

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

Housing Authority of Island County

Audit Period
October 1, 2012 through September 30, 2013

Report No. 1012134

Issue Date
June 26, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



**Washington State Auditor
Troy Kelley**

June 26, 2014

Board of Commissioners
Housing Authority of Island County
Coupeville, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Housing Authority of Island County's financial statements and compliance with federal laws and regulations

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Federal Summary

Housing Authority of Island County October 1, 2012 through September 30, 2013

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

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

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

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

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

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

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

Schedule of Federal Audit Findings and Questioned Costs

Housing Authority of Island County October 1, 2012 through September 30, 2013

- 1. The Housing Authority did not have adequate internal controls to comply with the Rent Reasonableness and Operating Transfers requirements for its Section 8 Housing Choice Vouchers federal grant program.**

CFDA Number and Title:	14.871 Section 8 Housing Choice Vouchers
Federal Grantor Name:	Department of Housing and Urban Development
Federal Award/Contract Number:	NA
Pass-through Entity Name:	NA
Pass-through Award/Contract Number:	NA
Questioned Cost Amount:	\$133,944

Description of Condition

During fiscal year 2013, the Housing Authority expended \$2,064,923 in Section 8 Housing Choice Voucher funding. The Housing Authority used this federal funding to provide rental assistance for approximately 230 low-income families in Island County.

Rent Reasonableness

The Housing Authority is required to ensure assistance is only provided for a unit that is determined to be reasonable. Specifically, in conducting rent reasonableness determinations, a Housing Authority must determine whether rent to the landlord is reasonable to ensure that the subsidized rents do not exceed rental values in the private market. Housing authorities are required to determine if rent is reasonable at the time of the initial leasing and during the term of the contract (a) before any increase in rent to the owner; and (b) at the Housing Assistance Payment (HAP) contract anniversary if there is a 5 percent decrease in the published fair market rent (FMR) in effect 60 days before the HAP contract anniversary.

During fiscal year 2013 there was a decrease in FMR of more than 5 percent, for units with zero, one and four bedrooms.

The Housing Authority did not have controls in place to ensure that rent reasonableness determinations were being performed consistently when there were increases in rent to the owner, and no reviews were prepared for units affected by the 5 percent reduction in FMR.

Our audit reviewed 28 of the approximately 230 vouchers issued and found 12 instances, totaling \$19,535 in HAP payments, where rent reasonableness determinations were required due to either an increase in rent to owner or the 5 percent reduction in FMR; however, no rent reasonableness determinations were performed.

Operating Transfers

The Housing Authority is required to ensure that HAP not be used to cover administrative expenses nor may HAP be loaned, advanced, or transferred to other component units or other programs.

The Housing Authority did not have controls in place to ensure that HAP was not loaned, advanced, or transferred to other programs. Our audit found \$133,944 was inadvertently loaned from the Housing Choice Voucher program to cover the deficit in funding in another program.

Cause of Condition

Rent Reasonableness

For rent increases, Housing Authority management and staff were aware of the requirement and it was detailed in the Housing Authority's Administrative Plan. However the Housing Authority did not have controls in place to ensure performance of the determinations was consistently performed.

For decreases in the FMR, Housing Authority management was aware of the requirement and it was detailed in the Housing Authority's Administrative Plan. However, staff performing the determinations was not aware of the requirement and there were not controls in place to ensure compliance. In addition, the Housing Authority's expectation, based on historical changes, was that FMR did not decrease.

Operating Transfers

The Housing Authority tracks programs in separate funds within the general ledger, but retained all Housing Authority cash and investments in the same bank and investment accounts. Monthly reconciliations were performed for all cash and investments in total and were not reconciled to the separate program funds. The Housing Choice Voucher program funds were not adequately restricted or separated.

At year end the Housing Authority had over expended unrestricted funds and the Housing Choice Voucher program had excess funds from prior year equity that assisted in covering the deficit.

Effect of Condition and Questioned Costs

Rent Reasonableness

Without adequate internal controls, the Housing Authority cannot demonstrate the Housing Assistance Payments disbursed are supported by confirmation of HUD-required rent reasonableness determinations.

Operating Transfers

Without adequate internal controls, the Housing Authority cannot ensure that HAP funds are used appropriately, and are therefore in compliance with federal requirements. As a result we are questioning these costs.

Failure to comply with federal requirements may jeopardize the Housing Authority's eligibility for future federal assistance.

Recommendation

We recommend the Housing Authority establish adequate internal controls to ensure compliance with rent reasonableness and operating transfer requirements. We also recommend the Housing Authority work with HUD to determine the amount of questioned costs to repay.

Housing Authority's Response

Reasonable Rent Finding: Processes have been put in place to ensure that whenever an annual recertification is completed for our clients, a Rent Reasonable will be completed. If there are rent increases/decreases or the FMR increases or decreases a Rent Reasonable will be conducted. This has been added to our checklist for completing initial lease up, annual reexaminations, and interim reexaminations. By completing and reviewing Rent Reasonable at each annual recertification, the Housing Authority should be able to stay on track if there are decreases in FMRs. This is the first year in over a decade that we have actually seen FMR's decrease, so verifying rent reasonable for rent decreases had not been an issue until this year. Clients do not experience the payment standard decrease until their second annual reexamination after the decrease takes effect.

Use of Section 8 Restricted Funds: We had booked a deposit in transit based on anticipated closing of our tax credit project (Sunny View Village) in late September 2013/early October 2013, which would have then reimbursed our expenses. According to the auditors, that should have been booked as an Inter-program due to/due from rather than a deposit in transit. We have one bank account for all of our projects, and the funds to pay for this development in reality were supported by all of our programs. The decision was made to keep the project moving forward, knowing the funds would be reimbursed, rather than having a recoverable grant become due and payable immediately if we failed to move forward in constructing the housing that is required for this grant. If that note had become due, the Housing Authority would have had to pay out over \$650,000 for the land purchase and Impact Capital fund loan the Housing Authority had received. The Housing Authority had no other options and would have been bankrupt if we had not proceeded with Sunny View Village. Since the end of the fiscal year, we have closed on the project financing and the funds have been reimbursed to the projects that supported this development.

Auditor's Remarks

We appreciate the steps the Housing Authority is taking to ensure future compliance with Rent Reasonable requirements. Per federal requirements, the Section 8 funding is restricted and can only be used for expenditures within the program. Therefore, these funds cannot support other projects of the Housing Authority.

We will evaluate the Housing Authority's internal controls to ensure compliance with rent reasonableness and operating transfer requirements during our next audit.

