,482,083

Total notes payable activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimated Principal Due Next Year
Craigmont	1,370,464	0	(28,421)	1,342,043	30,704
USDA Pooled Project	2,512,804	0	(52,264)	2,460,540	55,904
Ebey Arms	1,089,500	0	0	1,089,500	0
Pacific Crest	9,690,000	0	(100,000)	9,590,000	200,000
Total Notes Payable	$14,662,768	0	(180,685)	$ 14,482,083	

The Authority has not calculated an estimate of the annual requirements to amortize the notes payable outstanding as of June 30, 2013, because future events could trigger changes in interest rates which would affect the amount of interest and the amortizing balances, as previously described.

C. Loans Payable

The Authority also has a number of other debt obligations that are most appropriately categorized as loans payable. In general these loans were entered into to take advantage of favorable loan or grant agreements. A summary and more detailed description of these loans follows:

Loans Payable	Issue Date	Interest Rate	Original Amount	Amount Outstanding
Thomas Lake (1)	11/94	1.00%	$ 740,000	$ 690,621
AIDS Housing (2)	06/97	Deferred	$ 220,150	$ 220,150
Centerhouse (3)	08/91	Deferred	$ 389,000	$ 389,000
Autumn Leaf (4)	01/06	Deferred	$ 500,000	$ 500,000
	01/06	Deferred	$ 309,535	$ 309,535
Squire/Kingsbury (5)	04/07	0%	$ 3,500,000	$ 3,500,000
	07/07	Deferred	$ 392,938	$ 392,938
	09/07	Deferred	$ 625,113	$ 625,113
	06/08	Deferred	$ 1,000,000	$ 1,000,000
	01/09	Deferred	$ 558,260	$ 558,260
Fairview II (6)	09/07	Deferred	$ 850,000	$ 850,000
East Terrace III (7)	09/07	Deferred	$ 750,000	$ 750,000
	09/07	Deferred	$ 1,150,000	$ 1,150,000
Olympic/Sound View (8)	10/07	0%	$ 772,500	$ 772,500
Olympic/Sound View (9)	10/07	1.00%	$ 2,000,000	$ 2,000,000
Fairview Rehab (10)	03/10	Deferred	$ 950,000	$ 950,000
Fairview Rehab	05/11	Deferred	$ 494,933	$ 494,933
Total Loans Payable				$15,153,050

Detailed Description:

(1) This is a 3-part promissory note payable to the Washington State Department of Community Development. The funds were received for the purpose of purchasing and rehabilitating a condemned mobile home park. This note's three parts are as follows:

a. $500,000 is a deferred loan that incurs simple interest at 1% per year. Both the principal and interest are deferred and will be forgiven on December 31, 2035 if the Authority has complied with the affordable housing conditions outlined in the agreement. If the property is sold, the deferred amounts become due and payable. The deferred portion of this loan increased by $5,000 in fiscal year 2013. The outstanding principal and deferred interest balance is $590,000. The Authority has complied with all the provisions of the agreement.

b. $72,000 portion of this loan will be used as a revolving loan fund to assist income eligible persons in securing housing in the Mobile Home Park. This portion of the loan is secured by liens on the property financed. This portion was transferred to Homesight, a non profit corporation who has taken over a regional role for servicing these loans. Accordingly, the Authority is no longer liable for this portion of the loan.

c. The final $168,000 portion of the loan is a 1% loan to be amortized over 40 years with annual payments of principal and interest in the amount of $5,098 due each December 31. All payments have been made on this portion of the loan. The current outstanding principal balance is $100,622.

(2) This is a recoverable grant, $122,000 was received from the Washington State Department of Community Development, and $98,150 was received from Snohomish County, solely for the construction of housing for very low income persons with AIDS. The grant compliance period is 50 years commencing upon project completion. If the property is sold, refinanced, or its use changes the grant shall be due and payable. Because of the unique repayment provision we have recorded this recoverable grant as a loan. If compliance with the contract provisions is met for the 50-year period the loan is forgiven.

(3) The Authority entered into a contract with the Washington State Department of Community Development in August of 1991 in the amount of $389,000 to provide funds to assist with the construction and development of the Centerhouse Apartments. This note is being re-negotiated with the State and the County which will alter the terms of repayment.

(4) a.) The Housing Authority entered into a recoverable grant agreement with the Washington State Department of Community Development (contract # 04-49300-094), in the amount of $500,000. This recoverable grant was received to provide a portion of the funds to rehabilitate 8 additional units of transitional housing at a Housing Authority owned site in Marysville, Washington, to be known as Autumn Leaf. There is no expectation that the grant will be repaid, however if the terms and conditions of the grant agreement are not met, or if the property is sold, transferred, refinanced, or if the use changes over the 40 year term of the grant, the grant and a share of the appreciated value becomes due and payable to the State Housing Trust Fund. The agreement commenced on January 1, 2006 and ends on December 31, 2045.

b.) The Authority entered into a loan agreement with Snohomish County known as the AHTF 203 #2, as amended in October of 2005, for $309,535 for a term of 40 years, the loan is a 0% deferred loan that requires no interest or principal payments for 40 years. After 40 years the loan will be forgiven if the Housing Authority has fully complied with the provisions of the agreement. The purpose of the loan was to provide a portion of the funds necessary to rehabilitate 8 additional units of transitional housing. The agreement commenced on January 1, 2006 and ends on December 31, 2045.

(5) The Squire and Kingsbury projects are two senior mobile home parks that the Authority purchased to preserve this limited supply of affordable low income housing. To accomplish this goal a number of loans were received in order to reduce the amount of permanent debt the project rents will have to support in order to make this project financially feasible. These deferred loans are outlined below:

a. The Authority entered into a HOME loan agreement with the Washington State Department of Community Development (contract number 07-47104-002), for $3,500,000 for a term of 50 years, the loan is a deferred loan that requires no interest or principal payments for the first 30 years. After 30 years the loan amortizes, at 0% and requires quarterly payments of $43,750 will begin on March 31, 2038, for the next 20 years. The final payment shall be due on or before December 31, 2057.

b. The Authority entered into a loan agreement with Snohomish County (contract # HCD 07-11-0705-113) on July 23, 2007, for $392,938 for a term of 40 years, the loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years the loan will be forgiven if the Housing Authority has fully complied with the provisions of the agreement. The purpose of the loan was to reduce the amount of permanent financing required.

