



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

Anacortes Housing Authority

Skagit County

For the period April 1, 2013 through March 31, 2014

Published November 24, 2014

Report No. 1013022





Washington State Auditor
Troy Kelley

November 24, 2014

Board of Commissioners
Anacortes Housing Authority
Anacortes, Washington

Report on Financial Statements

Please find attached our report on the Anacortes Housing Authority's financial statements.

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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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*

**Anacortes Housing Authority
Skagit County
April 1, 2013 through March 31, 2014**

Board of Commissioners
Anacortes Housing Authority
Anacortes, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Anacortes Housing Authority, Skagit County, Washington, as of and for the year ended March 31, 2014, 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 October 30, 2014.

Our report includes a reference to other auditors who audited the financial statements of the Wilson Hotel Housing LLC and the Bayview Apartments LP Tax Credit Partnerships, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Housing Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

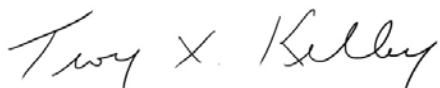
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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



TROY KELLEY
STATE AUDITOR

October 30, 2014

Independent Auditor's Report on Financial Statements

Anacortes Housing Authority Skagit County April 1, 2013 through March 31, 2014

Board of Commissioners
Anacortes Housing Authority
Anacortes, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Anacortes Housing Authority, Skagit County, Washington, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Wilson Hotel Housing LLC and the Bayview Apartments LP Tax Credit Partnerships which make up the activity in the aggregate discretely presented component unit. Those statements were audited by other auditors, whose report was furnished to us, and our opinion, insofar as it related to the amounts reported is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Anacortes Housing Authority, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

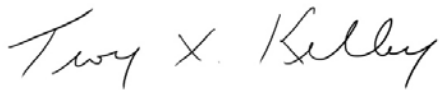
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Financial Data Schedule and HUD form (53001 -Actual Modernization Cost Certificate) 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 October 30, 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

October 30, 2014

Financial Section

**Anacortes Housing Authority
Skagit County
April 1, 2013 through March 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2014

Statement of Revenues, Expenses and Changes in Net Position – 2014

Statement of Cash Flows – 2014

Notes to Financial Statements – 2014

SUPPLEMENTAL INFORMATION

Financial Data Schedule – 2014

Actual Modernization Cost Certificate – WA19PO10501-12

HOUSING AUTHORITY OF THE CITY OF ANACORTES
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2014

As management of the Housing Authority of the City of Anacortes (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$3,882,339 (net position).
- As of the close of the current fiscal year, the Authority expended \$266,938 in federal grant revenues.
- The Authority's cash balance at March 31, 2014 was \$119,889 representing a decrease of \$14,775 from March 31, 2013.
- The Authority had total revenue of \$792,716 for the year ended March 31, 2014, which included operating revenues of \$467,943, grant income of \$266,938 and other non-operating revenue of \$57,835. The Authority had total expenses of \$1,011,533 for the year ended March 31, 2014.
- The Authority's capital outlays for the year were \$3,479.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) entity-wide financial statements, 2) required supplementary financial information, and 3) notes to the financial statements.

Financial Statements

The Authority presents entity-wide financial statements. For more information on the separate federal programs of the Authority, see the list on the Schedule of Expenditures of Federal Awards on Pages 45 to 46. The Authority is considered a "Special Purpose Government"; therefore, the U.S. Department of Housing and Urban Development (HUD) has recommended that this model be used.

In accordance with the reporting requirements of accounting principals generally accepted in the United States of America (GAAP), the statements include "Statement of Net Position," "Statement of Revenues, Expenses and Changes in Net Position," and the "Statement of Cash Flows."

HOUSING AUTHORITY OF THE CITY OF ANACORTES
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)
MARCH 31, 2014

The Authority's government-wide financial statements include:

Statement of Net Position - The Statement of Net Position reports all financial and capital resources as well as obligations of the Authority. The statement is presented in the format where assets minus liabilities equal Net Position (formerly referred to as net assets). Assets and liabilities are presented in order of liquidity, and are classified as Current (convertible into cash within one year), and Non-current. The Statement of Net Position is designed to represent the available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three categories:

Invested in Capital Assets, Net of Related Debt: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of Net Position consists of restricted assets where constraints have been placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc., net of any offsetting, associated liabilities.

Unrestricted: This component of Net Position consists of assets that do not meet the definitions of Invested in Capital Assets, Net of Related Debt or Restricted.

Statement of Revenues, Expenses and Changes in Net Position - This statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative expenses, utilities, and maintenance expenses, and depreciation; and Non-Operating Revenue and Expenses, such as grant revenue, investment income and interest expense. This statement presents information showing how the Authority's Net Position, as described above, changed during the year. The focus of the Statement of Revenues, Expenses and Changes in Net Position is the Net Position, which is similar to Net Income or Loss. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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

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

HOUSING AUTHORITY OF THE CITY OF ANACORTES
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)
MARCH 31, 2014

Other Supplementary Financial Information

Effective September 1, 1998 the Department of Housing and Urban Development's Real Estate Assessment Center (REAC) established standards for the submission of "Uniform Financial Reporting Standards for HUD Housing Programs". The standards include the creation of GAAP based "Financial Date Schedules" and electronic reporting requirements. The report is a more easily readable fund based columnar format that is inclusive of all HUD and public fund financial reports of the Authority. The reports include a "Balance Sheet" and a "Statement of Operations".

In addition to the REAC standard reporting, the Authority prepares a "Schedule of Expenditures of Federal Awards" (SEFA). This report is based on a full accrual GAAP basis.

Notes to the Financial Statements

The "Notes to the Financial Statements" provide additional information that is essential to a full understanding of the data provided in the proprietary financial statements. They are intended to disclose all pertinent matters as prescribed under GAAP.

Authority-Wide Financial Analysis

A brief condensed comparative analysis of current and prior year net financial position and performance follows.

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 2,346,764	\$ 2,428,779
Capital assets	<u>3,226,560</u>	<u>3,413,433</u>
Total assets	<u>\$ 5,573,324</u>	<u>\$ 5,842,212</u>
Long-term debt outstanding	\$ 1,536,167	\$ 1,589,031
Other liabilities	<u>154,818</u>	<u>152,025</u>
Total liabilities	<u>1,690,985</u>	<u>1,741,056</u>
Net position		
Invested in capital assets, net of debt	3,226,560	3,413,433
Unrestricted	<u>655,779</u>	<u>687,723</u>
Total net assets	<u>3,882,339</u>	<u>4,101,156</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)
MARCH 31, 2014

Current and other assets include \$1,618,670 receivable by the Authority from the Component Unit Bayview Apartments LP for 2014 and \$1,713,515 for 2013. This receivable is for the payment of bonds payable and notes payable issued by the Authority for the construction of the Bayview Apartments and also for the developer fee payable and management fee payable. See Notes 10 and 11 for additional information.

Current and other assets decreased by \$82,015 in 2014 as compared to 2013. This resulted primarily due to cash decreasing by \$14,775 and investments increasing by \$23,613 and the receivable from the Component Unit Bayview Apartments LP decreasing by \$94,845.

Capital assets decreased by \$186,873 in 2014 compared to 2013. This decrease resulted primarily from depreciation expense in 2014 of \$200,630. The capital outlays consisted largely of construction costs for renovations and improvements made to the low-rent public housing rental units owned by the Authority.