Applicable Laws and Regulations

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

The auditee shall:

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

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

Title 24, Code of Federal Regulations, Section 982.54 – Administrative Plan, states in part:

(d) The PHA administrative plan must cover PHA policies on these subjects:

(15) The method of determining that rent to owner is a reasonable rent (initially and during the term of a HAP contract);

Title 24, Code of Federal Regulations, Section 982.158 – Program accounts and records, states in part:

(f) The PHA must keep the following records for at least three years:

(7) Records to document the basis for PHA determination that rent to owner is a reasonable rent (initially and during the term of a HAP contract)

Title 24, Code of Federal Regulations, Section 982.507 – Rent to owner: Reasonable rent, states in part:

(a) *PHA determination.*

(1) The PHA may not approve a lease until the PHA determines that the initial rent to owner is a reasonable rent.

(2) The PHA must redetermine the reasonable rent:

(i) Before any increase in the rent to owner;

(ii) If there is a five percent decrease in the published FMR in effect 60 days before the contract anniversary (for the unit size rented by the family) as compared with the FMR in effect 1 year before the contract anniversary; or

(iii) If directed by HUD.

(3) The PHA may also redetermine the reasonable rent at any other time.

(4) At all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined or redetermined by the PHA.

(b) *Comparability.* The PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units. To make this determination, the PHA must consider:

(1) The location, quality, size, unit type, and age of the contract unit; and

(2) Any amenities, housing services, maintenance and utilities to be provided by the owner in accordance with the lease.

(c) *Owner certification of rents charged for other units.* By accepting each monthly housing assistance payment from the PHA, the owner certifies that the rent to owner is not more than rent charged by the owner for comparable unassisted units in the premises. The owner must give the PHA information requested by the PHA on rents charged by the owner for other units in the premises or elsewhere.

Title 24, Code of Federal Regulations, Section 982.151 – Annual contributions contract, states:

(a) *Nature of ACC.*

(1) An annual contributions contract (ACC) is a written contract between HUD and a PHA. Under the ACC, HUD agrees to make payments to the PHA, over a specified term, for housing assistance payments to owners and for the PHA administrative fee. The ACC specifies the maximum payment over the ACC term. The PHA agrees to administer the program in accordance with HUD regulations and requirements.

(2) HUD's commitment to make payments for each funding increment in the PHA program constitutes a separate ACC. However, commitments for all the funding increments in a PHA program are listed in one consolidated contractual document called the consolidated annual contributions contract (consolidated ACC). A single consolidated ACC covers funding for the PHA tenant-based assistance program.

(b) *Budget Housing Authority.*

(1) Budget Housing Authority is the maximum amount that may be paid by HUD to a PHA over the ACC term of a funding increment. Before adding a funding increment to the consolidated ACC for a PHA program, HUD reserves budget Housing Authority from amounts authorized and appropriated by the Congress for the program.

(2) For each funding increment, the ACC specifies the term over which HUD will make payments for the PHA program, and the amount of available budget Housing Authority for each funding increment. The amount to be paid to the PHA during each PHA fiscal year (including payment from the ACC reserve account described in §982.154) must be approved by HUD.

Title 24, Code of Federal Regulations, Section 982.152 – Administrative fee, states in part:

(a) *Purposes of administrative fee.*

(1) HUD may approve administrative fees to the PHA for any of the following purposes:

(i) Ongoing administrative fee;

(ii) Costs to help families who experience difficulty finding or renting appropriate housing under the program;

(iii) The following types of extraordinary costs approved by HUD:

(A) Costs to cover necessary additional expenses incurred by the PHA to provide reasonable accommodation for persons with disabilities in accordance with part 8 of this title (e.g., additional counseling costs), where the PHA is unable to cover such additional expenses from ongoing administrative fee income or the PHA administrative fee reserve;

(B) Costs of audit by an independent public accountant;

(C) Other extraordinary costs determined necessary by HUD Headquarters;

(iV) Preliminary fee (in accordance with paragraph (c) of this section);

(v) Costs to coordinate supportive services for families participating in the family self-sufficiency (FSS) program.

(2) For each HA fiscal year, administrative fees are specified in the HA budget. The budget is submitted for HUD approval. Fees are paid in the amounts approved by HUD. Administrative fees may only be approved or paid from amounts appropriated by the Congress.

(3) HA administrative fees may only be used to cover costs incurred to perform HA administrative responsibilities for the program in accordance with HUD regulations and requirements.

(b) Ongoing administrative fee.

(1) The PHA ongoing administrative fee is paid for each program unit under HAP contract on the first day of the month. The amount of the ongoing fee is determined by HUD in accordance with Section 8(q)(1) of the 1937 Act (42 U.S.C. 1437f(q)(1)).

(2) If appropriations are available, HUD may pay a higher ongoing administrative fee for a small program or a program operating over a large geographic area. This higher fee level will not be approved unless the PHA demonstrates that it is efficiently administering its tenant-based program, and that the higher ongoing administrative

fee is reasonable and necessary for administration of the program in accordance with HUD requirements.

(3) HUD may pay a lower ongoing administrative fee for PHA-owned units.

(c) *Preliminary fee.*

(1) If the PHA was not administering a program of Section 8 tenant-based assistance prior to the merger date, HUD will pay a one-time fee in the amount of \$500 in the first year the PHA administers a program. The fee is paid for each new unit added to the PHA program by the initial funding increment under the consolidated ACC.

(2) The preliminary fee is used to cover expenses the PHA incurs to help families who inquire about or apply for the program, and to lease up new program units.

(d) *Reducing PHA administrative fee.* HUD may reduce or offset any administrative fee to the PHA, in the amount determined by HUD, if the PHA fails to perform PHA administrative responsibilities correctly or adequately under the program (for example, PHA failure to enforce HQS requirements; or to reimburse a receiving PHA promptly under portability procedures).

U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section 500, states in part:

(a) The audit shall be conducted in accordance with GAGAS.

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

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

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows . . .

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. 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.

Schedule of Audit Findings and Responses

Housing Authority of Island County October 1, 2012 through September 30, 2013

2. The Housing Authority should improve internal controls over accounting and financial statement preparation to ensure accurate reporting.

Background

State and federal agencies rely on the information in the financial statements and reports to make decisions. It is the responsibility of the Housing Authority to design and follow internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls that adversely affect the Housing Authority's ability to produce reliable financial statements.

Description of Condition

During our audit, we identified the following deficiencies in internal controls over financial reporting that represent a significant deficiency:

- Housing Authority personnel responsible for recording day-to-day financial transactions and preparing the financial statements did not have adequate technical knowledge to ensure accounting records were accurate. In addition, Housing Authority personnel were not aware of the guidance in the *Budgeting Accounting and Reporting System* (BARS) manual for preparing financial statements and notes.
- Housing Authority management did not have an adequate process to accurately track restricted and unrestricted funding levels to ensure unrestricted funding sources were available for operations and projects.
- The Housing Authority needs to improve its oversight of those responsible for performing the accounting and preparing the financial statements. The current review process for the prepared financial statements was not effective in ensuring the financial statements are accurate and complete.

Cause of Condition

The Housing Authority's management did not dedicate the necessary staff time or resources, including training for staff, to ensure its financial accounting and reporting was accurate.