c. The Authority entered into a HOME loan agreement with Snohomish County (contract # HCD 07-42-0702-113) on September 26, 2007, for $625,113 for a term of 40 years, the loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years the loan will be forgiven if the Housing Authority has fully complied with the provisions of the agreement. The purpose of the loan was to reduce the amount of permanent financing required.

d. The Authority entered into a HOME loan agreement with Snohomish County (contract # HCD 08-42-0803-113) on June 27, 2008, for $1,000,000 for a term of 40 years. The loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years the loan will be forgiven if the Housing Authority has fully complied with the provisions of the agreement. The purpose of the loan was to reduce the amount of permanent financing required.

e. The Authority entered into a loan agreement with Snohomish County (contract # HCD 09-11-0903-113) on January 30, 2009, for $ 558,260 for a term of 40 years. The loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years the loan will be forgiven if the Housing Authority has fully complied with the provisions of the agreement. The purpose of the loan was to reduce the amount of permanent financing required.

(6) The Housing Authority entered into a recoverable grant agreement with the Washington State Department of Community Development (contract # 06-94100-055), in the amount of $850,000. This recoverable grant was received to provide a portion of the funds to construct 7 additional units of transitional housing at a Housing Authority owned site in Monroe, Washington, to be known as Fairview II. There is no expectation that the grant will be repaid, however if the terms and conditions of the grant agreement are not met, or if the property is sold, transferred, refinanced, or if the use changes over the 40 year term of the grant, the grant and a share of the appreciated value becomes due and payable to the State Housing Trust Fund. The first draw on these funds was made in September of 2007. The termination date of the agreement is December 31, 2047.

(7) The Housing Authority entered into two agreements to provide funding for the construction of 12 additional units of transitional housing, on property located in Mountlake Terrace, Washington, to be known as East Terrace III. To accomplish this goal, the loans were received to provide funding for the construction of the project. The loans are outlined below:

a. The Authority entered into a HOME loan agreement with Snohomish County (contract # HCD 07-42-0502-113), for $ 750,000 for a term of 40 years, The loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years entire loan shall be forgiven provided that the Housing Authority has fully complied with the provisions of the HOME agreement and promissory note.

b. The Authority entered into a recoverable grant agreement with the Washington State Department of Community Development (contract # 06-94100-054), in the amount of $1,150,000. This recoverable grant was received to provide a portion of the funds to construct 12 additional units of transitional housing. There is no expectation that the grant will be repaid, however if the terms and conditions of the grant agreement are not met, or if the property is sold, transferred, refinanced, or if the use changes over the 40 year term of the grant, the grant and an share of the appreciated value becomes due and payable to the State Housing Trust Fund.

(8) The Housing Authority entered into a loan agreement with Snohomish County to provide funding for the retirement of bridge financing used by the agency to acquire the property. The loan is a zero percent loan and is payable in full no later than December 31, 2048.

(9) The Housing Authority entered into a loan agreement with the State of Washington, Department of Community Trade and Economic Development to provide a portion of the funding for the acquisition and rehab of the apartment buildings located in Edmonds, Washington. The loan bears interest of 1% compounded quarterly, however no interest will begin to accrue until January 31, 2009. Payment on the loan shall be deferred until January 31, 2023. Quarterly payments in the amount of $25,000 shall begin on January 31, 2023. The full remaining principal balance and any accrued but unpaid interest shall be due and payable no later than December 31, 2048.

(10) The Housing Authority entered into two agreements to provide funding for the rehabilitation of 24 units of housing at the Fairview Apartments in Monroe, Washington. The loans are outlined below:

a. The Housing Authority entered into a recoverable grant agreement with the Washington State Department of Community Development (contract # 09-94100-027), in the amount of $950,000. There is no expectation that the grant will be repaid, however if the terms and conditions of the grant agreement are not met, or if the property is sold, transferred, refinanced, or if the use changes over the 50 year term of the grant, the grant and a share of the appreciated value becomes due and payable to the State Housing Trust Fund. The first draw on these funds was made in April of 2010. The current outstanding balance as of June 30, 2013 is $950,000. The termination date of the agreement is June 30, 2061.

b. The Authority entered into a HOME loan agreement with Snohomish County (contract # HCD 10-42-1003-113), for $ 494,933 for a term of 40 years, The loan is a zero percent deferred loan that requires no interest or principal payments for 40 years. After 40 years the entire loan shall be forgiven provided that the Housing Authority has fully complied with the provisions of the HOME agreement and promissory note. The current outstanding balance as of June 30, 2013 is $494,933.

Total loans payable activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Est. Due Next Year
Thomas Lake	$ 689,692	$ 5,000	(4,071)	$ 690,621	$ 1,006
AIDS Housing	220,150	0	0	220,150	0
Centerhouse	389,000	0	0	389,000	0
Autumn Leaf	500,000	0	0	500,000	0
“	309,535	0	0	309,535	0
Squire/Kingsbury	3,500,000	0	0	3,500,000	0
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Est. Due Next Year**
“	392,938	0	0	392,938	0
“	625,113	0	0	625,113	0
“	1,000,000	0	0	1,000,000	0
“	558,260	0	0	558,260	0
Fairview II	850,000	0	0	850,000	0
East Terrace III	750,000	0	0	750,000	0
“	1,150,000	0	0	1,150,000	0
Olympic and Sound View	772,500	0	0	772,500	0
“	2,000,000	0	0	2,000,000	0
Fairview	921,710	28,290	0	950,000	0
“	483,349	11,584	0	494,933	0
Total Loans Payable	$ 15,112,247	$ 44,874	(4,071)	$15,153,050	$ 1,006

The Authority has not calculated an estimate of the annual requirements to amortize the loans payable outstanding as of June 30, 2013, because as previously described, the unique characteristics of the loans, such as deferral of principal and interest etc., effectively make these loans non-amortizing and at the time they come due they will likely be forgiven.

Summary of total outstanding long term debt:

In summary the total outstanding long term debt is as follows:

Bonds Payable, net of unamortized discounts	$ 72,388,093
Notes Payable	14,482,083
Loans Payable	15,153,050
Total Long Term Debt	$ 102,023,226
Current Portion of Long Term Debt	$ 2,632,269
Non Current Portion of Long Term Debt	99,390,957
Total Long Term Debt	$ 102,023,226

NOTE 6 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

GASB Statement 53, requires the fair value of derivatives to be determined and reported on the Authority's statement of net position. Changes in the fair value of the hedging derivative instruments will be accounted for using hedge accounting, which requires these changes to be reported on the statement of net position as deferred inflows or outflows as long as the hedge is effective. When the hedging derivative contract ends or the hedge is determined to no longer be effective deferred amounts will be reported on the statement of revenues, expenses, and changes in net position.