	<u>CHANGE IN NET POSITION</u>	
	<u>2014</u>	<u>2013</u>
Operating revenues		
Net tenant rental revenue	\$ 389,808	\$ 357,703
Other revenue	<u>78,135</u>	<u>58,116</u>
Total operating revenue	467,943	415,819
Non-operating revenues		
HUD PHA grants	266,938	428,776
Other non-operating revenue	<u>57,835</u>	<u>60,843</u>
Total Revenue	<u>792,716</u>	<u>905,438</u>
Operating Expenses		
Utilities	46,230	51,881
Maintenance and operation	370,920	326,877
Administration	337,870	348,840
Depreciation expense	200,630	207,259
Interest expense	<u>55,883</u>	<u>58,048</u>
Total operating expenses	<u>1,011,533</u>	<u>992,905</u>
Change in net position	(218,817)	(87,467)
Prior Period Adjustment	<u>-</u>	<u>(7,522)</u>
Ending net position	<u>\$ 3,882,339</u>	<u>\$ 4,101,156</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)
MARCH 31, 2014

Tenant rental revenue increased by \$32,105 in 2014 compared to 2013. This resulted largely due to a number of rental housing units becoming available for rent after the renovation construction work being done on the units.

Grant revenues decreased by \$161,838 in 2014 compared to 2013. The decrease resulted primarily due to HUD Public Housing Capital Funds grants decreasing by \$95,870 and HUD Operating Subsidy decreasing by \$65,968. The capital fund grant was used largely to fund the renovation and improvement construction work done on the rental housing units in 2014.

Operating expenses (interest expense excluded) in 2014 increased by \$20,793 compared to 2013. The increase resulted primarily due to an increase in various maintenance costs.

These factors resulted in the difference between the 2014 and 2013 overall deficit of expenses over revenues. In 2014, the excess of expenses over revenues was \$218,817 compared to the 2013 excess of expenses over revenues in the amount of \$87,467.

Net position may serve over time as a useful indicator of a government entity's financial position. In the case of the Authority, assets exceeded liabilities by \$3,882,339 at the close of the most recent fiscal year. The total assets are reported at \$5,573,324 of which \$3,226,560 are net capital assets, and \$2,346,764 are other assets. Unrestricted net resources total \$655,779.

The largest portion of the Authority's assets (58%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to low and moderate-income tenants; consequently, these assets are not available for future spending. The unrestricted net resources of the Authority are available for future use to provide additional housing services and resources.

Management's analysis of the Authority's overall financial position and results of financial operations indicate a decline. The net financial position decreased by \$218,817; however, this included a financial accounting decrease for depreciation of \$200,630.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
MANAGEMENT DISCUSSION AND ANALYSIS - (CONTINUED)
MARCH 31, 2014

Capital Assets

As of March 31, 2014 the Authority's investment in capital assets for its activities was \$3,226,560 net of accumulated depreciation, which is included in the Statement of Net Position and the Notes as Capital Assets. This investment in capital assets includes buildings, improvements, land, and equipment. During fiscal year 2014, the Authority had capital purchases of \$3,479. A schedule of Capital Asset activity is included in Note 5.

Long-Term Debt

The long-term debt of the Authority consists solely of bonds and a loan incurred for the purpose of constructing the Bayview Apartments, as described in Notes 10 and 11. The total loan and bond liabilities reported by the Authority are \$1,583,474 of which \$1,536,167 is classified as non-current and \$47,307 is classified as current liabilities.

The Authority began the year with a \$1,631,116 beginning balance in long-term debt, made payments on outstanding bonds and notes of \$47,642 in fiscal year 2014 and concluded the year with an ending balance of \$1,583,474.

The Authority is in good standing with all debt obligations and foresees no eminent difficulties with meeting its scheduled payment obligations.

A "Debt Maturities Schedule" is included in Note 11.

Future Events That Will Financially Impact the Authority

At this time the Authority does not have any plans for additional development, however the mission statement of this Authority is to provide low income housing in this community. If the opportunity presents itself, the Authority may enter into a cooperative development through the use of tax credits to obtain or build additional housing in the community if needed.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Anacortes, 719 Q Avenue Anacortes, Washington 98221.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
STATEMENT OF NET POSITION
MARCH 31, 2014

	Housing Authority of the <u>City of Anacortes</u>	Component <u>Units</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 119,889	\$ 143,904
Investments	206,255	-
Prepaid insurance	-	11,755
Inventory - materials	18,044	-
Accounts receivable - net	4,011	8,455
Accounts receivable - Component Unit	49,506	-
Restricted Assets:		
Tenant security deposits	<u>28,646</u>	<u>19,588</u>
TOTAL CURRENT ASSETS	426,351	183,702
Non-Current Assets		
Restricted Assets:		
Reserve for replacements	-	233,160
Other reserves	-	201,519
Bond issue costs, discount and loan fees, net of accumulated amortization	-	108,656
Investment - General Partner Bayview Apartments LP	100	-
Investment - Managing Member Wilson Hotel Housing	351,149	-
Due from Component Unit	1,569,164	-
Capital assets, net of accumulated depreciation	<u>3,226,560</u>	<u>6,704,157</u>
TOTAL NON-CURRENT ASSETS	<u>5,146,973</u>	<u>7,247,492</u>
TOTAL ASSETS	<u>\$ 5,573,324</u>	<u>\$ 7,431,194</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
STATEMENT OF NET POSITION - (CONTINUED)
MARCH 31, 2014

	Housing Authority of the <u>City of Anacortes</u>	Component <u>Units</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 16,747	\$ 6,235
Tenant security deposits	28,400	16,207
Prepaid revenue	998	2,958
Accounts payable to Primary Government	-	37,767
Accrued interest payable	17,168	3,862
Accrued interest payable to Primary Government	-	17,169
Accumulated leave payable	8,404	-
Long-term debt - current portion	47,307	22,305
Long-term debt - current to Primary Government	<u>-</u>	<u>15,773</u>
 TOTAL CURRENT LIABILITIES	 119,024	 122,276
Non-Current Liabilities		
Long-term debt	1,536,167	1,359,410
Accumulated leave payable - long term	35,794	-
Due to Primary Government	<u>-</u>	<u>1,589,030</u>
 TOTAL NON-CURRENT LIABILITIES	 <u>1,571,961</u>	 <u>2,948,440</u>
 TOTAL LIABILITIES	 1,690,985	 3,070,716
NET POSITION		
Net Investment in Capital Assets	3,226,560	3,717,639
Restricted		
Debt service/operating reserves	-	201,519
Renewal and replacement reserves	<u>-</u>	<u>233,160</u>
Total restricted	-	434,679
Unrestricted	<u>655,779</u>	<u>208,160</u>
 TOTAL NET POSITION	 <u>3,882,339</u>	 <u>4,360,478</u>

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2014

	Housing Authority of the <u>City of Anacortes</u>	Component <u>Units</u>
OPERATING REVENUES		
Net rental revenue	\$ 389,808	\$ 390,283
Other operating revenue	<u>78,135</u>	<u>15,659</u>
Total Operating Revenues	467,943	405,942
OPERATING EXPENSES		
Utilities	46,230	30,702
Maintenance and operation	370,920	102,647
Administrative	337,870	83,406
Depreciation and amortization	<u>200,630</u>	<u>216,449</u>
Total Operating Expenses	<u>955,650</u>	<u>433,204</u>
OPERATING INCOME (LOSS)	(487,707)	(27,262)
NON-OPERATING REVENUES AND EXPENSES		
Grant revenue	195,635	116,587
Interest revenue	57,835	684
Interest expense	<u>(55,883)</u>	<u>(101,750)</u>
Total Non-operating Revenues (Expenses)	<u>197,587</u>	<u>15,521</u>
Income Before Contributions, Transfers Extraordinary and Special Items	(290,120)	(11,741)
Capital grant revenue	<u>71,303</u>	<u>-</u>
CHANGE IN NET POSITION	(218,817)	(11,741)
Net Position, Beginning	<u>4,101,156</u>	<u>4,372,219</u>
Net Position, Ending	<u>\$ 3,882,339</u>	<u>\$ 4,360,478</u>

