Washington State Auditor's Office

Troy Kelley

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Financial Statements and Federal Single Audit Report

Housing Authority of Thurston County

For the period July 1, 2013 through June 30, 2014

Published December 29, 2014

Report No. 1013228

Washington State Auditor
Troy Kelley

December 22, 2014

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

FEDERAL SUMMARY

Housing Authority of Thurston County
July 1, 2013 through June 30, 2014

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

Financial Statements

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

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

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

Federal Awards

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

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

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

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $468,833.

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Housing Authority of Thurston County
July 1, 2013 through June 30, 2014

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Housing Authority of Thurston County, Washington, as of and for the year ended June 30, 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 December 15, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 15, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Housing Authority of Thurston County
July 1, 2013 through June 30, 2014

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Housing Authority of Thurston County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Housing Authority's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 15, 2014

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Housing Authority of Thurston County
July 1, 2013 through June 30, 2014

Board of Commissioners
Housing Authority of Thurston County
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Housing Authority of Thurston County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of Thurston County, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20, the schedule of funding progress on page 40 and notes to required supplementary information on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014 on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

December 15, 2014

FINANCIAL SECTION

Housing Authority of Thurston County
July 1, 2013 through June 30, 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 Fund Net Position – 2014
Statement of Cash Flows – 2014
Notes to Financial Statements – 2014

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – 2014
Notes to Required Supplementary Information – 2014

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2014
Notes to the Schedule of Expenditures of Federal Awards – 2014
Combined Financial Data Schedules - 2014

As management of the Housing Authority of Thurston County ("Housing Authority"), we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Housing Authority for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements and notes to financial statements.

Financial Highlights

- On June 30, 2014, the Housing Authority's assets exceeded its liabilities (net position) by $14.9 million. Of this amount, $2.9 million (unrestricted net position) may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.

- The Housing Authority's restricted cash balances increased from the previous year by $233,779 and totaled $952,345 at the end of the fiscal year. This increase is primarily due to the $188,442 increase of the Housing Choice Voucher Net Restricted Assets (NRA) to pay rental assistance for Housing Authority clients. The NRA is restricted to pay housing assistance for Housing Choice Voucher clients.

- As of June 1, 2014, the Housing Authority's new tri-plex construction project located in Lacey, Washington was completed and placed in service. Capital assets increased in 2014 by $823,267.

- Total revenues for the year ended June 30, 2014 of $20.0 million increased from the prior year by $0.6 million. Total expenses for the year of $19.2 million resulted in a decrease of $0.5 million compared to the prior year. The increase in net position for the year ended June 30, 2014 of $775,653 is primarily due to the $188,442 increase in Net Restricted Assets and $406,982 increased profits from the properties.

- Implementation of GASB Statement No. 65 resulted in a Prior Period Adjustment on the Statement of Revenues, Expenses and Changes in Net Position. For details of this Prior Period Adjustment please see Note 16.

Overview of the Financial Statements

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

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

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

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

Financial Analysis of the Housing Authority

The following table summarizes net assets at June 30, 2014 and 2013:

CONDENSED STATEMENT OF NET POSITION

	2014	2013
Assets		
Current and other assets	$ 4,917,204	$ 4,916,329
Non-current assets	24,655,415	24,665,780
Total assets	29,572,619	29,582,109
Liabilities		
Current liabilities	1,374,614	1,603,158
Non-current liabilities	13,299,970	13,710,614
Total liabilities	14,674,584	15,313,772
Net Position		
Net investment of capital assets	11,498,113	10,856,781
Restricted for housing assistance payments	499,832	311,390
Unrestricted	2,900,090	3,100,166
Total net position	$14,898,035	$14,268,337

The Housing Authority's 2014 current assets exceed current liabilities by $3.5 million, for a current ratio of 3.6. The current ratio is a measure of the ability to pay debts as they become due.

The Housing Authority has $451,214 in cash that is restricted to pay tenant security deposits, client escrow deposits and Down Payment Assistance revolving loan fund, $499,832 of cash that is restricted by HUD to pay housing assistance payments for Housing Choice Voucher participants and $1,299 restricted to pay HUD interest on the amount restricted for housing assistance payments.