The Authority has hedging instruments in place for three projects. Two of the projects are owned outright by the Authority and the third project is one in which we provided the financing which utilized the hedging instrument. This project is reported as a component unit of the Authority. Under the terms of the loan and regulatory agreement the tax credit partnership is responsible for payment of those costs and the value of that hedging instrument will be reported with that project in the component unit column.

The effect this year of this accounting requirement is that the value of the hedging instruments is shown as a deferred outflow of resources as well as a deferred inflow of resources on the Statement of Net Position in the amount of $3,204,789. Because the hedging instruments were determined to be effective, and this accounting treatment was applied, there is no affect on the net position, or equity balances of the Housing Authority. The remaining disclosures provide additional required information about our hedging instruments.

Contracts: The Authority has three revenue bond issues that involved the issuance of variable rate revenue bonds that used interest rate swap agreements to synthetically fix the interest rates and our exposure to rate fluctuations. Two of the swap agreements are for Housing Authority projects while the third is for the Olympic and Sound View LLC, which is a component unit of the Authority. Under the terms of the loan agreement the Olympic and Sound View LLC is responsible for repaying the Authority for all the costs associated with this debt. This is a debt of the Authority but is offset by a corresponding receivable.

Summary of Derivative Instruments

Description	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at June 30, 2013 Classification	Fair Value at June 30, 2013 Amount	Notional Amount
Housing Authority Bond Issue					
Cash Flow Hedge					
Pay Fixed interest rate swap	Deferred outflow	790,024	Debt	(1,653,922)	7,965,000
Pay Fixed interest rate swap	Deferred outflow	315,645	Debt	(713,835)	10,985,000
Component Unit Swap Obligation - Conduit Bond Issue					
Cash Flow Hedge					
Pay Fixed interest rate swap	Deferred outflow	413,893	Debt	(837,032)	5,570,000
				(3,204,789)	

Objectives of the Swap Agreements: As a means to lower the overall borrowing costs and increase its savings, when compared against fixed rate financing at the time the bonds were issued, the Authority entered into the interest rate swap agreements. The intention of the swaps was hedge the cash flows of the variable rate debt, which was subject to changes of the interest rates by synthetically fixing the interest rates using the interest rate swap agreements.

Terms, Fair Value, and Credit Risk: The terms, fair values, and credit ratings, of the outstanding swap agreements as of June 30, 2013 are described below.

Objectives and Terms of Hedging Derivatives

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Housing Authority Bond Issue						
Pay Fixed	Hedge of changes in cash	6,665,000	10/21/2003	12/31/2034	Pay weighted average	A2/A/A+
Interest Rate	flows on 2003 variable rate	1,300,000	10/22/2003	12/31/2034	of 3.98% receive 70%	
Receive Variable	Revenue and Refunding bonds	7,965,000			of LIBOR	
Pay Fixed	Hedge of changes in cash				Pay fixed of	
Interest Rate	flows on 2005 variable	10,985,000	9/9/2005	9/1/2015	3.3325% receive 70%	Aa3/A+/AA-
Receive Variable	rate Revenue bonds				of LIBOR	
Component Unit Swap Obligation - Conduit Bond Issue						
Pay Fixed	Hedge of changes in cash				Pay fixed of	
Interest Rate	flows on 2007 variable	5,570,000	10/31/2007	11/1/2024	3.895% receive SIFMA	A2/A/A+
Receive Variable	rate Revenue bonds				Muni Swap Index Rate	

Credit Risk: Is the risk that the counterparty will not fulfill its obligations under the contract. As of June 30, 2013 the negative fair values of the agreements may be countered by reductions in the total interest payments required under the variable rated bonds, creating lower synthetic rates. It is the Housing Authority's policy, that at the time of entering into any payment agreements, that the counterparty must carry a rating from at least two nationally recognized credit rating agencies as of the date of execution of the agreement, that is within the two highest long term investment grade rating categories, or that the counterparty must carry a rating from at least two nationally recognized credit rating agencies as of the date of execution of the agreement, that is within the three highest long term investment grade rating categories and that the payment obligations of the other party under the agreement are collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States government that are deposited with the governmental entity or an agent of the governmental entity and maintain a market value of not less than 102% of the net market value of the payment agreement to the Authority.

Basis Risk: The swaps expose the Authority to basis risk because the variable rate bonds are remarketed weekly. The Authority is exposed to basis risk because the pay fixed interest rate swap agreement that provides the hedge is based on 70% of the LIBOR interest rate which is a different reference rate. The basis risk is the risk that these rates will diverge over time

Termination Risk: The Authority or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value.

Rollover Risk: Is incurred when the maturity date of the hedge instrument is less than the maturity date of the item being hedged, in this case the variable rate debt. When the interest rate swap matures the debt will no longer have the benefit of the hedged instrument. This is the case for our 2005 Variable Rate Bond Issue. In this case our choice will be to enter into a new swap arrangement or refinance the debt completely.

Market Access Risk: The risk that the Authority will be unable to access the capital (credit) markets when necessary or that the costs to do so will be much more costly.

Swap Payments and Associated Debt: As rates vary, interest payments and net swap payments will also vary. As of June 30, 2013, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the life of the bonds, were as follows:

FY	Principal	Interest	Total Prin and Int	Interest Rate Swap (net)	Total
2014	615,000	895,574	1,510,574	(60,693)	1,449,882
2015	640,000	872,769	1,512,769	(59,023)	1,453,747
2016	675,000	848,873	1,523,873	(57,282)	1,466,591
2017	700,000	823,852	1,523,852	(55,460)	1,468,392
2018	730,000	797,739	1,527,739	(53,552)	1,474,187
2019 - 2023	4,175,000	3,555,720	7,730,720	(236,173)	7,494,546
2024 - 2028	5,190,000	2,706,751	7,896,751	(174,279)	7,722,472
2029 - 2033	6,450,000	1,651,226	8,101,226	(97,424)	8,003,802
2034 - 2038	5,420,000	436,351	5,496,351	(15,136)	5,481,215

NOTE 7 - COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The total accumulated annual leave, including vacation and sick leave, is accrued as an expense and a corresponding liability. Employees earn annual leave at rates ranging from 15 days per year for the first year to 31 days per year for eighteen years or more. Forty (40) hours of leave can be accumulated each year and carried forward up to a maximum of 240 hours. Upon termination, employees will be paid for all unused annual leave up to a maximum of 240 hours. As of year-end the liability for accumulated leave was calculated at $432,150 based on the number of accumulated hours and employee rates of pay.