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	Housing Authority of the <u>City of Anacortes</u>	Component <u>Units</u>
Cash Flows from Operating Activities		
Receipts from tenants	\$ 383,456	\$ 389,483
Receipts from other operations	78,028	15,659
Payments to suppliers	(318,415)	(392,139)
Payments to employees	<u>(452,711)</u>	<u>(29,888)</u>
Net cash Provided (Used) by Operating Activities	<u>(309,642)</u>	<u>(16,885)</u>
Cash Flows from Non-capital Financing Activities		
Grant revenue	<u>195,635</u>	<u>116,587</u>
Cash Flows From Capital and Related Financing Activities		
Payment of mortgage principal and bond principal	(47,642)	(23,063)
Payment of developer fee note payable	-	(88,354)
Interest received on mortgage and bonds	55,106	100,974
Net deposits to reserves	-	(54,505)
Capital grant revenue	71,303	-
Acquisition of capital assets	<u>(13,757)</u>	<u>-</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>65,010</u>	<u>(64,948)</u>
Cash Flows from Investing Activities		
(Increase) decrease in investments	(23,613)	-
Interest received	<u>57,835</u>	<u>684</u>
Net Cash Provided by Investing Activities	34,222	684
Net Increase (Decrease) in Cash and Cash Equivalents	(14,775)	35,438
Cash and Cash Equivalents at Beginning of Year	<u>134,664</u>	<u>108,466</u>
Cash and Cash Equivalents at End of Year	\$ <u>119,889</u>	\$ <u>143,904</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
STATEMENT OF CASH FLOWS - (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2014

	Housing Authority of the <u>City of Anacortes</u>	Component <u>Units</u>
Reconciliation of Operating Income (Loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (487,707)	\$ (27,262)
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	200,630	216,449
Change in assets and liabilities:		
Inventory decrease (increase)	(107)	-
Accounts receivable decrease	(3,185)	(903)
Prepaid insurance	-	(6,274)
Prepaid revenue increase (decrease)	(2,921)	1,004
Tenant security deposits	(246)	(901)
Accounts payable increase (decrease)	(17,705)	(198,998)
Accrued leave payable increase (decrease)	<u>1,599</u>	<u>-</u>
Total Adjustments	<u>178,065</u>	<u>10,377</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (309,642)</u>	<u>\$ (16,885)</u>

See accompanying notes.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Housing Authority of the City of Anacortes (dba Anacortes Housing Authority), (the Authority) conform to accounting principles generally accepted in the United States of America (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 significant accounting policies are described below.

A. Reporting Entity

The Authority is a municipal corporation governed by a five member appointed board. As required by GAAP, management has considered all potential component units in defining the reporting entity. These financial statements present the Authority (the primary government) and its component units. The component units discussed below are included in the district's reporting entity because of the significance of their operational or financial relationships with the Authority.

Authority has two component units: AHA-Bayview Apartments Limited Partnership (AHA-Bayview), a 46-unit tax credit project located in Anacortes and the Wilson Hotel Housing, LLC, a 25-unit apartment project located in Anacortes. Both of these entities have fiscal years ending December 31, therefore the information shown in the component unit column is for the fiscal year ended December 31, 2013.

AHA-Bayview: The Authority is the general partner in a limited partnership (LP). The limited partner is Key Community Development Corporation. See Note 12. It is the opinion of the Authority's bond counsel that the LP does not constitute a public entity. The Authority has ownership that is limited to one-hundredth of one percent (.01%). The day-to-day operations and policies of the LP are under supervision of the Limited Partners; the General Partner's Executive Director and her designees. This project is not subject to ordinary governing of the Authority's Board of Commissioners except in the area of debt instruments that may directly or indirectly obligate the Authority.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

The Wilson Hotel Housing, LLC: The Authority is the Managing Member in a limited liability company. The Investor Members are the Homestead Equity Funds limited partnerships. See Note 12. It is the opinion of the Authority's bond counsel that the LP does not constitute a public entity. The Authority has ownership that is limited to one-hundredth of one percent (.01%). The day-to-day operations and policies of the LLC are under supervision of the Investor Members: the Managing Member's Executive Director and her designees. This project is not subject to ordinary governing of the Authority's Board of Commissioners.

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 special purpose governmental fund model.

The Authority has elected to report as a single-enterprise proprietary fund and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The proprietary fund is composed of one program. This program is designed to provide low-income individuals with housing.

Program:

Public Housing Program - The Authority provides low income housing within the city limits of Anacortes in Skagit County. This program includes 19 apartment complexes, with 112 apartment units owned and operated by the Authority.

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

The Authority applies GASB pronouncements and has elected to apply Financial Accounting Standard Board (FASB) statements and Accounting Principles Board (APB) pronouncements issued after November 30, 1989.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority and the component units consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

D. Capital Assets

See Note 5

E. Restricted Assets

In accordance with bond resolutions, loan and regulatory agreements and certain related agreements, separate restricted cash and cash equivalent accounts are required to be established. The assets held in these accounts are restricted for specific uses, including (construction) debt service and other special reserve requirements. As of March 31, 2014, these restricted resources included the following:

	<u>Authority</u>	<u>Component Units</u>
Replacement of Structures and Equipment	\$ -	\$ 233,160
Debt Service and Operating Reserves	-	201,519
Tenant Deposits	<u>28,646</u>	<u>19,588</u>
TOTAL	<u>\$ 28,646</u>	<u>\$ 454,267</u>

F. Receivables

The Authority's receivables consist of rent receivable from tenants. See Note 4.

For bad debt purposes, the Authority uses the direct write-off method for receivables that management has specifically identified as uncollectible. Accounts receivables are shown as net of an allowance for uncollectible accounts. As of March 31, 2014, there was no allowance for uncollectible accounts.

G. Inventories

Inventories are valued at cost using the first-in first-out method, which approximates the market value.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

H. Investments

The Authority's investments consist entirely of certificates of deposit and publicly traded bonds. The fair value is based on quoted market prices. The Authority does not have any investments subject to amortization. All of the Authority's investments are held by the bond trustee for the bond debt service requirements. The Authority does not participate in an external investment pool. For various risks related to investments, see Deposits and Investments Note 2.

I. Operating Revenues/Expenses

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

J. Compensated Absences

Compensated absences are absences for which employees will be paid, such as annual leave. The Authority records unpaid leave for compensated absences as an expense and liability when incurred. Annual leave may be accumulated from year to year but upon resignation, termination or death, the maximum hours payable will be the sum of one year's earned leave plus 10 working days. Therefore, the compensated absences are calculated using each employee's annual leave balance up to a maximum of one year earned leave plus 10 working days (for example, leave earned per month 8 hours x 12 months = 96 plus 8 hours x 10 working days = 80 for a total of 176).

K. Unamortized Debt Expenses

Costs relating to the sale of bonds and cost of loans are deferred and amortized over the lives of the various bond issues and loans. As of March 31, 2014, the bond issue costs, net of accumulated amortization was as follows:

	<u>Authority</u>	<u>Component Units</u>
Amortizable bond/loan costs	\$ -	\$ 167,925
Accumulated amortization	-	(59,269)
Net	<u>\$ -</u>	<u>\$ 108,656</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

L. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

M. Date of Management's Review

Management has evaluated subsequent events through March 31, 2014, the date on which the financial statements were available to be issued.