Capital assets increased by $0.82 million primarily due to the completion of the construction 3 new units in Lacey, Washington. The Housing Authority acquired land in Tumwater, Washington that is ready to build 12 duplexes, 24 units.

The reduction in current liabilities of $0.23 million is primarily due to the reduction in social security refunds deposited into employees' deferred compensation accounts.

The following table summarizes changes in net position for the year ended June 30, 2014 and 2013:

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

	2014	2013
Revenues		
Operating revenue	$ 4,190,643	$ 3,907,913
Investment income	23,452	25,988
Non-operating grants	15,706,678	15,251,291
State and local capital grants	0	125,000
Non-operating misc income	85,030	81,082
Total revenues	20,005,803	19,391,274
Expenses		
Housing assistance payments	13,271,483	13,633,543
Salaries, benefits and taxes	2,178,266	2,296,144
Maintenance and operations	2,034,928	2,146,901
Other operating expenses	575,544	569,395
Depreciation	658,892	638,858
Total Operating Expenses	18,719,113	19,284,841
Interest expense	511,037	489,108
Gain on Capital Asset Disposition	0	(131,088)
Total Non-operating Expenses	511,037	358,020
Total expenses	19,230,150	19,642,861
Changes in net position	775,653	(251,587)
Prior Period Adjustment	(145,955)	0
Net position, beginning of year	14,268,337	4,519,924
Net position, end of year	$ 14,898,035	$ 14,268,337

The Housing Authority's operating revenues increased $282,730 or 7.2% from the prior year, while operating expenses decreased $565,728 or 2.9% resulting in a decrease in net operating loss of $848,458 or 5.5%

Revenues are derived from various sources with approximately 77.2% received either directly from the U.S. Department of Housing and Urban Development (HUD) or indirectly through the state and local governments from HUD and other Federal agencies, 1.3% received from state and local agencies, 20.5% generated from rental of Housing Authority-owned properties, and 1.0% from other sources.

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

Salaries expense decreased 6.0% over the prior year and was 37.1% of operating revenue for the year ended June 30, 2014. The decrease is due to reduction in staff positions.

Employee benefits and taxes, representing 14.9% of operating revenues for the year ended June 30, 2014, decreased 2.9% from the prior year, primarily due to a reduction in staff positions.

Housing assistance payments, representing 316.7% of operating revenues, decreased 2.7% primarily due to a decrease in unit months leased in the Housing Choice Voucher program (HCV). The HCV program is on a calendar year end. The second half of the 2013 contract and the first half of the 2014 contract are included in the Housing Authority's fiscal year end June 30, 2014. The Housing Authority is given a budget authority by the Federal government with a ceiling on both dollars and unit months leased in the contract year. In order to maximize lease up, participation is monitored and projected on a monthly basis for the contract year. If the projections indicate less than 100% lease up, clients are added from the wait list. If projections of participation indicate the program will exceed the amount budgeted, no new participants are added and normal attrition reduces the units and dollars spent to acceptable levels. For the second half of the 2013 contract, the projections indicated a need to decrease the number of participants in order to achieve 100% of the budgeted amounts for the year. Beginning January 2014, the efforts in 2013 caused lower utilization in the first half of the 2014 contract. The result of this fluctuation in the unit months leased caused a decrease of housing assistance payments for the HCV program for the fiscal year end June 30, 2014 over 2013 of $0.36 million or 2.7%.

Maintenance and operations expense, representing 48.6% of operating revenues for the year ended June 30, 2014, decreased 5.2% from the prior year, primarily due to significant maintenance at the Shadow Wood apartment complex in 2013 not repeated in 2014.

Management's analysis of the Authority's overall position and results of operations is a modest improvement. Net position and changes in net position may be used as a measure of the financial health of an organization. In 2014, the Housing Authority's net position increased by $775,653 or 5.5% compared to the prior year's net position restated for the Prior Period Adjustment. This year's increase is primarily due to the $188,442 increase in Net Restricted Assets (NRA) and a $406,982 increase in gross profits from the properties. The increase in net position in the fiscal year end June 30, 2014, adjusted for the NRA increase, bond issue costs write off and the additional gross profits in the properties results in a modest improvement of $180,229 compared to $97,510 for the fiscal year end June 30, 2013 adjusted for last year's $605,185 reduction in Net Restricted Assets (NRA), $131,088 gain on the sale of the Mansfield Apartments and $125,000 of State capital grants.