NOTE 8 - TAX CREDIT PARTNERSHIPS

As of June 30th, 2013, the Authority is the General Partner in one (1) partnership to administer affordable housing with low income tax credits allocated by the Washington State Housing Finance Commission. The partnership is a separate legal entity that meets the requirement of GASB Statement 14 to be treated as part of the agency's reporting entity. The partnership meets the criteria of "imposition of will" and "financial benefit/burden", and therefore, meets the criteria of a component unit and is part of the reporting entity.

GASB Statement 14 recommends that financial statements of the component units be presented in the financial statements of the primary government by using the discrete presentation method. Because of the tax considerations the fiscal year end of the partnerships is the calendar year. No attempt has been made to eliminate duplicative information between the primary government and the component units.

Following is a brief description of each partnership:

HASCO-Cedar Street Limited Partnership

The Authority was the general partner and .01% owner of the HASCO-Cedar Street Limited Partnership. The Partnership was formed in May 1997 to acquire, rehabilitate, and operate the Cedar Street Apartments, a 133-unit apartment complex located in Marysville, Washington, now doing business as Westwood Crossing Apartments. The project is 99.99% owned by the National Equity Fund.

In order to finance the purchase, the Housing Authority issued bonds, the proceeds of the bond issue were then loaned to the partnership pursuant to the terms of a Loan and Regulatory agreement that requires the partnership to make all payments under the agreement and the Trust Indenture. The bonds are described in detail in Note 5.

The General Partner is entitled to a development fee of $883,000 for development services rendered in connection with the acquisition and rehabilitation. The partnership has issued a note to the general partner that bears interest at 6.5%. As of March 30, 2012 the principal amount due on the note was $ 0. The project generated $2,278,330 in low-income tax credits.

At the end of the tax credit compliance period, the Authority has an option to purchase the complex from the partnership. The Authority exercised its option to purchase the complex from the partnership and the partnership was terminated. The Authority canceled the loan and regulatory agreements and assumed the liabilities and from the partnership along with the purchase of the existing real and personal property. This purchase was closed on March 30, 2012, however this partnership information presented is as of December 31, 2012, and no attempt is made to reconcile or adjust the figures. As a result three months of operating activity, from January 1through March 30, 2012, are reported here since the tax credit partnerships reporting period is on a calendar year.

Olympic and Sound View, LLC

The Authority is the managing member and .01% owner of the Olympic and Sound View, LLC. The limited liability company was formed in July 2007 to acquire, rehabilitate, and operate the Olympic View and Sound View Apartments, two multifamily apartment buildings that total 88 units, located in Edmonds, Washington. The project is 99.99% owned by Bank of America.

In order to finance the purchase, the Housing Authority issued variable rate revenue bonds in October of 2007, with principal amounts totaling $6,500,000. The Authority as managing member entered into an interest rate swap agreement to synthetically fix the interest rate at 3.895%. This is also discussed in Note 6. The proceeds of the bond issue were then loaned to the partnership pursuant to the terms of a Loan and Regulatory agreement, which requires the partnership to make all payments under the agreement and the Trust Indenture.

Upon completion of the project rehab the General Partner is entitled to a development fee for development services rendered in connection with the acquisition and rehabilitation. The managing member is entitled to a developer fee of $1,200,000 for development services rendered in connection with acquisition and rehabilitation of the project. The limited liability company issued a note to the managing member which bears interest at 8%. Payments on the note are to be made from excess project cash flow. As of December 31st, 2012 the principal amount due on the note is $645,000. The project expects to generate $4,038,701 in low-income tax credits. At the end of the tax credit compliance period, the Authority has an option to purchase the complex from the partnership.

Summary information for each partnership as of December 31, 2012 is outlined below. This information is summarized and presented in the same format as those audits are presented. No adjustments in the presentation formats were made to provide similarity with the Authority's financial statement presentation.

Condensed Balance Sheet	**HASCO Cedar Street**	**Olympic & Sound View**
Current Assets	0	417,967
Restricted Assets	0	0
Property, Buildings, & Equipment (net)	0	10,906,177
Other Assets (net)	0	161,416
Total Assets	0	11,485,560
Current Liabilities	0	242,135
Bonds Payable (net of discount)	0	5,645,000
Other Long Term Liabilities	0	4,654,441
Partner' Equity	0	943,984
Total Liabilities and Equity	0	11,485,560

Condensed Income Statement	**HASCO Cedar Street**	**Olympic & Sound View**
Operating Revenues	324,022	888,467
Operating Expenses	(199,720)	(479,298)
Operating Income (Loss)	124,302	409,169
Interest Expense	(61,524)	(293,908)
Depreciation/Amort. Expense	(53,422)	(461,101)
Other Non-Operating Expenses	(0)	(154,828)
Non-Operating Revenues & Expenses	(114,946)	(909,837)
Loss on Sale	(604,603)	
Net Income (Loss)	(595,247)	(500,668)

Each partnership is audited annually with reports being issued to the partners. Informational tax returns are also filed annually with the Internal Revenue Service.

NOTE 9 - RISK MANAGEMENT

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

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 coverage's are written on an occurrence basis, without member deductibles. Errors & Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred 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 for 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 above this limit, in excess property coverage for a combined total of $65,000,000. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion. All prior losses have been covered by insurance. There have been no settlements in the past that have exceeded our insurance coverages.

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, 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.

HARRP invests its funds that are not needed for its daily operations, in accordance with the strictest provisions of the laws of the states of Washington, Oregon, California and Nevada as they relate to investments of public funds. HARRP's Investment Policy is reviewed by staff and the HARRP Board on an annual basis.