Effect of Condition

The inability to produce accurate financial reports limits Housing Authority officials, the public, state and federal agencies, and other interested parties' ability to make informed decisions.

Our audit identified the following errors in the Housing Authority's financial statements presented for audit:

- The Housing Authority over reported total cash and investment balances by \$327,387. This error also resulted in misclassification of cash and investments reported on the Financial Data Schedule, which is a financial report required by the U.S. Department of Housing and Urban Development (HUD).
- The Housing Authority over reported liabilities by \$278,944.
- The Housing Authority did not calculate and report classification of net position accurately; understating restricted net position by \$122,231 and overstating unrestricted net position by \$792,660.
- The Housing Authority underreported federal expenditures on the Schedule 16 Schedule of Expenditures of Federal Awards by \$288,776.
- In addition, several other errors in the financial statements and notes were identified that were not individually significant, but when taken together impair the understandability of the financial report. The Housing Authority's review process did not identify these, and additional audit procedures were required to be performed to ensure they were corrected.

All errors identified were subsequently corrected by the Housing Authority.

Recommendation

We recommend the Housing Authority strengthen internal controls over its financial accounting and reporting which should include:

- Providing adequate oversight and training to personnel responsible for recording day-to-day transactions and the preparation of the financial statements to ensure financial information is accurate, complete and complies with financial reporting requirements.
- Use the current accounting and reporting guidance provided in the *Budgeting, Accounting and Reporting Systems* (BARS) manual when preparing its financial statements.
- Accurate tracking and reporting of restricted and unrestricted funding levels.
- Establish a detailed review of the financial statements, performed by a person knowledgeable of accounting and reporting requirements, to ensure the financial reporting is complete and accurate.

Housing Authority's Response

The financial statements had to be redone with the removal of the "deposit in transit". During the audit process, the PHA created a statement work book with cross foots to each line of the Statement of Net Position, Statement of Revenue and Expenses, and the Cash Flow for the creator to initial off and the second reviewer to initial upon review. Due to the requirement of our tax credit investor to hire an accounting firm, it is likely that our statements will be prepared by an accounting firm with extensive Housing Authority experience in the future. An RFP is forthcoming for this process as well as the annual audit process due to the requirements placed upon us by our tax credit investor that we must have our audit completed by February 15 of each year.

Auditor's Remarks

We appreciate the steps the Housing Authority is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2007 Revision - Section 5.11 provides that auditors should report material weaknesses and significant deficiencies in internal control.

The American Institute of Certified Public Accountants, Statement on Auditing Standards No. 115 defines significant deficiencies and material weaknesses as follows:

- a. Significant deficiency: 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.
- b. Material weakness: A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction, all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budget Accounting and Reporting System (BARS) manual - Part 3 Accounting Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states in part:

Management and the governing body are responsible for the government's performance, compliance, and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management

RCW 43.09.230, Local government accounting - Annual reports - Comparative statistics, states:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what Housing Authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

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

Housing Authority of Island County October 1, 2012 through September 30, 2013

Board of Commissioners
Housing Authority of Island County
Coupeville, 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 Housing Authority of Island County, Washington, as of and for the year ended September 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 June 23, 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 opinion 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2, that we consider to be significant deficiencies.

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.

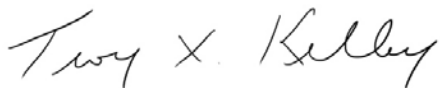
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

HOUSING AUTHORITY'S RESPONSE TO FINDINGS

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

June 23, 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

**Housing Authority of Island County
October 1, 2012 through September 30, 2013**

Board of Commissioners
Housing Authority of Island County
Coupeville, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Housing Authority of Island County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 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 September 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1. Our opinion on each major federal program is not modified with respect to these matters.

Housing Authority's Response to Findings

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and

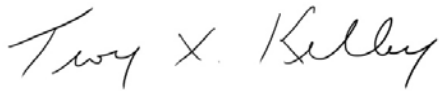
therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Audit Findings and Questioned Costs as Finding 1 that we consider to be significant deficiencies.

Housing Authority's Response to Findings

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

June 23, 2014

Independent Auditor's Report on Financial Statements

Housing Authority of Island County October 1, 2012 through September 30, 2013

Board of Commissioners
Housing Authority of Island County
Coupeville, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of Island County, Washington, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 24.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Island County, as of September 30, 2013, and the changes in financial position and 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 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 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.

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

TROY KELLEY
STATE AUDITOR

June 23, 2014

Financial Section

Housing Authority of Island County October 1, 2012 through September 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

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

Statement of Cash Flows – 2013

Notes to Financial Statements – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

Financial Data Schedule – 2013

Actual Modernization Cost Certificate – WA19P02450110

Actual Modernization Cost Certificate – WA19P02450111

Actual Modernization Cost Certificate – WA19P02450112

Housing Authority of Island County
Management Discussion and Analysis
Year Ending September 30, 2013

Entity Overview and Basic Financial Statements

The Housing Authority of Island County is a municipal corporation incorporated in the State of Washington and governed by a six-member board. Board members are appointed by the Board of Island County Commissioners. The basic financial statements that form a part of this report indicate that the Authority holds \$2,405,786 of net position and that it decreased net position by \$38,344 during the year after considering capital grant revenue.

Condensed comparative financial information

During the year the Authority's financial accounts reveal the following changes from the year ended September 30, 2013:

Statement of Net Position	9/30/2013	9/30/2012	Increase/(Decrease)
Current Assets	447,259	765,733	(318,474)
Capital Assets	5,440,754	5,161,417	279,337
Current Liabilities	324,698	244,879	79,819
Non-Current Liabilities	3,157,529	3,238,141	(80,612)
Net investment in capital assets	2,131,105	1,857,871	273,234
Restricted Net Position	268,201	166,062	102,139
Unrestricted Net Position	6,480	420,197	(413,717)
Statement of Revenues, Expenses, and Changes in Net Position			
Operating Revenues	498,732	515,771	(17,039)
Non-operating Revenues	2,518,745	2,798,574	(279,829)
Operating Expenses	(3,129,754)	(3,450,914)	(321,160)
Non-operating Expenses	(57,580)	(32,934)	24,646
Capital Contributions	131,817	79,489	52,328
Change in Net Position	(38,040)	(90,014)	51,974
Prior Period Adjustment	(304)	(4,629)	4,325
Ending Net Position	2,405,786	2,444,130	(38,344)

Analysis

Management has considered the financial position and result of operations and considered whether the Authority is better or worse off as a result of the year's activities. Despite significant challenges Management believes that overall the Authority is better off and offers the following analysis of significant changes in account balances from the preceding year.

Public Housing and the Section 8 Housing Choice Voucher programs are the two largest programs operated by the Authority. The Section 8 Housing Choice Voucher Program experienced significant changes which are attributed to the area and overall economy. The authority saw significant decreases in their rental assistance receipts provided by the Department of Housing and Urban Development (HUD). At one point, the Authority was forced into spending their reserves in order to make the Housing Assistance payments to landlords.