N. Net Position

Management has implemented GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of resources, and Net Position. Under GASB 63, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. As of March 31, 2014, the Authority had no deferred inflows or deferred outflows of resources.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Authority's deposits and certificates of deposit are entirely covered by the Federal Depository Insurance Corporation (FDIC) or by collateral held in multiple financial pools administered by the Washington Public Deposit Protection Commission (PDPC).

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction the Authority would not be able to recover the value of the investment or collateral securities.

The Authority's total deposits consist of bank deposits and Certificates of Deposit. As of March 31, 2014, there were no bank deposits that exceeded FDIC insurance limits and were exposed to custodial credit risks. The Authority does not have a policy that addresses custodial credit risk for deposits.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 2- DEPOSITS AND INVESTMENTS - (CONTINUED)

As of March 31, 2014, the Authority had the following investments:

<u>Investments</u>	<u>Value</u>
State Investment Pool	\$ -
U.S. Treasuries	-
Bankers' Acceptances	-
Repurchase Agreements	-
Certificates of Deposit and Securities	206,255
Total	<u>\$ 206,255</u>

NOTE 3 - RESTRICTED ASSETS

Tenant Security Deposits

Upon moving into a project, tenants are required to pay a security deposit, which is refundable when the tenant vacates the apartment, provided the apartment's physical condition is satisfactory. At March 31, 2014, the following security deposits were held:

	<u>Authority</u>	<u>Component Units</u>
Tenant security deposits	\$ 28,646	\$ 19,588

Restricted Deposits and Reserves

AHA Bayview - Replacement and Other Reserves

Under the terms of the partnership and loan agreements, AHA Bayview is required to make annual contributions of \$12,190, increasing 3 percent annually, into a replacement reserve and is also to fund a debt service reserve.

Wilson Hotel

Under the terms of the operating agreement, Wilson Hotel is is required to maintain replacement and operating reserves. The replacement reserve is to be funded at \$250 per unit per year, increasing 3.5 percent annually. The operating reserve is to be maintained at \$56,000.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 4 - ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

The accounts receivable balance at March 31, 2014 consisted of the following:

	<u>Authority</u>	<u>Component Units</u>
Rent receivable from tenants, net	\$ 4,011	\$ 8,455
Accounts receivable - Component unit	<u>49,506</u>	<u>-</u>
TOTAL ACCOUNTS RECEIVABLE	<u>\$ 53,517</u>	<u>\$ 8,455</u>

The accounts payable balance at March 31, 2014 consisted of the following:

	<u>Authority</u>	<u>Component Units</u>
Trade accounts payable	\$ 16,747	\$ 6,235
Accounts payable to Primary Government	<u>-</u>	<u>37,767</u>
TOTAL ACCOUNTS PAYABLE	<u>\$ 16,747</u>	<u>\$ 44,002</u>

NOTE 5 - CAPITAL ASSETS

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

Capital assets are defined by the Authority as assets with an individual cost of more than \$250 and an estimated useful life in excess of one year. Capital assets are recorded at cost (where the historical cost is known). Where historical cost is not known, assets are recorded at fair market value. Donations of capital assets are recorded at fair market value at the time of donation, or the appraised value. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which are as follows:

Building - 40 years
Improvements - 15 years
Dwelling equipment - 7
Computers and office equipment - 3 to 7 years
Miscellaneous equipment - 5 to 15 years

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 - CAPITAL ASSETS - (CONTINUED)

The following is a summary of capital asset activity for the year ended March 31, 2014:

	Beginning Balance 4/1/2013	Increases	Decreases	Ending Balance 3/31/2014
Housing Authority of the City of Anacortes				
Capital assets not being depreciated:				
Land	\$ 866,515	\$ -	\$ -	\$ 866,515
CIP	<u>19,300</u>	<u>10,278</u>	<u>-</u>	<u>29,578</u>
Total Capital assets not being depreciated:	<u>885,815</u>	<u>10,278</u>	<u>-</u>	<u>896,093</u>
Capital assets being depreciated:				
Structures	5,589,916	-	-	5,589,916
Land Improvements	674,232	-	-	674,232
Equipment	<u>264,547</u>	<u>3,479</u>	<u>-</u>	<u>268,026</u>
Subtotal	6,528,695	3,479	-	6,532,174
Less: Accumulated Depreciation	<u>(4,001,077)</u>	<u>(200,630)</u>	<u>-</u>	<u>(4,201,707)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>2,527,618</u>	<u>(197,151)</u>	<u>-</u>	<u>2,330,467</u>
Total Capital Assets, Net	<u>\$ 3,413,433</u>	<u>\$ (186,873)</u>	<u>\$ -</u>	<u>\$ 3,226,560</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 5 - CAPITAL ASSETS - (CONTINUED)

	Beginning Balance 12/31/2012	Increases	Decreases	Ending Balance 12/31/2013
Component Unit - AHA Bayview Apartments LP				
Capital assets not being depreciated:				
Land	\$ 520,000	\$ -	\$ -	\$ 520,000
Capital assets being depreciated:				
Buildings	1,853,560	-	-	1,853,560
Furniture and Equipment	<u>15,465</u>	<u>-</u>	<u>-</u>	<u>15,465</u>
	1,869,025	-	-	1,869,025
Less: Accumulated Depreciation	<u>(617,459)</u>	<u>(60,368)</u>	<u>-</u>	<u>(677,827)</u>
Total Capital Assets, Net	<u>1,771,566</u>	<u>(60,368)</u>	<u>-</u>	<u>1,711,198</u>
Component Unit - Wilson Hotel Housing LLC				
Capital assets not being depreciated:				
Land	250,000	-	-	250,000
Capital assets being depreciated:				
Buildings	5,841,946	-	-	5,841,946
Furniture and Equipment	<u>31,265</u>	<u>-</u>	<u>-</u>	<u>31,265</u>
	5,873,211	-	-	5,873,211
Less: Accumulated Depreciation	<u>(980,674)</u>	<u>(149,578)</u>	<u>-</u>	<u>(1,130,252)</u>
Total Capital Assets, Net	<u>5,142,537</u>	<u>(149,578)</u>	<u>-</u>	<u>4,992,959</u>
TOTAL ALL COMPONENT UNITS				
Capital assets not being depreciated:	770,000	-	-	770,000
Capital assets (net) being depreciated:	<u>6,144,103</u>	<u>(209,946)</u>	<u>-</u>	<u>5,934,157</u>
Total Capital Assets, Net	<u>\$ 6,914,103</u>	<u>\$ (209,946)</u>	<u>\$ -</u>	<u>\$ 6,704,157</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 6 - PAYMENT IN LIEU OF TAXES

The Authority is by law exempt from all federal, state and local taxes. The Authority has elected to pay a "payment in lieu of taxes" (PILOT) based principally on the amount levied as the annual tax upon the property prior to the time of its acquisition by the Authority or based upon 10% of the shelter rent charged less utilities, whichever is less. The PILOT applies only to the Public Housing Program. Payments are made annually. During 2014, the Authority accrued \$2,400 in taxes for 2014.

NOTE 7 - OPERATING SUBSIDY

In accordance with federal law, the tenant is charged a dwelling rental rate based on a percentage of the tenant's annual earnings after certain deductions. HUD is required by federal law to provide an operating subsidy to the Authority on the conventional housing programs. HUD has designed a formula (performance funding formula) to update the formula factors annually and effects frequent changes in administration of the formula and post fiscal yearend adjustments. An ACC contract is then executed for Housing Assistance Payments. HUD then determines what percentage of the calculated formula amount will be used for funding purposes. The percentage used each year has historically varied between 86% and 100%. The percentages used for calendar year 2014 and 2013 were 89% each year.