HARRP's financial transactions are subject to annual audits by independent auditors. HARRP also subjects its claims management practices to an independent audit every three years. The HARRP Board of Directors provides general policy direction for staff. It is composed of the executive directors of nine of HARRP's members (three each from the Association of Washington Housing Authorities, the Oregon Association of Housing Authorities and the Northern California-Nevada Executive Directors Association). HARRP's Executive Director reports to the HARRP Board of Directors and directs the members of HARRP's staff in their day to day functions.

NOTE 10 – CONTINGENT LIABILITIES

The Housing Authority owns and operates 3 manufactured home parks which serve as an affordable housing option for residents of the County. To further enhance affordability of the manufactured homes the Authority has worked with a local lender who provides 30 year mortgage financing to the homeowners. Thirty year financing is typically not available to manufactured home purchasers, which makes these loans more affordable. Because the homeowners do not own the land the Authority has provided guaranties to the lender to cure any loan deficiencies and resell the homes if a homeowner defaults on their mortgage. The Authority and the lender currently have agreed to 47 such loans which total $2,907,350. The Authority works with the lender and monitors these loans for any delinquencies and works with homeowners and the lender to resolve issues that arise.

NOTE 11 – SUBSEQUENT EVENTS

Pacific Crest Apartments

The Authority formed a tax credit partnership and re-syndicated one of its former tax credit partnerships into a new tax credit partnership. The project was known as Pacific Crest and will now be knows as Jackson House at Pacific Crest, LLLP. The Authority is the managing member and .01% owner of Jackson House at Pacific Crest, LLLP.

The limited liability limited partnership was formed in July 2013 to acquire, rehabilitate, and operate the Pacific Crest Apartments, multifamily senior apartments that total 120 units, located in Everett, Washington. The project is 99.99% owned by Boston Capital.

In order to finance the purchase, the Housing Authority issued taxable HUD 223(f) bonds in July of 2013. The principal amount of the bonds total $7,729,800. The interest rate on the bonds is 3.75%. The proceeds of the bond issue were then loaned to the partnership pursuant to the terms of a Loan and Regulatory agreement, which requires the partnership to make all payments under the agreement and the Trust Indenture.

Upon completion of the project rehab the General Partner is entitled to a development fee for development services rendered in connection with the acquisition and rehabilitation. The managing member is entitled to a developer fee of $2,000,000 for development services rendered in connection with acquisition and rehabilitation of the project. The limited liability limited partnership issued a note to the managing member which bears interest at 6.25%. Payments on the note are to be made from excess project cash flow. The project expects to generate approximately $5,295,305 in low-income tax credits. At the end of the tax credit compliance period, the Authority has an option to purchase the complex from the partnership.

Glenwood Apartments

The Authority purchased the Glenwood Apartments, a 46 unit development, located in Lake Stevens for $1,875,000. The project includes rental subsidy from USDA for 41 of the 46 units. The Authority also assumed a USDA interest credit loan in the amount of $1,334,990, which was netted against the purchase price. The Authority intends to apply for grant funding to perform some rehab work to correct some deferred maintenance issues.

Housing Authority of Snohomish County
Schedule of Expenditures of Federal Awards
For Fiscal Year Ending June 30, 2013

Federal Catalog Number	Federal Agency Name	Federal Program Title	Pass Thru Agency	Contract Identifying Number	Pass Thru Amount	Direct Fund Amount	Total Current Year Funds Expended
10.415	USDA	Rural Rental Housing Loan				**208,519**	208,519
10.427		Rural Rental Assistance Payments		946873888		**891,083**	891,083
		Department of Agriculture Subtotal			**0**	**1,099,602**	**1,099,602**
14.182	HUD	Section 8 New Construction & Substantial Rehabilitation		WA19-R000-003		**362,641**	362,641
14.218		CDBG Entitlement Grant	Snohomish County	HCS-12-23-1206-113	**20,169**		20,169
14.850		Public and Indian Housing		WA039-00100113D		**362,775**	362,775
14.871		Section 8 Housing Choice Vouchers		WA039VO0161		**29,176,642**	29,176,642
14.872		Public Housing Capital Fund		WA19P039501-12		**27,523**	
14.872		Public Housing Capital Fund		WA19P039501-11		**127,843**	
14.872		Public Housing Capital Fund		WA19P039501-10		**22,256**	177,622
		Housing and Urban Development Subtotal			**20,169**	**30,079,680**	**30,099,848**
		Totals			**20,169**	**31,179,282**	**31,199,450**

The accompanying Notes To The Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Housing Authority of Snohomish County
Notes to the Schedule of Expenditures of Federal Awards
For Fiscal Year Ending June 30, 2013

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the Housing Authority of Snohomish County's financial statements. The Housing Authority of Snohomish County uses the accounting method prescribed by Generally Accepted Accounting Principles.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - FEDERAL LOANS

The Housing Authority of Snohomish County has several properties for which a portion of the financing is through the FmHA interest credit program. The loans themselves are reported on the financial statements as long term debt. The grant revenues and expenditures on this schedule are the calculated amounts of the interest credit subsidy.

NOTE 4 - EXPENDITURES

The Schedule of Expenditures of Federal Awards shows expenditures paid and accrued as of fiscal year end. This total will not equal the amount requested during the fiscal year on the Line of Credit Control System Payment Vouchers, due to accruals.