To alleviate this deficit, the Authority although authorized to lease up to 275 Housing Choice Vouchers has not reissued vouchers when a family comes off the program. A total of 3 vouchers were issued in calendar year 2013, and three port-ins were absorbed due to the family's enrollment and participation in the Family Self Sufficiency program. To date, the Authority has 220 vouchers out of its 275 under lease, and Housing Assistance payments are almost breaking even with the receipts from HUD. Rather than terminate assistance for families currently being served, it is the decision of management to reduce expenditures upon attrition.

The Authority has been in the process of developing a low income tax credit housing project that will have 25 units of affordable housing on the south end of Whidbey Island. There will be five units set aside for homeless families, and the remaining units will serve families at 60% and below area median income. The authority has incurred significant costs in the process of development of this project. It was hoped that ground breaking will take place in the spring of 2013 however; significant permitting delays have delayed the ground breaking until spring of 2014, with the first families moving in during the first quarter of 2015. The Authority most recently was once again successful with their application for Housing Trust Fund dollars, and has been awarded \$2.5 Million dollars towards the construction of this project. The authority was not successful in their application for 9% tax credits, and as such will be utilizing 4% tax credits and bonds. During this challenging year, our investors have remained committed to both the tax credits and the bonds. Once the project is built and families are living there, this should begin to provide a positive cash flow for the Authority.

The Authority owns 110 units of Public Housing that were built in the late 1960's, and are scattered throughout the island. There is no debt on these properties, and the properties are maintained with operating subsidies received from HUD, and the Capital Fund dollars also received from HUD which enable the authority to complete large projects, such as roofs, window replacements, and such to extend the life of these assets.

Other assets include: A 12 unit low income senior housing project, which serves persons age 55 and older, purchased using Housing Trust fund dollars, and other debt service. The long term debt on this property is \$763,654, which is two loans, one of which is a 50 year, 1% loan through the WA State Housing Trust fund of which we make an annual payment of \$7,653.82, and the other which is a 30 year loan at 5.5% through US Bank, which we pay \$3,641.28 a month.

The Authority sold their single family home, referred to as the "Garden House". This property was used as a shelter, and did not generate revenue. Due to meth contamination, and zoning law changes at the current location, it was decided to sell the property, and the property was sold in May 2013.

The Authority also owns a 10 unit apartment complex, referred to as the "Islander Apartments" financed through the WA State Housing Trust Fund which serves chronically mentally ill persons. This loan is also a 0% loan which has an outstanding amount of \$192,000 which the authority pays an annual payment of \$6400.

Marjie's House is a 16 unit complex which serves homeless women and children which may or may not be victims of domestic violence. This project was funded with a recoverable grant from the WA State Housing Trust fund in the amount of \$1,498,150, and as long as the Authority utilizes this property as indicated for the next 34 years, this will not be a liability to the authority. The Authority also received \$100,000 from Island County to build Marjie's House, and this is another 0% loan that is paid in annual installments of \$5000. There is currently \$60,000 owed on this debt.

The Authority is able to maintain its Public Housing by utilization of Capital Fund Dollars received by the U.S. Department of Housing and Urban Development. These dollars which range from \$120,000 a year to \$150,000 allow the authority to replace windows, roofs, and other items which keep the assets up to standards. Marjie's House, is maintained utilizing Operation and Maintenance Dollars received from

Island County via Homeless Housing funds to offset the costs of maintenance and operations of the two shelters.

Economic factors that impact the authority are as follows:

- Federal funding which is at the discretion of the U. S. Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amounts in rental income received from public housing residents as well as the amounts paid by the authority in rental assistance for housing choice voucher recipients.
- Inflationary increases in utility costs, supplies and other costs which affect the cost to operate our programs.

**Housing Authority of Island County
Statement of Net Position
As of September 30, 2013**

Assets

Current Assets	
Cash and cash equivalents	102,936
Investments - unrestricted	18,736
Investments - restricted (Note 1e & 3)	292,775
Receivables - net of allowance	2,658
Inventories - net of allowance	5,542
Prepaid expenses & other assets	24,612
Total Current Assets	<u>447,259</u>

Non current Assets
Capital assets

<i>Land</i>	1,059,467
<i>Buildings/Improvements</i>	7,043,686
<i>Equipment, Furniture and Machinery</i>	337,288
<i>Construction in Progress</i>	544,474
<i>Accumulated Depreciation</i>	<u>(3,544,161)</u>

Total Non current Assets 5,440,754

Total Assets 5,888,013

Liabilities

Current Liabilities	10,532
Accrued liabilities	113,039
Tenant security deposits	34,350
Current portion of long-term debt	166,777
Total Current Liabilities	<u>324,698</u>

Non current Liabilities	
Long term debt, net of current (Note 8)	3,141,169
Other long term liabilities	16,360
Total Non current Liabilities	<u>3,157,529</u>

Total Liabilities 3,482,227

Net Position

Net Investment of Capital Assets	2,131,105
Restricted net position	268,201
Unrestricted net position	6,480
Total Net Position	<u>2,405,786</u>

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

**Housing Authority of Island County
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ending September 30, 2013**

<u>Operating Revenues</u>	Total
Rental income	488,075
Tenant Revenue Other	10,657
Total Operating Revenue	<u>498,732</u>
<u>Operating Expenses</u>	
Administrative	382,035
General	(7,951)
Tenant services	67,154
Housing assistance	1,943,422
Utilities	185,908
Insurance Expense	14,479
Maintenance	369,789
Depreciation	174,918
Total Operating Expense	<u>3,129,754</u>
Operating Income (Loss)	(2,631,022)
<u>Non operating Revenues (Expenses)</u>	
Grants (state/Federal)	2,516,438
Interest income	1,244
Gain (Loss) from disposition of property	(25,540)
Fraud loss recovery	1,063
Mortgage interest expense	(32,040)
Total Nonoperating Revenue(Expense)	<u>2,461,165</u>
Income before Contributions, Transfers, Extraordinary and Special Items and Special Items	(169,857)
Capital Grants	131,817
Change in Net Position	<u>(38,040)</u>
Beginning Net Position as of September 30, 2012	<u>2,444,130</u>
Prior Period Adj/Correction of Errors	<u>(304)</u>
Ending Net Position as of September 30, 2013	<u><u>2,405,786</u></u>

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

Housing Authority of Island County
Cash Flow Statement For the Year Ending September 30, 2013

Cash flows from operating activities

Receipts from Tenants	499,795
Other operating income	55,633
Payments to Suppliers	-367,997
Payments to Employees	-643,417
Payments for Housing Assistance	-1,943,422
Net cash provided (used) by operating activities	-2,399,408