NOTE 8 - PENSION PLANS

Substantially all of the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit 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; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to the GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and the GASB Statement 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 50 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members 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. 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 is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

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

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

The monthly benefit is subject to a minimum for retirees who have 25 years of service and have been retired 20 years, or who have 20 years of service and have been retired 25 years. If a survivor option is chosen, the benefit is reduced. Plan 1 members retiring from inactive status prior to the age of 65 may also receive actuarially reduced benefits. Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

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

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

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

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

For DRS' fiscal year 2012, PERS Plan 3 employee contributions were \$95.2 million, and plan refunds paid out were \$66.2 million.

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

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

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

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

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

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

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

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

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

Members who chose to participate would: accrue service credit at the higher multiplier beginning with the date of their election; be subject to the benefit cap of 75 percent of AFC; stop contributing to the Judicial Retirement Account (JRA); pay higher contributions; and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; not be subject to a benefit cap; continue to participate in JRA, if applicable; continue to pay contributions at the regular PERS rate; and never be a participant in the JBM Program.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

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

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

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent, based on member choice. Two of the options are graduated rates dependent on the employee's age.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

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 31, 2013, are as follows:

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer *	9.21% **	9.21% **	9.21% ***
Employee	6.00% ****	4.92% ****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer-State Agency*	11.71%	11.71%	11.71% **
Employer-Local Government*	9.21%	9.21%	9.21% **
Employee-State Agency	9.76%	9.80%	7.50% ***
Employee-Local Government*	12.26%	12.30%	7.50% ***

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** Plan 3 defined benefit portion only.

*** Minimum rate.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 8 - PENSION PLANS - (CONTINUED)

Both the Authority and the employees made the required contributions. The Authority's required contributions for the years ending March 31, 2014 were as follows:

	<u>PERS Plan 1</u>		<u>PERS Plan 2</u>		<u>PERS Plan 3</u>	
FY 2014	\$	5,511	\$	10,658	\$	13,844
FY 2013	\$	4,411	\$	11,431	\$	9,732
FY 2012	\$	4,139	\$	11,428	\$	9,119

NOTE 9 - RISK MANAGEMENT

The Authority is not facing any type of risk and has no settlements that exceeded the insurance coverages traditionally insured with property and casualty insurance. We are unaware of any loss exposures that may need specialized coverages traditionally excluded in property and casualty insurance.

The Authority is a member of the Housing Authorities Risk Retention Pool (HARRP). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), fifty-five public housing authorities in the states of Washington, Oregon and California originally formed HARRP in March 1987. HARRP was created for the purposes of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. HARRP 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 originally contract for a three year term and thereafter automatically renew on an annual basis. Members may quit (after completion of the three year commitment) upon giving notice to HARRP prior to their renewal date. HARRP can terminate the members after giving a sixty (60) day notice prior to the renewal date. Termination does not relieve a former member from its unresolved losses incurred during membership.

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

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 9 - RISK MANAGEMENT - (CONTINUED)

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

HARRP self-insures the full layer of coverages for liability lines (\$2,000,000 per occurrence and \$2,000,000 annual aggregate). There is no purchased reinsurance above this limit. For Property, HARRP retains \$2,000,000 and \$63,000,000 of reinsurance from St. Paul/Travelers Insurance Company for a combined total of \$65,000,000. The HARRP Board of Directors determines the limits and coverage terms, at its sole discretion.

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

HARRP is fully funded by member assessments that are adjusted 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.

As of March 31, 2014, prepaid insurance totaled \$11,755, all of which was component unit prepaid insurance.

NOTE 10 - CONSTRUCTION IN PROGRESS

Construction in progress represents expenses to date on modernization projects funded by HUD through the Capital Funds program. The Authority receives an annual capital funds allocation and is required to obligate these funds within two years and expend the funds within four years. The construction is for modernization and remodeling work being done on many buildings and grounds located in Anacortes that the Authority owns and uses for residential rental housing for low-income individuals. As of March 31, 2014, construction in progress is composed of the following:

	<u>Project Authorization</u>	<u>Obligated 3/31/2014</u>	<u>Expended</u>	<u>Required Future Financing</u>
Housing Project 2013 S WA19P01050111	\$ 156,455	\$ 106,954	\$ 57,187	\$ -
Housing Project 2012 R WA19P01050112	\$ <u>156,968</u>	\$ <u>156,168</u>	\$ <u>118,071</u>	\$ <u>-</u>
	\$ <u><u>313,423</u></u>	\$ <u><u>263,122</u></u>	\$ <u><u>175,258</u></u>	\$ <u><u>-</u></u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 11 - LONG-TERM DEBT

The acquisition and development of the AHA - Bayview Apartments project was in part financed by the Authority. The Authority issued single-purpose, tax-exempt housing revenue bonds of \$1,400,000, of which \$625,000 of principal has been repaid, which leaves a balance of \$775,000 of Housing Revenue Bonds Payable at March 31, 2014 with a payment schedule listed below. The Authority was awarded a loan from the Washington Housing Finance Unit of \$1,000,000, of which \$185,970 of principal has been repaid, which leaves a balance of \$814,030 payable at March 31, 2014. The Authority has in turn loaned these funds to the partnership and leased the property to the AHA - Bayview Apartments Limited Partnership, under a non-cancelable capital lease agreement, which terminates in 2101. Under the lease and loan agreement, the partnership is obligated, on behalf of the Authority, to pay in full all amounts due under the Washington Housing Finance Unit loan agreement and the Housing Revenue Bonds.

Housing Revenue Bonds - Payments are made semi-annually in amounts sufficient to redeem the bonds over 30 years as scheduled. The annual total of debt service payments varies between \$65,575 and \$70,881. Interest on the long-term debt varies from 2.25 to 5.875 percent. The interest rate at December 31, 2013 was 4.60 percent. The Authority has assigned its rights to receive lease and loan payments to the bond trustee as security for payment of the principal and interest on the bonds. This bond issue has met the federal requirements so as not to be considered a federal arbitrage bond.

Washington Housing Finance Unit Loan - The loan is payable in quarterly payments of \$7,591, including interest at 1 percent, beginning June 2005 through June 2044.

All long term debt is non-recourse, secured by fixed assets of the Project and consists of the following:

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
Housing Revenue Bonds	\$ 25,000	\$ 750,000	\$ 775,000
Washington Housing Finance Unit Loan	<u>22,307</u>	<u>786,167</u>	<u>808,474</u>
Total	<u>\$ 47,307</u>	<u>\$ 1,536,167</u>	<u>\$ 1,583,474</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 11 - LONG-TERM DEBT - (CONTINUED)

Debt service requirements for the Bonds and Housing Finance Unit Loan are due as follows for the fiscal years ending:

HOUSING AUTHORITY OF THE CITY OF ANACORTES
DEBT MATURITIES SCHEDULE
March 31, 2014

	PRINCIPAL			INTEREST		
	Loan	Bonds	Total	Loan	Bonds	Total
2015	\$ 22,307	\$ 25,000	\$ 47,307	\$ 8,057	\$ 44,475	\$ 52,532
2016	22,531	25,000	47,531	7,833	43,037	50,870
2017	22,757	25,000	47,757	7,607	41,600	49,207
2018	22,986	30,000	52,986	7,378	40,019	47,397
2019	23,216	30,000	53,216	7,148	38,294	45,442
2020-2024	119,625	175,000	294,625	33,195	163,125	196,320
2025-2029	125,751	230,000	355,751	26,070	191,281	217,351
2030-2034	132,189	235,000	367,189	20,631	28,641	49,272
2035-2039	138,958	-	138,958	12,862	-	12,862
2040-2044	178,154	-	178,154	5,747	-	5,747
2045-2049	-	-	-	-	-	-
	<u>\$ 808,474</u>	<u>\$ 775,000</u>	<u>\$ 1,583,474</u>	<u>\$ 136,528</u>	<u>\$ 590,472</u>	<u>\$ 727,000</u>