Housing Authority of Snohomish County (WA039)
EVERETT, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.182 N/C S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.239 HOME Investment Partnerships Program	6 Component Units	14.218 Community Development Block Grants/Entitlement Grants	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$633,683	$925,156		$480,502	$1,692,872	$99,320	$388,429	$44,912	$13,451,200	$442,885	$18,158,959		$18,158,959
112 Cash - Restricted - Modernization and Development													
113 Cash - Other Restricted		$2,377,496		$197,009					$1,787,475		$4,361,980		$4,361,980
114 Cash - Tenant Security Deposits	$36,475			$20,505	$30,000		$26,830		$464,173		$577,983		$577,983
115 Cash - Restricted for Payment of Current Liabilities													
100 Total Cash	$670,158	$3,302,652	$0	$698,016	$1,722,872	$99,320	$415,259	$44,912	$15,702,848	$442,885	$23,098,922	$0	$23,098,922
121 Accounts Receivable - PHA Projects		$18,694									$18,694		$18,694
122 Accounts Receivable - HUD Other Projects													
124 Accounts Receivable - Other Government		$2,834			$68,259			$4,087	$1,867		$77,047		$77,047
125 Accounts Receivable - Miscellaneous									$1,663,698		$1,663,698		$1,663,698
126 Accounts Receivable - Tenants	$6,186	$6,591		$4,125	$10,756		$2,708		$53,337		$83,703		$83,703
126.1 Allowance for Doubtful Accounts -Tenants	-$2,298	$0		-$1,870	-$2,662		$0		-$2,243		-$9,073		-$9,073
126.2 Allowance for Doubtful Accounts - Other	$0	$0			$0		$0	$0	$0		$0		$0
127 Notes, Loans, & Mortgages Receivable - Current						$5,570			$257,536		$263,106		$263,106
128 Fraud Recovery													
128.1 Allowance for Doubtful Accounts - Fraud													
129 Accrued Interest Receivable													
120 Total Receivables, Net of Allowances for Doubtful Accounts	$3,888	$28,119	$0	$2,255	$76,353	$5,570	$2,708	$4,087	$1,974,195	$0	$2,097,175	$0	$2,097,175
131 Investments - Unrestricted													
132 Investments - Restricted													
135 Investments - Restricted for Payment of Current Liability													
142 Prepaid Expenses and Other Assets	$6,016	$3,511		$1,700	$3,741				$171,091	$1,979	$188,038		$188,038
143 Inventories													
143.1 Allowance for Obsolete Inventories													
144 Inter Program Due From													
145 Assets Held for Sale													
150 Total Current Assets	$680,062	$3,334,282	$0	$701,971	$1,802,966	$104,890	$417,967	$48,999	$17,848,134	$444,864	$25,384,135	$0	$25,384,135
161 Land	$1,424,327			$950,128	$1,551,000		$2,074,667		$20,290,345		$26,290,467		$26,290,467
162 Buildings	$14,905,527			$3,966,395	$5,412,653		$10,750,719		$69,977,865		$105,013,159		$105,013,159
163 Furniture, Equipment & Machinery - Dwellings	$14,511				$6,991		$307,579		$1,883,236		$2,212,317		$2,212,317
164 Furniture, Equipment & Machinery - Administration	$34,444				$61,180				$597,039		$692,663		$692,663
165 Leasehold Improvements	$848,408			$173,324	$224,001				$2,099,060		$3,344,793		$3,344,793
166 Accumulated Depreciation	-$9,567,292			-$1,409,491	-$2,546,624		-$2,226,788		-$19,841,202		-$35,591,397		-$35,591,397
167 Construction in Progress	$415,439								$1,591,689		$2,007,128		$2,007,128
168 Infrastructure									$1,225,000		$1,225,000		$1,225,000
160 Total Capital Assets, Net of Accumulated Depreciation	$8,075,364	$0	$0	$3,680,356	$4,709,201	$0	$10,906,177	$0	$77,823,032	$0	$105,194,130	$0	$105,194,130
171 Notes, Loans and Mortgages Receivable - Non-Current						$676,465			$9,986,925		$10,663,390		$10,663,390
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due													
173 Grants Receivable - Non Current													
174 Other Assets					$96,156		$161,416		$498,680		$756,252		$756,252
176 Investments in Joint Ventures									$8,932,500		$8,932,500		$8,932,500
180 Total Non-Current Assets	$8,075,364	$0	$0	$3,680,356	$4,805,357	$676,465	$11,067,593	$0	$97,241,137	$0	$125,546,272	$0	$125,546,272
190 Total Assets	$8,755,426	$3,334,282	$0	$4,382,327	$6,608,323	$781,355	$11,485,560	$48,999	$115,089,271	$444,864	$150,930,407	$0	$150,930,407
311 Bank Overdraft													
312 Accounts Payable <= 90 Days	$9,585	$1,514		$2,298	$4,265	$3,730	$13,588	$54,111	$75,305	$4,229	$168,625		$168,625
313 Accounts Payable >90 Days Past Due													
321 Accrued Wage/Payroll Taxes Payable									$17,909		$17,909		$17,909

322 Accrued Compensated Absences - Current Portion	$40,092	$66,408		$10,699	$27,185			$1,012	$97,781	$67,967	$311,144		$311,144
324 Accrued Contingency Liability													
325 Accrued Interest Payable				$30,683			$201,717		$226,182		$458,582		$458,582
331 Accounts Payable - HUD PHA Programs		$5,321									$5,321		$5,321
332 Account Payable - PHA Projects													
333 Accounts Payable - Other Government	$15,448										$15,448		$15,448
341 Tenant Security Deposits	$36,325			$20,849	$30,450		$26,830		$468,334		$582,788		$582,788
342 Deferred Revenues									$27,283		$27,283		$27,283
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				$100,704	$196,398		$130,000		$2,335,167		$2,762,269		$2,762,269
344 Current Portion of Long-term Debt - Operating Borrowings													
345 Other Current Liabilities									$62,134		$62,134		$62,134
346 Accrued Liabilities - Other	$178,168								$40,296		$218,464		$218,464
347 Inter Program - Due To													
348 Loan Liability - Current									$1,595,107		$1,595,107		$1,595,107
310 Total Current Liabilities	$279,618	$73,243	$0	$165,233	$258,298	$3,730	$372,135	$55,123	$4,945,498	$72,196	$6,225,074	$0	$6,225,074
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				$4,646,523	$4,795,670		$5,515,000		$89,948,763		$104,905,956		$104,905,956
352 Long-term Debt, Net of Current - Operating Borrowings													
353 Non-current Liabilities - Other		$1,878				$682,035	$4,654,441		$7,179,981		$12,518,335		$12,518,335
354 Accrued Compensated Absences - Non Current	$7,677	$21,581		$11,074	$34,722			$323	$35,765	$9,865	$121,007		$121,007
355 Loan Liability - Non Current													
356 FASB 5 Liabilities													
357 Accrued Pension and OPEB Liabilities													
350 Total Non-Current Liabilities	$7,677	$23,459	$0	$4,657,597	$4,830,392	$682,035	$10,169,441	$323	$97,164,509	$9,865	$117,545,298	$0	$117,545,298
300 Total Liabilities	$287,295	$96,702	$0	$4,822,830	$5,088,690	$685,765	$10,541,576	$55,446	$102,110,007	$82,061	$123,770,372	$0	$123,770,372
508.1 Invested In Capital Assets, Net of Related Debt	$8,075,364			-$1,066,872	-$282,868		$5,261,177		-$2,397,426		$9,589,375		$9,589,375
511.1 Restricted Net Assets		$2,377,496		$197,009					$1,787,475		$4,361,980		$4,361,980
512.1 Unrestricted Net Assets	$392,767	$860,084	$0	$429,360	$1,802,501	$95,590	-$4,317,193	-$6,447	$13,589,215	$362,803	$13,208,680		$13,208,680
513 Total Equity/Net Assets	$8,468,131	$3,237,580	$0	-$440,503	$1,519,633	$95,590	$943,984	-$6,447	$12,979,264	$362,803	$27,160,035	$0	$27,160,035
600 Total Liabilities and Equity/Net Assets	$8,755,426	$3,334,282	$0	$4,382,327	$6,608,323	$781,355	$11,485,560	$48,999	$115,089,271	$444,864	$150,930,407	$0	$150,930,407