Cash flows from noncapital financing activities

Operating subsidies and grants (sec. 8 etc.)	2,460,805
Net cash provided by noncapital financing activities	2,460,805

Cash flows from capital and related financing activities

Capital grants from governmental sources	131,817
Impact capital contributions	-64,142
Interest paid on long-term debt	-32,040
Principal paid on long-term debt	-215,648
Predevelopment Costs/CIP	-246,381
Purchase and sale of capital assets	33,375
Net cash provided (used) by capital & related financing activities	-393,019

Cash flows from investing activities

Interest	1,244
Investments Restricted Net Change	-50,757
Investments Unrestricted Net Change	236,687
Net cash provided (used) by investment activity	187,174

Net increase (decrease) in cash and cash equivalents	-144,448
Balance - Beginning of Year	247,384
Balance - End of Year	102,936

Reconciliation of operating income to net cash provided from operating activities

Operating income	-2,631,022
Adjustments to cash basis:	
Increase in accumulated depreciation - current portion	\$ 143,295
Increase in accounts receivable	\$ 349
Increase in prepaid expenses	\$ 14,053
Increase in current liabilities	\$ 79,819
Decrease in prior period adjustments	\$ (4,325)
Decrease in inventory	-\$1,576
Adjustments	\$ 231,615
Net cash from operating activities	-\$2,399,407

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- a) Reporting Entity The Housing Authority of Island County is a municipal corporation governed by an appointed six-member board of directors. As required by GAAP management has considered all potential component units in defining the reporting entity. The Housing Authority of Island County has no component units. These financial statements represent the activities of the Housing Authority of Island County for the stated period and date.
- b) Basis of Accounting and Presentation The accounting records of the authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however it has the option to use either the single enterprise proprietary fund or the special purpose governmental fund model. The Authority has elected to report as a single enterprise proprietary fund model and the accrual basis of accounting. The measurement focus is on the flow of economic resources. The propriety fund is composed of a number of programs. These programs are designed to provide low income individuals with housing. Programs are detailed in the Management, Discussion and Analysis.

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

- c) Cash and Cash Equivalents For the purposes of the statement of cash flows, the authority considers all highly liquid investments (including restricted investments) with maturities of three months or less when purchased to be cash equivalents. Deposit accounts are secured by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a risk sharing pool of public depository banks. The Authority transfers funds to other institutions to remain within the FDIC \$250,000 insurance as the securities mature. See notes 1 h and 3.
- d) Capital Assets See Note 4.
- e) Restricted Assets In accordance with certain agreements and Washington State Landlord-Tenant law separate restricted accounts are required to be established. The assets held in these accounts are reserved to specified purposes, and bear debt service and other special reserve requirements. Restricted resources currently include Family Self-Sufficiency Escrow Accounts; Operating and Replacement Reserves accounts; tenant security deposits; and Housing Assistance Payment accounts.

- f) Accounts Receivable Accounts receivable consist of amounts due from grantor agencies and unpaid rents due the Authority. Uncollectible accounts occur when tenants depart. The Authority estimates its reserve for doubtful accounts based upon a three-year running average of collection losses. Individual tenant accounts are written off after six months of unsuccessful collection efforts.
- g) Inventories. Inventories are valued using the first in, first out (FIFO) method which approximates the current market value. Maintenance and cleaning supplies inventory is accounted for in the public housing program account. Supplies used from this inventory for non-HUD programs are charged to the appropriate program and the HUD program is reimbursed. During the fiscal year supplies purchases are charged to the public housing program account. At the end of the year an inventory of supplies is taken and the public housing program account is adjusted as to supplies expense and inventory.
- h) Investments and Custodial Risks. The funds of the authority are invested in deposit accounts in accordance with RCW 35.82.070 (6) and HUD Financial Management Handbook 7475.1 Chapter 4. The Authority invests in savings accounts, money market accounts, and certificates of deposit at banks that are qualified depositories as designated by the Washington Public Deposit Protection Commission (WPDPC) pursuant to RCW 39.58. The WPDPC is a risk sharing pool whereby member banks that are designated as “qualified public depositories” mutually insure public deposits against loss. The Authority transfers investments between financial institutions as they mature to maintain full FDIC insurance for all Authority deposits and investments. See note 1 c.
- i) Operating Revenues/Expenses. The Authority reports operating revenues as described in GASB 9. Operating revenues result from fees and charges from providing low-income housing. Operating subsidies and grants are reported as non-operating revenues and presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those that are directly incurred in the operation of providing low-income housing and are reported as operating expenses.
- j) Compensated Absences. Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. Since September 1, 1996 The Authority’s employees earn Paid Time Off (PTO) which can be used for either vacation or sick leave. PTO may be accrued up to 520 hours. Balances in these accounts were used to determine accrued compensated absences. One-half of the balance is compensable on retirement.
- k) Amounts Due To and From Other Programs, and Interfund Loans – Activity between programs that represent borrowing arrangements outstanding at the end of the year are referred to as inter-program loans. All other outstanding balances between programs are reported as due to/from other programs. “Due To” and “Due From” include short-term inter-program receivables and payables. When “Due To” and “Due From” would result in a net of zero, those items are not included on the financial statements. The Authority uses the “Due To” and “Due From” for transactions from the Capital Fund to Public Housing.

NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

The Authority incurred no violations of finance-related legal or contractual provisions during the reporting period.

NOTE 3 – DEPOSITS AND INVESTMENTS

a) Deposits The Authority's deposits and certificates of deposit are covered by the FDIC or by WPDPC participation by the financial institution where applicable. The Authority transfers funds to other institutions to remain within the FDIC \$250,000 insurance as the securities mature. See also notes 1 c and h)

b) Investments As of September 30, 2013 the Authority held the following investments:

	Investments	Maturity	Amount
Bank deposit accounts	The Authority invests in savings accounts, money market accounts, and certificates of deposit at banks that are qualified depositories in accordance with RCW 35.82.070 (6) and HUD Financial Management Handbook 7475.1 Chapter 4.	N/A	\$ 102,935
Bank certificates of deposit		Various	\$ 311,511
		Total	\$ 414,446

NOTE 4 – CAPITAL ASSETS

Major expenses for capital assets, including major repairs that increase useful lives, are capitalized. Maintenance, repairs and minor renewals are accounted for as expenses when incurred.

Capital assets are defined by the authority as assets with an initial individual cost of more than \$5000 and an estimated useful life in excess of one year. Capital assets are recorded at cost.

The Authority made no major expenditures for capital assets during the year ended September 30, 2013.