The principal amounts due are included as a liability on both the balance sheet of the Authority and the AHA - Bayview Apartments Limited Partnership. The Authority has a receivable from AHA - Bayview Apartments Limited Partnership for the payment of these liabilities.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 11 - LONG-TERM DEBT - (CONTINUED)

Changes in Long-Term Liabilities

During the year ended March 31, 2014, the following changes occurred in long-term liabilities:

	Beginning Balance <u>4/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>3/31/2014</u>	Due Within <u>One Year</u>
Housing Revenue Bonds	\$ 795,000	\$ -	\$ (20,000)	\$ 775,000	\$ 25,000
WA Housing Finance Unit Loan	<u>836,116</u>	<u>-</u>	<u>(22,085)</u>	<u>814,031</u>	<u>22,307</u>
Total Long-Term Liabilities	<u>\$ 1,631,116</u>	<u>\$ -</u>	<u>\$ (42,085)</u>	<u>\$ 1,589,031</u>	<u>\$ 47,307</u>
Component Unit	<u>\$ 1,402,973</u>	<u>\$ -</u>	<u>\$ (21,258)</u>	<u>\$ 1,381,715</u>	<u>\$ 22,305</u>

As of March 31, 2014, it is not practicable to make a reasonable estimate of fair value for the long-term debt payable.

The Authority did not have any short-term debt activities during the year.

Component Unit - The Wilson Hotel Housing LLC

Substantially all of the rental property and equipment of the Wilson Hotel Housing LLC is pledged as collateral on the mortgages. No member is individually liable on the mortgage notes. As of December 31, 2013, loans payable consist of the following:

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
WCRA	\$ 7,738	\$ 438,579	\$ 446,317
Department of Community, Trade, and Economic Development (DCTED)	14,542	650,856	665,398
City of Anacortes	<u>-</u>	<u>270,000</u>	<u>270,000</u>
TOTAL	<u>\$ 22,280</u>	<u>\$ 1,359,435</u>	<u>\$ 1,381,715</u>

The WCRA loan is payable in monthly installments of \$3,227, including interest at the rate of 7 percent per annum, through June 1, 2037.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 11 - LONG-TERM DEBT - (CONTINUED)

The DCTED loan, in the amount of \$750,000, requires no payments and no interest accrual until August 1, 2007. Subsequent to August 1, 2007, the loan is to accrue interest at 2 percent, compounded quarterly. Quarterly payments of \$6,935 beginning November 30, 2007, are to be paid over the 39 year amortization period. The loan maturity date is August 31, 2046.

The City of Anacortes loan accrues interest at the rate of 1 percent per year. Interest only payments are to be made annually beginning March 31, 2007. Additional payments of principal are to be made in an amount totaling 50 percent of available net cash flow, as defined in the operating agreement. The loan maturity date is March 31, 2047. Estimated debt service requirements are as follows for the years ending December 31:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 22,281	\$ 44,181
2016	23,133	43,329
2017	24,032	42,430
2018	24,980	41,482
2019	25,981	40,481
2020 - 2024	147,018	185,293
2025 - 2029	182,259	150,052
2030 - 2034	229,474	102,837
2035 - 2039	233,851	41,783
2040 - 2044	124,656	14,053
2045 - 2049	<u>344,050</u>	<u>2,241</u>
	<u>\$ 1,381,715</u>	<u>\$ 708,162</u>

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION

AHA - BAYVIEW APARTMENTS LIMITED PARTNERSHIP

During the Authority's fiscal year 2003 the Authority, serving as the "General Partner" and Key Community Development Corporation, serving as the "Limited Partner", formed a limited partnership pursuant to the provisions of the Washington Uniform Limited Partnership Act, RCW 25.10 et seq (the "Act"). The name of the partnership is AHA-Bayview Apartments Limited Partnership (the Partnership). The Partnership was formed on June 17, 2002 for the purpose of: (a) acquiring, rehabilitating, owning, financing, leasing and operating the Project Property (Bayview Apartments) as a qualified low income housing project within the meaning of Section 42 of the Internal Revenue Code of 1986, as amended ("Code"); (b) to eventually sell or otherwise dispose of the Project Property in a manner consistent with the provision of the Partnership Agreement; and (c) to engage in all other activities incidental or related thereto.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

AHA - BAYVIEW APARTMENTS LIMITED PARTNERSHIP - (CONTINUED)

Pursuant to the Department of Housing and Urban Development (HUD) Project-based Section 8 Housing Assistance Preservation Renewal Contract, the project receives a rent subsidy provided by HUD on 24 of 46 of the units.

The Project has been determined to be eligible for low-income housing tax credits, and the Partnership's limited partner expects to apply Tax Credits against the tax imposed by Chapter 1 of the Code. The General Partner and the Partnership entered into a financing lease dated September 15, 2002, which provides that the General Partner will lease the Project to the Partnership through the year 2101. The Financing Lease requires that lease payments be made to the General Partner and the Bond Trustee in amounts sufficient to pay a portion of the principal of, interest on and any other payment due with respect to the General Partner's Housing Revenue Bonds. The Partnership's rent under the Financing Lease will reduce to \$12 per year after all rent allocable to the repayment of the Bonds have been paid in full. The Partnership has the option to purchase the Project at any time for the sum of \$1 plus the amount remaining to be paid or outstanding on the Bonds (including all payments allocable to the Bonds that the Partnership must make pursuant to the Loan and Regulatory Agreement between the General Partner and the Partnership). To secure the payment of the Bonds, the General Partner will assign certain rights under the Financing Lease to the Bond Trustee.

The Authority performs management of the apartment project. During 2013, the Authority charged management fees totaling \$22,680. As of December 31, 2013, management fees payable to the Authority totaled \$11,340.

Interest charged on related party debt totaled \$53,846 for the year ended December 31, 2013. Accrued interest payable at December 31, 2013, totaled \$17,169.

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

AHA - BAYVIEW APARTMENTS LIMITED PARTNERSHIP - (CONTINUED)

AHA Bayview Apartments Limited Partnership condensed statement of net position at December 31, 2013:

Current assets	\$ 94,141
Capital assets, net of accumulated depreciation	1,711,198
Other assets	<u>403,498</u>
Total assets	<u>\$ 2,208,837</u>
Current liabilities	\$ 47,692
Long-term liabilities	<u>1,589,030</u>
Total liabilities	1,636,722
Net position	
Invested in capital assets, net of debt	164,253
Restricted: Renewal & Replacement	336,281
Unrestricted	<u>71,581</u>
Total net position	<u>572,115</u>
Total liabilities and net position	<u>\$ 2,208,837</u>

AHA Bayview Apartments Limited Partnership condensed statement of revenues, expenses and changes in net position for the year ended December 31, 2013:

Revenue:	
Rent, net	\$ 314,949
Other	<u>14,983</u>
Total revenue	<u>329,932</u>
Expenses:	
Administrative	38,289
Utilities	16,563
Operating and maintenance	72,570
Taxes and insurance	7,916
Interest	53,846
Other financial	1,900
Depreciation	60,368
Amortization	<u>2,736</u>
Total expenses	<u>254,188</u>
Operating income (loss)	75,744
Other expense	<u>4,687</u>
Change in net position	<u>\$ 71,057</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

AHA - BAYVIEW APARTMENTS LIMITED PARTNERSHIP - (CONTINUED)

AHA Bayview Apartments Limited Partnership condensed statement of cash flows for the year ended December 31, 2013:

Cash flows from operating activities:	
Net position	\$ 71,057
Adjustments to reconcile net position to net cash provided by operating activities:	
Depreciation and amortization	63,104
Changes in certain assets and liabilities:	
Accounts receivable	(547)
Prepaid expense	(1,246)
Accounts payable	3,911
Accrued expenses	(11,340)
Rents received in advance	128
Accrued interest payable	(777)
Tenant security deposits	<u>(615)</u>
Net cash provided from operating activities	123,675
Cash flows from investing activities:	
Net deposits to replacement reserves	(16,704)
Net deposits to other reserves	(87)
Payments for short term investments	<u>(30,032)</u>
Net cash flows from investing activities	(46,823)
Cash flows from financing activities:	
Principal payments on mortgages payable	(42,086)
Payment of developer fees payable	<u>(9,795)</u>
Net cash flows from financing activities	<u>(51,881)</u>
Net increase (decrease) in cash	24,971
Cash - beginning of year	<u>69,170</u>
Cash - end of year	\$ <u>94,141</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

THE WILSON HOTEL HOUSING LLC

During 2003 the Wilson Hotel Housing LLC (the Company) was formed as a limited liability company pursuant to Title 25 of the Revised Code of Washington, to acquire, rehabilitate and operate a 25-unit apartment project and six units of commercial space on the ground floor of a building located in Anacortes. The Authority is the managing member and three National Equity Fund limited partnerships are the Investor Members. The project has received a mix of low income housing tax credits, historic tax credits, State Housing Trust Fund money and a Federal Home Loan Bank Affordable Program grant. The Company has also received County 2060 funds and CDBG funds. The Authority had hired Beacon Developer for development and consultation services. The project was substantially completed during the year 2006.

The Authority performs management of the project. During 2013, the Authority charged management fees of \$9,596, and \$4,878 was payable at December 31, 2013.

The LLC owes a Developer Fee payable at December 31, 2013 to the Authority of \$15,773.

The Wilson Hotel Housing LLC condensed statement of net position at December 31, 2013:

Current assets	\$ 49,764
Capital assets, net of accumulated depreciation	4,992,959
Other assets	<u>179,636</u>
Total assets	<u>\$ 5,222,359</u>
Current liabilities	\$ 74,561
Long-term liabilities	<u>1,359,434</u>
Total liabilities	1,433,995
Net position	
Invested in capital assets, net of debt	3,611,244
Restricted: Renewal & Replacement	109,208
Unrestricted	<u>67,912</u>
Total net position	<u>3,788,364</u>
Total liabilities and net position	<u>\$ 5,222,359</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

THE WILSON HOTEL HOUSING LLC - CONTINUED

The Wilson Hotel Housing LLC condensed statement of revenues, expenses and changes in net position for the year ended December 31, 2013:

Revenue:

Rent, net	\$ 191,921
Interest income	185
Other income	<u>1,265</u>
Total revenue	<u>193,371</u>

Expenses:

Administrative	19,557
Utilities	14,139
Operating and maintenance	27,007
Insurance	7,855
Interest	47,904
Depreciation	149,578
Amortization	<u>3,767</u>
Total expenses	<u>269,807</u>

Operating income (loss)	(76,436)
Other expense	<u>6,362</u>
Change in net position	<u>\$ (82,798)</u>

HOUSING AUTHORITY OF THE CITY OF ANACORTES
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

NOTE 12 - MAJOR COMPONENT UNIT INFORMATION - (CONTINUED)

THE WILSON HOTEL HOUSING LLC - CONTINUED

The Wilson Hotel Housing LLC condensed statement of cash flows for the year ended December 31, 2013:

Cash flows from operating activities:	
Net position	\$ (82,798)
Adjustments to reconcile net position to net cash provided by operating activities:	
Depreciation and amortization	153,345
Changes in certain assets and liabilities:	
Accounts receivable	(357)
Prepaid expense	(5,028)
Accounts payable	710
Due to affiliates	946
Rents received in advance	876
Tenant security deposits	<u>(285)</u>
Net cash provided from operating activities	67,409
Cash flows from investing activities:	
Net deposits to replacement reserves	(7,683)
Cash flows from financing activities:	
Principal payments on loans payable	(21,258)
Payment of developer fees payable	<u>(28,000)</u>
Net cash flows from financing activities	<u>(49,258)</u>
Net increase (decrease) in cash	10,468
Cash - beginning of year	<u>39,296</u>
Cash - end of year	<u>\$ 49,764</u>

HA City of Anacortes (WAO10)
ANACORTES, WA
Entity Wide Balance Sheet Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 03/31/2014

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$21,389	\$98,500	\$143,904	\$263,793		\$263,793
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	\$28,646		\$19,588	\$48,234		\$48,234
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$50,035	\$98,500	\$163,492	\$312,027		\$312,027
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	\$2,254	\$47,252		\$49,506		\$49,506
126 Accounts Receivable - Tenants	\$4,011		\$8,455	\$12,466		\$12,466
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$0		\$0
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,265	\$47,252	\$8,455	\$61,972		\$61,972
131 Investments - Unrestricted	\$104,654	\$101,601		\$206,255		\$206,255
132 Investments - Restricted			\$434,679	\$434,679		\$434,679
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets			\$11,755	\$11,755		\$11,755
143 Inventories	\$18,044			\$18,044		\$18,044
143.1 Allowance for Obsolete Inventories	\$0			\$0		\$0
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	\$178,998	\$247,353	\$618,381	\$1,044,732		\$1,044,732

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
161 Land	\$866,515		\$786,000	\$1,652,515		\$1,652,515
162 Buildings	\$2,123,388		\$7,679,506	\$9,802,894		\$9,802,894
163 Furniture, Equipment & Machinery - Dwellings	\$78,775		\$46,730	\$125,505		\$125,505
164 Furniture, Equipment & Machinery - Administration	\$177,443	\$11,808		\$189,251		\$189,251
165 Leasehold Improvements	\$3,488,145			\$3,488,145		\$3,488,145
166 Accumulated Depreciation	-\$4,190,698	-\$11,009	-\$1,808,079	-\$6,009,786		-\$6,009,786
167 Construction in Progress	\$29,578			\$29,578		\$29,578
168 Infrastructure	\$652,615			\$652,615		\$652,615
160 Total Capital Assets, Net of Accumulated Depreciation	\$3,225,761	\$799	\$6,704,157	\$9,930,717		\$9,930,717
171 Notes, Loans and Mortgages Receivable - Non-Current		\$1,569,164		\$1,569,164		\$1,569,164
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets			\$108,656	\$108,656		\$108,656
176 Investments in Joint Ventures		\$351,249		\$351,249		\$351,249
180 Total Non-Current Assets	\$3,225,761	\$1,921,212	\$6,812,813	\$11,959,786		\$11,959,786
190 Total Assets	\$3,404,759	\$2,168,565	\$7,431,194	\$13,004,518		\$13,004,518
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$3,404,759	\$2,168,565	\$7,431,194	\$13,004,518		\$13,004,518
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$14,417		\$6,235	\$20,652		\$20,652
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable						
322 Accrued Compensated Absences - Current Portion	\$8,404			\$8,404		\$8,404
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs		\$17,168	\$3,862	\$21,030		\$21,030
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government			\$70,709	\$70,709		\$70,709