Housing Authority of Snohomish County (WA039)
EVERETT, WA
Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2013

	Project Total	14.871 Housing Choice Vouchers	10.415 Rural Rental Housing Loans	14.182 N/C S/R Section 8 Programs	10.427 Rural Rental Assistance Payments	14.239 HOME Investment Partnerships Program	6 Component Units	14.218 Community Development Block Grants/Entitlement Grants	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$733,532			$360,279	$460,813		$1,173,663		$14,739,037		$17,467,324		$17,467,324
70400 Tenant Revenue - Other	$23,629			$26,400	$23,391				$761,171		$834,591		$834,591
70500 Total Tenant Revenue	$757,161	$0	$0	$386,679	$484,204	$0	$1,173,663	$0	$15,500,208	$0	$18,301,915	$0	$18,301,915
70600 HUD PHA Operating Grants	$513,487	$29,176,642		$362,641				$16,083			$30,068,853		$30,068,853
70610 Capital Grants	$26,910										$26,910		$26,910
70710 Management Fee										$731,837	$731,837	-$731,837	$0
70720 Asset Management Fee										$381,124	$381,124	-$381,124	$0
70730 Book Keeping Fee										$238,668	$238,668	-$238,668	$0
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue										$1,351,629	$1,351,629	-$1,351,629	$0
70800 Other Government Grants			$208,519		$891,083	$30,965		$503,500	$36,794		$1,670,861		$1,670,861
71100 Investment Income - Unrestricted	$1,139	$1,330		$11,045	$5,192	$175	$308	$246	$98,820	$367	$118,622		$118,622
71200 Mortgage Interest Income									$32,920		$32,920		$32,920
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery		$73,446									$73,446		$73,446
71500 Other Revenue		$798,873					$38,518		$1,638,143		$2,475,534		$2,475,534
71600 Gain or Loss on Sale of Capital Assets				-$15,130					$384,938		$369,808		$369,808
72000 Investment Income - Restricted		$0									$0		$0
70000 Total Revenue	$1,298,697	$30,050,291	$208,519	$745,235	$1,380,479	$31,140	$1,212,489	$519,829	$17,691,823	$1,351,996	$54,490,498	-$1,351,629	$53,138,869
91100 Administrative Salaries	$268,383	$940,153		$75,365	$178,825			$2,809	$1,092,511	$743,253	$3,301,299		$3,301,299
91200 Auditing Fees	$5,184	$12,980		$1,296	$2,802				$15,969		$38,231		$38,231
91300 Management Fee	$116,369	$483,979		$38,958	$79,416		$44,532		$815,710		$1,578,964	-$731,837	$847,127
91310 Book-keeping Fee	$18,816	$193,590		$7,503	$16,553				$98,086		$334,548	-$238,668	$95,880
91400 Advertising and Marketing	$550	$702		$452	$1,135				$176,092	$802	$179,733		$179,733
91500 Employee Benefit contributions - Administrative	$91,667	$332,516		$25,170	$59,677			$3,058	$344,928	$225,875	$1,082,891		$1,082,891
91600 Office Expenses	$76,462	$204,696		$19,805	$39,981		$261,521	$441	$458,165	$93,985	$1,155,056		$1,155,056
91700 Legal Expense	$756	$2,239		$3,940	$2,700			$6,530	$63,066	$6,957	$86,188		$86,188
91800 Travel	$3,279	$3,034		$990	$2,655			$134	$21,613	$12,800	$44,505		$44,505
91810 Allocated Overhead													
91900 Other	$12,878	$208,190		$3,750	$12,501				$375		$237,694		$237,694
91000 Total Operating - Administrative	$594,344	$2,382,079	$0	$177,229	$396,245	$0	$306,053	$12,972	$3,086,515	$1,083,672	$8,039,109	-$970,505	$7,068,604
92000 Asset Management Fee	$25,050			$10,000	$22,060				$324,014		$381,124	-$381,124	$0
92100 Tenant Services - Salaries	$22,726	$10,605		$1,632	$634				$30,712	$2,888	$69,197		$69,197
92200 Relocation Costs													
92300 Employee Benefit Contributions - Tenant Services	$6,844	$3,630		$420	$219				$10,015	$602	$21,730		$21,730
92400 Tenant Services - Other	$19,898			$3,229	$6,599				$42,587		$72,313		$72,313
92500 Total Tenant Services	$49,468	$14,235	$0	$5,281	$7,452	$0	$0	$0	$83,314	$3,490	$163,240	$0	$163,240
93100 Water	$51,201			$17,528	$51,232		$23,533		$307,274		$450,768		$450,768
93200 Electricity	$23,694			$5,189	$13,893		$16,436		$169,517		$228,729		$228,729
93300 Gas	$3,892								$40,004		$43,896		$43,896
93400 Fuel													
93500 Labor													
93600 Sewer	$122,691			$66,787	$102,564				$778,255		$1,070,297		$1,070,297
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense	$903			$15,636	$5,579		$70,481		$12,744		$105,343		$105,343
93000 Total Utilities	$202,381	$0	$0	$105,140	$173,268	$0	$110,450	$0	$1,307,794	$0	$1,899,033	$0	$1,899,033