	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$1,099,467	0	(40,000)	\$1,059,467
Construction in Progress	\$298,093	\$246,381		\$544,474
Total Capital assets not being depreciated	\$1,397,560	\$246,381	(40,000)	\$1,603,941
Capital assets being depreciated:				
Buildings/Improvements	\$6,840,009	\$247,276	(\$43,599)	\$7,043,686
Equipment	\$324,713	\$19,515	(\$6,940)	\$337,288
Total Capital assets being depreciated	\$7,164,722	\$266,791	(\$50,539)	\$7,380,974
Less accumulated depreciation	\$3,400,865	\$143,296	0	\$3,544,161
Total Capital assets being depreciated, net	\$3,763,857	\$123,495	(\$50,539)	\$3,836,813
 TOTAL CAPITAL ASSETS, NET	 \$5,161,417	 \$369,876	 (\$90,539)	 5,440,754

NOTE 5 – CONSTRUCTION IN PROGRESS

The Authority had construction in progress during the period amounting to \$544,474.00 as of September 30, 2013.

NOTE 6– SHORT TERM DEBT

The Authority did not use short term borrowing during the fiscal year ended September 30, 2013. Credit card statements are paid in full within one week of receipt. Payroll tax obligations are paid by FTSB transfer on the date of payroll.

NOTE 7– LEASE COMMITMENTS

The Authority has no lease commitments.

NOTE 8– LONG TERM DEBT AND LIABILITIES

- a) Revenue Bonds The Authority issued no revenue bonds during the period.
- b) Refunding Bonds The Authority refunded no bond issues during the period.
- c) Real Estate Mortgages The Authority is obligated for long term commercial loans and loans from the Washington State Housing Trust Fund (HTF) secured by capital assets. These loans were used to acquire capital assets that provide low income housing. The loans are being repaid by revenues generated by the Authority.

Property (Lender)	Original Amount	Issue Date	Interest Rate	Term	Installments	Outstanding Amount
Garden House (HTF)	\$45,000	April 1991	0%	15 years	\$5,806/year	0*
Islander Apts. (HTF)	\$280,000	April 1993	0%	50 years	\$6,400/year**	\$192,000
Glenhaven Apts. (HTF)	\$300,000	June 2001	1%	50 years	\$7,653.82/year	\$240,978
Glenhaven Apts. (USB)	\$637,500	May 2002	5.50%	30 years	\$3,641.28/month	\$522,676
Marjie's House (Island County)	\$100,000	February 2005	0.00%	20 years	\$5,000/year	\$60,000
Sunnyview Village (Impact Capital)	\$301,800	November 3, 2008	0.00%	September 1, 2014	Payable upon finance closing	\$301,800
					Total	\$1,317,454

*Garden House was sold May 2013.

Service requirements to maturity for mortgages are as follows:

Year Ending (Date)	Principal	Interest
2014	\$32,331	\$30,418
2015	\$33,269	\$29,480
2016	\$34,257	\$28,493
2017	\$35,298	\$27,452
2018	\$36,395	\$26,354
2019-2024	\$200,632	\$113,114
2025-2030	\$223,535	\$75,210
2031-2035	\$226,432	\$24,986
2036-2040	\$64,640	\$5,629
2041-2045	\$66,304	\$3,964
2046-2050	\$36,055	\$2,214
2051-2052	\$15,081	\$227
TOTAL	\$1,004,229.00	\$367,541.00

The above schedule does not reflect the recoverable grants since no principal or interest payments are due unless the Authority fails to fulfill its agreement to restrict use of the assets to low income housing only.

d. Changes in Long-Term Liabilities

	Beginning Balance 10/01/2012	Additions	Reductions	Ending Balance 09/30/2013	Due within One Year
Compensated Absences	\$62,285.68	\$ 3,723.71	\$19,533.49	\$ 46,475.90	\$46,475.90

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. Since September 1, 1996 The Authority's employees earn Paid Time Off (PTO) which can be used for either vacation or sick leave. PTO may be accrued up to 520 hours. Balances in these accounts were used to determine accrued compensated absences. One-half of the balance is compensable on retirement. We report it as a current liability as employees can request a payout or take all of their PTO time within a year.

e. Conduit debt

The Authority has no conduit debt.

f. Deferred Recoverable Grant Revenue

Property (Grantor)	Amount	Issue Date	Balance
Sunnyview Village (Island County)	\$575,000	August 2008	\$575,000
Glenhaven (Island County)	\$80,000	June 2008	\$80,000
Marjie's House (HTF)	\$1,498,150	February 2005	\$1,498,150
			\$2,153,150

Recoverable grants will be recognized as revenue once the eligibility requirements are met and the asset is being used for low income housing purposes.

NOTE 9 - PENSION PLAN

Substantially all 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 Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*. The Authority had no PERS 1 employees as of September 3, 2010.

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

Plan Description

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

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

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

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. (The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months.) Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an optional COLA amount 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 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of 2 percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Plan 2 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced 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 three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. (The AFC is based on the greatest compensation during any eligible consecutive 60-month period.) Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan. Vested Plan 3 members are eligible to retire with full benefits at age 65, or they may retire at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

There are 1,848 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2013:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to but not yet Receiving Benefits	30,515
Active Plan Members Vested & Non-vested	150,590
Total	263,347

Funding Policy

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 2013, are as follows:

July 1, 2012 through August 31, 2013

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer	9.21%*	9.21%	9.21%
Employee	6%*	4.92%	*****

*No authority employees are eligible to participate in PERS Plan 1.

***Plan 3 employee rates vary from 5% to 15% depending upon the employee's selection.

Both the Authority and the employees made the required contributions. There were no employees eligible to participate in PERS Plan 1. The Authority contributions for the years ending September 30 were:

	PERS Plan 2	PERS Plan 3
2013	\$30,575.68	\$4,138.86
2012	\$29,934.41	\$3,851.92
2011	\$21,619.94	\$2,086.72

NOTE 10 – PRIOR PERIOD ADJUSTMENTS

The Authority made a prior period adjustment of (\$304). This adjustment is corrections of errors and rounding.

NOTE 11 – MATERIAL RELATED PARTY TRANSACTIONS

The Authority has a material related party relationship with Island County Government in that the Board of Commissioners of Island County appoints the Housing Authority Board of Commissioners. The Housing Authority is also in receipt of a recoverable grant for the purchase of the land for the development of Sunny View Village. Other transactions for transitional and emergency housing are also conducted with the Human Services Department of Island County Government.

One Housing Authority board member is also the Vice President and Manager at the bank which the Authority does business.

NOTE 12 – RISK MANAGEMENT

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

New Members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. HARRP can terminate the members after giving a sixty (60) 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 and 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. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E&O co-payments).

Fidelity coverage is also offered, with limits of \$100,000 (with options up to \$500,000) for employee dishonesty, forgery or alteration and \$10,000 for theft with deductibles similar to the retention on Property. Coverage limits for General Liability, as well as Errors and Omissions are \$2,000,000 per occurrence and \$2,000,000 annual aggregate. Property limits are offered on an agreed amount, based on each structure's value. Limits for Automobile Liability are covered at \$1,000,000/\$1,000,000.