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
341 Tenant Security Deposits	\$28,400		\$16,207	\$44,607		\$44,607
342 Unearned Revenue	\$998		\$2,958	\$3,956		\$3,956
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$47,307	\$22,305	\$69,612		\$69,612
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$2,330			\$2,330		\$2,330
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$54,549	\$64,475	\$122,276	\$241,300		\$241,300
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$1,536,167	\$1,359,410	\$2,895,577		\$2,895,577
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other			\$1,589,030	\$1,589,030		\$1,589,030
354 Accrued Compensated Absences - Non Current	\$35,794			\$35,794		\$35,794
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$35,794	\$1,536,167	\$2,948,440	\$4,520,401		\$4,520,401
300 Total Liabilities	\$90,343	\$1,600,642	\$3,070,716	\$4,761,701		\$4,761,701
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	\$3,225,761	\$799	\$3,717,639	\$6,944,199		\$6,944,199
511.4 Restricted Net Position	\$0		\$434,679	\$434,679		\$434,679
512.4 Unrestricted Net Position	\$88,655	\$567,124	\$208,160	\$863,939		\$863,939
513 Total Equity - Net Assets / Position	\$3,314,416	\$567,923	\$4,360,478	\$8,242,817		\$8,242,817
600 Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	\$3,404,759	\$2,168,565	\$7,431,194	\$13,004,518		\$13,004,518

HA City of Anacortes (WAO10)
ANACORTES, WA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non-A-133

Fiscal Year End: 03/31/2014

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$322,148	\$67,660	\$390,283	\$780,091		\$780,091
70400 Tenant Revenue - Other	\$13,125	\$2,350	\$6,828	\$22,303		\$22,303
70500 Total Tenant Revenue	\$335,273	\$70,010	\$397,111	\$802,394		\$802,394
70600 HUD PHA Operating Grants	\$252,822			\$252,822		\$252,822
70610 Capital Grants	\$14,116			\$14,116		\$14,116
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants			\$116,587	\$116,587		\$116,587
71100 Investment Income - Unrestricted	\$793	\$57,042		\$57,835		\$57,835
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue	\$59,163	\$3,497	\$8,831	\$71,491		\$71,491
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted			\$684	\$684		\$684
70000 Total Revenue	\$662,167	\$130,549	\$523,213	\$1,315,929		\$1,315,929
91100 Administrative Salaries	\$183,266			\$183,266		\$183,266
91200 Auditing Fees	\$26,140		\$10,600	\$36,740		\$36,740
91300 Management Fee			\$42,669	\$42,669		\$42,669
91310 Book-keeping Fee			\$1,775	\$1,775		\$1,775
91400 Advertising and Marketing						

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
91500 Employee Benefit contributions - Administrative	\$81,590			\$81,590		\$81,590
91600 Office Expenses	\$3,220		\$3,676	\$6,896		\$6,896
91700 Legal Expense						
91800 Travel	\$1,771		\$75	\$1,846		\$1,846
91810 Allocated Overhead						
91900 Other	\$21,481	\$2,510	\$5,845	\$29,836		\$29,836
91000 Total Operating - Administrative	\$317,468	\$2,510	\$64,640	\$384,618		\$384,618
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						
92500 Total Tenant Services	\$0	\$0	\$0	\$0		\$0
93100 Water	\$12,341		\$19,006	\$31,347		\$31,347
93200 Electricity	\$11,352		\$9,691	\$21,043		\$21,043
93300 Gas	\$374		\$2,005	\$2,379		\$2,379
93400 Fuel						
93500 Labor						
93600 Sewer	\$22,154			\$22,154		\$22,154
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense	\$9			\$9		\$9
93000 Total Utilities	\$46,230	\$0	\$30,702	\$76,932		\$76,932
94100 Ordinary Maintenance and Operations - Labor	\$134,269		\$29,888	\$164,157		\$164,157
94200 Ordinary Maintenance and Operations - Materials and Other	\$27,005		\$9,296	\$36,301		\$36,301
94300 Ordinary Maintenance and Operations Contracts	\$40,406	\$438	\$60,395	\$101,239		\$101,239
94500 Employee Benefit Contributions - Ordinary Maintenance	\$59,023			\$59,023		\$59,023
94000 Total Maintenance	\$260,703	\$438	\$99,579	\$360,720		\$360,720
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0		\$0
96110 Property Insurance	\$12,001		\$15,770	\$27,771		\$27,771
96120 Liability Insurance						
96130 Workmen's Compensation						
96140 All Other Insurance						
96100 Total Insurance Premiums	\$12,001	\$0	\$15,770	\$27,771		\$27,771
96200 Other General Expenses		\$85,453	\$3,068	\$88,521		\$88,521
96210 Compensated Absences						
96300 Payments in Lieu of Taxes	\$2,400			\$2,400		\$2,400
96400 Bad debt - Tenant Rents	\$3,491		\$2,996	\$6,487		\$6,487
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$5,891	\$85,453	\$6,064	\$97,408		\$97,408
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)		\$55,883	\$101,750	\$157,633		\$157,633
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$55,883	\$101,750	\$157,633		\$157,633
96900 Total Operating Expenses	\$642,293	\$144,284	\$318,505	\$1,105,082		\$1,105,082
97000 Excess of Operating Revenue over Operating Expenses	\$19,874	\$-13,735	\$204,708	\$210,847		\$210,847
97100 Extraordinary Maintenance	\$24,326			\$24,326		\$24,326
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments						
97350 HAP Portability-In						
97400 Depreciation Expense	\$199,032	\$1,598	\$216,449	\$417,079		\$417,079
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						

	Project Total	2 State/Local	6.1 Component Unit - Discreetly Presented	Subtotal	ELIM	Total
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$865,651	\$145,882	\$534,954	\$1,546,487		\$1,546,487
10010 Operating Transfer In	\$57,187	\$5,443		\$62,630		\$62,630
10020 Operating transfer Out	-\$62,630			-\$62,630		-\$62,630
10030 Operating Transfers from/to Primary Government						
10040 Operating Transfers from/to Component Unit						
10050 Proceeds from Notes, Loans and Bonds						
10060 Proceeds from Property Sales						
10070 Extraordinary Items, Net Gain/Loss						
10080 Special Items (Net Gain/Loss)						
10091 Inter Project Excess Cash Transfer In						
10092 Inter Project Excess Cash Transfer Out						
10093 Transfers between Program and Project - In						
10094 Transfers between Project and Program - Out						
10100 Total Other financing Sources (Uses)	-\$5,443	\$5,443	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$208,927	-\$9,890	-\$11,741	-\$230,558		-\$230,558
11020 Required Annual Debt Principal Payments	\$0	\$63,063	\$0	\$63,063		\$63,063
11030 Beginning Equity	\$3,523,343	\$577,813	\$0	\$4,101,156		\$4,101,156
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$4,372,219	\$4,372,219		\$4,372,219
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition Liability						
11080 Changes in Special Term/Severance Benefits Liability						
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents						
11100 Changes in Allowance for Doubtful Accounts - Other						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	1332	72	852	2256		2256
11210 Number of Unit Months Leased	1314	72	839	2225		2225

	Project Total	2 State/Local	6.1 Component Unit - Discretely Presented	Subtotal	ELIM	Total
11270 Excess Cash	\$53,201			\$53,201		\$53,201
11610 Land Purchases	\$0			\$0		\$0
11620 Building Purchases	\$0			\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$1,591			\$1,591		\$1,591
11640 Furniture & Equipment - Administrative Purchases	\$4,525			\$4,525		\$4,525
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$7,641			\$7,641		\$7,641
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0

Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 1/31/2017)

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 THE CITY OF ANACORTES

Modernization Project Number:

WA19P010501-12

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	\$ 156,968.00
B. Funds Disbursed	\$
C. Funds Expended (Actual Modernization Cost)	\$ 156,968.00
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

3. That the entire Actual Modernization Cost or liabilities therefor incurred by the 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 *Theresa McCallum*

Theresa McCallum

8-22-14

For HUD Use Only

The Cost Certificate is approved for audit:

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

Date:

08/02/2014

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 (1/2014)

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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