94100 Ordinary Maintenance and Operations - Labor	$124,445	$1,098		$25,733	$63,096		$76,260		$701,671		$992,303		$992,303
94200 Ordinary Maintenance and Operations - Materials and Other	$57,544			$12,360	$40,067		$27,573		$237,194		$374,738		$374,738
94300 Ordinary Maintenance and Operations Contracts	$180,685			$52,066	$83,122		$110,816		$907,267	$4,505	$1,338,461		$1,338,461
94500 Employee Benefit Contributions - Ordinary Maintenance	$51,103	$354		$14,447	$21,567		$11,173		$939,346		$1,037,990		$1,037,990
94000 Total Maintenance	$413,777	$1,452	$0	$104,606	$207,852	$0	$225,822	$0	$2,785,478	$4,505	$3,743,492	$0	$3,743,492
95100 Protective Services - Labor													
95200 Protective Services - Other Contract Costs	$8,474				$505				$89,830		$98,809		$98,809
95300 Protective Services - Other													
95500 Employee Benefit Contributions - Protective Services													
95000 Total Protective Services	$8,474	$0	$0	$0	$505	$0	$0	$0	$89,830	$0	$98,809	$0	$98,809
96110 Property Insurance	$18,958	$205		$5,148	$11,236				$101,612	$103	$137,262		$137,262
96120 Liability Insurance	$4,742	$21,023		$1,378	$3,139				$62,220	$1,767	$94,269		$94,269
96130 Workmen's Compensation	$10,598	$4,337		$2,815	$5,693			$71	$86,909	$2,800	$113,223		$113,223
96140 All Other Insurance	$399	$5,461		$155	$356		$34,142		$5,781	$5,643	$51,937		$51,937
96100 Total insurance Premiums	$34,697	$31,026	$0	$9,496	$20,424	$0	$34,142	$71	$256,522	$10,313	$396,691	$0	$396,691
96200 Other General Expenses	$67	$116,627		$2,458		$23		$20,565	$808,306		$948,046		$948,046
96210 Compensated Absences													
96300 Payments in Lieu of Taxes	$15,448				$23,283		$2,552				$41,283		$41,283
96400 Bad debt - Tenant Rents	$14,621	$13,108		$11,125	$7,814				$78,440		$125,108		$125,108
96500 Bad debt - Mortgages													
96600 Bad debt - Other													
96800 Severance Expense													
96000 Total Other General Expenses	$30,136	$129,735	$0	$13,583	$31,097	$23	$2,552	$20,565	$886,746	$0	$1,114,437	$0	$1,114,437
96710 Interest of Mortgage (or Bonds) Payable			$208,519	$22,496	$45,726		$1,114,863		$145,608		$1,537,212		$1,537,212
96720 Interest on Notes Payable (Short and Long Term)				$124,843	$104,214				$2,806,688		$3,035,745		$3,035,745
96730 Amortization of Bond Issue Costs					$6,868				$67,236		$74,104		$74,104
96700 Total Interest Expense and Amortization Cost	$0	$0	$208,519	$147,339	$156,808	$0	$1,114,863	$0	$3,019,532	$0	$4,647,061	$0	$4,647,061
96900 Total Operating Expenses	$1,358,327	$2,558,527	$208,519	$572,674	$1,015,711	$23	$1,793,882	$33,608	$11,839,745	$1,101,980	$20,482,996	-$1,351,629	$19,131,367
97000 Excess of Operating Revenue over Operating Expenses	-$59,630	$27,491,764	$0	$172,561	$364,768	$31,117	-$581,393	$486,221	$5,852,078	$250,016	$34,007,502	$0	$34,007,502
97100 Extraordinary Maintenance	$43,139			$11,804	$54,402				$925,512		$1,034,857		$1,034,857
97200 Casualty Losses - Non-capitalized													
97300 Housing Assistance Payments		$28,430,306							$11,738		$28,442,044		$28,442,044
97350 HAP Portability-In		$734,932									$734,932		$734,932
97400 Depreciation Expense	$365,071			$161,465	$184,598		$514,522		$2,212,238		$3,437,894		$3,437,894
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense													
90000 Total Expenses	$1,766,537	$31,723,765	$208,519	$745,943	$1,254,711	$23	$2,308,404	$33,608	$14,989,233	$1,101,980	$54,132,723	-$1,351,629	$52,781,094
10010 Operating Transfer In													
10020 Operating transfer Out													
10030 Operating Transfers from/to Primary Government					-$35	-$70,943		-$668,765	$35		-$739,708		-$739,708
10040 Operating Transfers from/to Component Unit													
10050 Proceeds from Notes, Loans and Bonds													
10060 Proceeds from Property Sales													
10070 Extraordinary Items, Net Gain/Loss													
10080 Special Items (Net Gain/Loss)													
10091 Inter Project Excess Cash Transfer In													
10092 Inter Project Excess Cash Transfer Out													
10093 Transfers between Program and Project - In													
10094 Transfers between Project and Program - Out													
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	-$35	-$70,943	$0	-$668,765	$35	$0	-$739,708	$0	-$739,708

10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-$467,840	-$1,673,474	$0	-$708	$125,733	-$39,826	-$1,095,915	-$182,544	$2,702,625	$250,016	-$381,933	$0	-$381,933
11020 Required Annual Debt Principal Payments	$0	$0	$0	$93,421	$187,710	$0	$125,000	$0	$1,736,851	$0	$2,142,982		$2,142,982
11030 Beginning Equity	$8,935,971	$4,911,053	$0	-$439,795	$1,393,900	$135,416	$2,039,899	$176,097	$10,276,639	$112,787	$27,541,967		$27,541,967
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0	$1				$0					$1		$1
11050 Changes in Compensated Absence Balance													
11060 Changes in Contingent Liability Balance													
11070 Changes in Unrecognized Pension Transition Liability													
11080 Changes in Special Term/Severance Benefits Liability													
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents													
11100 Changes in Allowance for Doubtful Accounts - Other													
11170 Administrative Fee Equity		$865,406									$865,406		$865,406
11180 Housing Assistance Payments Equity		$2,372,174									$2,372,174		$2,372,174
11190 Unit Months Available	2520	40020		996	2232		1032		19428		66228		66228
11210 Number of Unit Months Leased	2520	38924		995	2228		1015		18835		64517		64517
11270 Excess Cash	$281,235										$281,235		$281,235
11610 Land Purchases	$0									$0	$0		$0
11620 Building Purchases	$0									$0	$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$0									$0	$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0									$0	$0		$0
11650 Leasehold Improvements Purchases	$0									$0	$0		$0
11660 Infrastructure Purchases	$0									$0	$0		$0
13510 CFFP Debt Service Payments	$0									$0	$0		$0
13901 Replacement Housing Factor Funds	$0									$0	$0		$0

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We 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.

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