HARRP self insures the full layer of coverage's for liability lines. There is no purchased reinsurance above those limits. For Property, HARRP retains \$2,000,000 and purchases \$63,000,000 of excess insurance from St Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

HARRP provides loss control and claim services with in-house staff and retained third party contractors. HARRP is fully funded by member assessments that are adjusted by the HARRP Board on the basis of independent actuarial studies. These assessments cover loss, loss adjustment expenses, excess insurance and other administrative expenses. HARRP does not have the right to assess the membership for any shortfall in its funding. Such shortfalls are made up through future rate adjustments.

HOUSING AUTHORITY OF ISLAND COUNTY
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Current Year Awards
Dept of Housing and Urban Development (HUD)- Direct Programs		
Section 8 Housing Choice Vouchers	14.871	\$2,064,923
Shelter Plus Care	14.238	\$33,292
Public Housing Capital Fund	14.872	189,752
Public and Indian Housing	14.850	226,009
Total Direct Programs		2,513,976
Indirect Programs		
Federal Grantor/Pass-Through Grantor, HUD/Department of Commerce		
HOME Investment Partnerships Program	14.239	59,835
Total Program		59,835
Total HUD Financial Assistance		\$2,573,811
TOTAL FEDERAL EXPENDITURES		\$2,573,811

The notes to the SEFA are an intergral part of this statement

Housing Authority of Island County

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 -Basis of Accounting

This schedule is prepared on the same basis of accounting as the Housing Authority of Island County's financial statements. The Housing Authority of Island County uses the accrual basis of accounting.

Note 2- Program Costs

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

Note 3- Use of Revenues

This schedule reflects the use of revenues rather than actual expenditures for Section 8 Housing Choice Vouchers (14.871) and Public and Indian Housing (14.850). Other program are actual expenditures.

HA Of Island County (WA024)
COUPEVILLE, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Eliminations	Total
111 Cash - Unrestricted	\$746	\$5,371		\$714	\$14,932	\$543	\$22,306		\$22,306
112 Cash - Restricted - Modernization and Development							\$0		
113 Cash - Other Restricted	\$124	\$19,391			\$12,699		\$32,214		\$32,214
114 Cash - Tenant Security Deposits	\$27,301				\$11,615		\$38,916		\$38,916
115 Cash - Restricted for Payment of Current Liabilities					\$9,500		\$9,500		\$9,500
100 Total Cash	\$28,171	\$24,762	\$0	\$714	\$48,746	\$543	\$102,936		\$102,936
121 Accounts Receivable - PHA Projects							\$0		
122 Accounts Receivable - HUD Other Projects							\$0		
123 Accounts Receivable - Other Government							\$0		
125 Accounts Receivable - Miscellaneous							\$0		\$0
126 Accounts Receivable - Tenants	\$1,226				\$936		\$2,162		\$2,162
126.1 Allowance for Doubtful Accounts - Tenants	(\$1,226)				(\$944)		(\$2,070)		(\$2,070)
126.2 Allowance for Doubtful Accounts - Other					\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							\$0		\$0
128 Fraud Recovery		\$2,566					\$2,566		\$2,566
128.1 Allowance for Doubtful Accounts - Fraud	\$0	\$0					\$0		\$0
129 Accrued Interest Receivable							\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$2,566	\$0	\$0	\$92	\$0	\$2,658		\$2,658
131 Investments - Unrestricted	\$953				\$17,783		\$18,736		\$18,736
132 Investments - Restricted	\$2,086	\$231,738			\$58,906		\$292,730		\$292,730
135 Investments - Restricted for Payment of Current Liability							\$0		\$0
142 Prepaid Expenses and Other Assets	\$20,041	\$1,710		\$81	\$2,780		\$24,612		\$24,612
143 Inventories	\$5,542						\$5,542		\$5,542
143.1 Allowance for Obsolete Inventories	\$0						\$0		\$0
144 Inter Program Due From	\$61,175	\$133,944				\$9,000	\$224,119	(\$224,119)	\$0
145 Assets Held for Sale							\$0		\$0
150 Total Current Assets	\$137,968	\$394,765	\$0	\$795	\$128,307	\$9,543	\$671,378	(\$224,119)	\$447,259
161 Land	\$47,825				\$1,011,642		\$1,059,467		\$1,059,467
162 Buildings	\$4,076,875				\$2,751,721		\$6,828,596		\$6,828,596
163 Furniture, Equipment & Machinery - Dwellings	\$76,334				\$88,562		\$164,896		\$164,896
164 Furniture, Equipment & Machinery - Administration	\$116,548	\$21,724			\$34,120		\$172,392		\$172,392
165 Leasehold Improvements	\$215,090						\$215,090		\$215,090
166 Accumulated Depreciation	(\$2,602,895)	(\$20,021)			(\$921,245)		(\$3,544,161)		(\$3,544,161)
167 Construction in Progress					\$544,474		\$544,474		\$544,474
168 Infrastructure							\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,929,777	\$1,703	\$0	\$0	\$3,509,274	\$0	\$5,440,754		\$5,440,754
							\$0		\$0

171	Notes, Loans and Mortgages Receivable - Non-Current								\$0			
172	Notes, Loans, & Mortgages Receivable - Non-Current - Past Due								\$0			
173	Grants Receivable - Non-Current								\$0			
174	Other Assets								\$0			\$0
176	Investments in Joint Ventures								\$0			\$5,440,754
180	Total Non-Current Assets	\$1,923,777	\$1,703	\$0	\$0	\$3,509,274	\$0		\$5,440,754			\$5,440,754
190	Total Assets	\$2,067,745	\$396,468	\$0	\$795	\$3,637,581	\$9,543		\$6,112,132	(\$224,119)		\$5,888,013
311	Bank Overdraft								\$0			
312	Accounts Payable <= 90 Days								\$0			
313	Accounts Payable >90 Days Past Due								\$0			
321	Accrued Wage/Payroll Taxes Payable								\$0			
322	Accrued Compensated Absences - Current Portion	\$20,948	\$19,374		\$489	\$5,664			\$46,475			\$46,475
324	Accrued Contingency Liability								\$0			
325	Accrued Interest Payable								\$0			
331	Accounts Payable - HUD PHA Programs								\$0			
332	Account Payable - PHA Projects								\$0			
333	Accounts Payable - Other Government								\$0			
341	Tenant Security Deposits	\$27,300				\$7,050			\$34,350			\$34,350
342	Deferred Revenues								\$0			
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					\$166,777			\$166,777			\$166,777
344	Current Portion of Long-term Debt - Operating Borrowings								\$0			
345	Other Current Liabilities	\$7,501	\$3,031			\$24,075			\$10,532			\$10,532
346	Accrued Liabilities - Other	\$4,209	\$38,280			\$224,118			\$66,564	(\$224,118)		\$66,564
347	Inter Program - Due To								\$0			\$0
348	Loan Liability - Current								\$0			
310	Total Current Liabilities	\$59,958	\$60,685	\$0	\$489	\$427,694	\$0		\$548,816	(\$224,118)		\$324,698
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue								\$0			
352	Long-term Debt, Net of Current - Operating Borrowings					\$3,141,169			\$3,141,169			\$3,141,169
353	Non-current Liabilities - Other		\$16,360						\$16,360			\$16,360
354	Accrued Compensated Absences - Non-Current								\$0			
355	Loan Liability - Non-Current								\$0			
356	FASB 5 Liabilities								\$0			
357	Accrued Pension and OPEB Liabilities								\$0			
350	Total Non-Current Liabilities	\$0	\$16,360	\$0	\$0	\$3,141,169	\$0		\$3,157,529			\$3,157,529
300	Total Liabilities	\$59,958	\$77,045	\$0	\$489	\$3,568,853	\$0		\$3,706,345	(\$224,118)		\$3,482,227
508.1	Invested in Capital Assets, Net of Related Debt	\$1,923,777				\$201,328			\$2,131,105			\$2,131,105
511.1	Restricted Net Assets	\$29,511	\$145,970			\$92,720			\$268,201			\$268,201
512.1	Unrestricted Net Assets	\$48,499	\$173,453	\$0	\$306	(\$225,320)	\$9,543		\$6,481			\$6,481
513	Total Equity/Net Assets	\$2,007,787	\$319,423	\$0	\$306	\$68,728	\$9,543		\$2,405,787			\$2,405,787
600	Total Liabilities and Equity/Net Assets	\$2,067,745	\$396,468	\$0	\$795	\$3,637,581	\$9,543		\$6,112,132	(\$224,118)		\$5,888,014

HA Of Island County (WA024)
COUPEVILLE, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	Project Total	14,871 Housing Choice Vouchers	14,238 Shelter Plus Care	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Eliminations	Total
70300 Net Tenant Rental Revenue	\$261,417				\$226,658		\$488,075		\$488,075
70400 Tenant Revenue - Other	\$8,673				\$1,984		\$10,657		\$10,657
70500 Total Tenant Revenue	\$270,090	\$0	\$0	\$0	\$228,642	\$0	\$498,732		\$498,732
70600 HUD PHA Operating Grants	\$283,944	\$1,847,457					\$0		\$0
70610 Capital Grants	\$131,817						\$2,131,401		\$2,131,401
70710 Management Fee							\$131,817		\$131,817
70720 Asset Management Fee							\$0		\$0
70730 Book Keeping Fee							\$0		\$0
70740 Front Line Service Fee							\$0		\$0
70750 Other Fees							\$0		\$0
70700 Total Fee Revenue							\$0		\$0
70800 Other Government Grants							\$0		\$0
71100 Investment Income - Unrestricted	\$192		\$33,292	\$59,835	\$32,186		\$125,313		\$125,313
71200 Mortgage Interest Income					\$261	\$15	\$468		\$468
71300 Proceeds from Disposition of Assets Held for Sale							\$0		\$0
71310 Cost of Sale of Assets					\$36,500		\$36,500		\$36,500
71400 Fraud Recovery		\$1,063			(\$3,125)		(\$3,125)		(\$3,125)
71500 Other Revenue	\$16,530	\$217,466			\$25,728		\$1,063		\$1,063
71600 Gain or Loss on Sale of Capital Assets	(\$642)				(\$58,273)		\$259,724		\$259,724
72000 Investment Income - Restricted	\$0	\$776			\$0		(\$58,915)		(\$58,915)
70000 Total Revenue	\$701,931	\$2,066,762	\$33,292	\$59,835	\$261,919	\$15	\$3,123,754		\$3,123,754
91100 Administrative Salaries	\$73,692	\$141,877		\$2,970	\$21,918		\$0		\$0
91200 Auditing Fees	\$16,328	\$16,694			\$1,430		\$240,457		\$240,457
91300 Management Fee							\$34,452		\$34,452
91310 Book-keeping Fee							\$0		\$0
91400 Advertising and Marketing							\$0		\$0
91500 Employee Benefit contributions - Administrative	\$24,127	\$37,833		\$1,106	\$7,778		\$0		\$0
91600 Office Expenses	\$16,200	\$8,130		\$153	\$8,721		\$70,844		\$70,844
91700 Legal Expense							\$33,204		\$33,204
91800 Travel	\$1,218	\$1,244			\$616		\$0		\$0
91810 Allocated Overhead							\$3,078		\$3,078
91900 Other							\$0		\$0
91000 Total Operating - Administrative	\$131,565	\$205,778	\$0	\$4,229	\$40,463	\$0	\$382,035		\$382,035
92000 Asset Management Fee							\$0		\$0
92100 Tenant Services - Salaries		\$48,264			\$18,754		\$67,018		\$67,018
92200 Relocation Costs							\$0		\$0
92300 Employee Benefit Contributions - Tenant Services							\$0		\$0

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Actual Modernization Cost Certificate

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

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

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

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

Do not send this form to the above address.

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

HA Name: Housing Authority of Island County	Modernization Project Number: WA19P02450110
--	--

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

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

A. Original Funds Approved	\$ 159,104
B. Funds Disbursed	\$ 159,104
C. Funds Expended (Actual Modernization Cost)	\$ 159,104
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

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

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

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

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

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

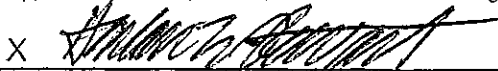
Signature of Executive Director & Date:

X  7-22-2013

For HUD Use Only

The Cost Certificate is approved for audit:

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

X 

Date:

07-29-2013

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

X

Date:

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

Date:

X

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

Actual Modernization Cost Certificate

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

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

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

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

Do not send this form to the above address.

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

HA Name: Housing Authority of Island County	Modernization Project Number: WA19P02450111
--	--

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

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

A. Original Funds Approved	\$ 136,831
B. Funds Disbursed	\$ 136,831
C. Funds Expended (Actual Modernization Cost)	\$ 136,831
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

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

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

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

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

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

Signature of Executive Director & Date:

x *Debra L. Anania*, 10 October 2013

For HUD Use Only

The Cost Certificate is approved for audit:

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

Date:

X

10/18/2013

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

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

Date:

X

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

Actual Modernization Cost Certificate

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

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

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

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HA Name: Housing Authority of Island County	Modernization Project Number: WA19P02450112
--	--

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

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

A. Original Funds Approved	\$ 120,871
B. Funds Disbursed	\$ 120,871
C. Funds Expended (Actual Modernization Cost)	\$ 120,871
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

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

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

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

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

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

Signature of Executive Director & Date:

x *Leulyn S. Anania*

3/25/2014

For HUD Use Only

The Cost Certificate is approved for audit:

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

Date:

X

4/1/14

The audited costs agree with the costs shown above:

Verified: (Designated HUD Official)

Date:

X

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

Date:

X

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



ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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Director of Local Audit
Deputy Director of State Audit
Deputy Director of Local Audit
Deputy Director of Local Audit
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