Capital asset and debt administration

Capital assets

Detailed information regarding the Housing Authority's capital assets may be found in Note 4 to the financial statements. The following table summarizes the changes in capital assets between fiscal years 2013 and 2014:

	June 30, 2013	June 30, 2014	Net Change
Land	$ 5,749,785	$ 6,083,953	$ 334,168
Buildings and improvements	22,498,691	23,199,814	701,123
Equipment	772,193	788,176	15,983
Construction in progress	244,878	16,871	(228,007)
Totals	29,265,547	30,088,814	823,267
Accumulated depreciation	(6,124,293)	(6,776,548)	(652,255)
Capital assets, net	$ 23,141,254	$ 23,312,266	$ 171,012

On January 23, 2012, the Housing Authority purchased a dilapidated property on Golf Club Road in Lacey, Washington for $150,000. The current tenants were assisted with their move out and the building was demolished. On June 1, 2014 the Housing Authority completed and placed in service the new tri-plex in Lacey, Washington. Total cost to purchase the property, tear down the existing structure and construct the new tri-plex was $949,448.

On January 31, 2013, the housing authority purchased land and improvements on Dennis Street in Tumwater, Washington for $910,000. The property, referred to as Allen Orchard, is ready to build with all improvements and infrastructure completed prior to purchase. The intention is to obtain a grant from the Housing Trust Fund and finance the balance for the construction of 12 duplexes, 24 units.

The Housing Authority has a preventative maintenance program to preserve the value and extend the life of its housing assets. The Housing Authority invested $474,433 in repairs, maintenance, and minor capital replacements for its buildings and equipment during the recent fiscal year. Additionally, the Housing Authority sets aside cash in capital replacement reserves for future expenditures.

Long-term Liabilities

The Housing Authority typically issues various types of debt obligations, including installment notes, deferred notes and revenue bonds to finance the acquisition and construction of assets. Detailed information regarding the Housing Authority's outstanding long-term debt may be found in Note 8 to the financial statements. At June 30, 2014 the Housing Authority had deferred loans payable and net long-term debt outstanding in the amount of $11.9 million.

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

In October, 2003, the Housing Authority entered into a contract with the Washington State Department of Community Trade and Economic Development (DCTED) to administer a revolving fund. As of June 30, 2013, the Housing Authority has assisted 44 families with their first-time home purchases and the balance at year end is $1,516,717. Detailed information regarding the Housing Authority's outstanding long-term liability may be found in Note 7 to the financial statements.

Beginning in fiscal year 2009, the Housing Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) offered to retirees. This standard addresses how housing authorities should account for and report their costs related to post-employment health care and other non-pension benefits. The net OPEB obligation as of June 30, 2014 is $477,425. Detailed information regarding the Housing Authority's outstanding long-term liability may be found in Note 13 to the financial statements.

Contacting the Housing Authority's Financial Management

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

HOUSING AUTHORITY OF THURSTON COUNTY
STATEMENT OF NET POSITION
June 30, 2014

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	3,394,386
Accounts receivable		421,487
Mortgage receivable - current portion		47,052
Restricted cash and cash equivalents		952,345
Other current assets		101,934
Total current assets		4,917,204
NONCURRENT ASSETS:		
Capital assets--net		23,312,266
Mortgage receivable		1,343,149
Total noncurrent assets		24,655,415
Total assets	$	29,572,619

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	$	275,203
Accrued taxes payable		2,388
Accrued compensated absences		123,885
Social security refund payable		138,750
Current portion of long-term debt		508,325
Payable from restricted assets:		
Tenant security deposits		201,606
Interest due HUD on restricted housing assistance payments		1,299
Escrow deposits payable		123,158
Total current liabilities		1,374,614
LONG-TERM LIABILITIES:		
Revolving loan fund		1,516,717
Other notes payable		1,298,332
Long-term debt--net		10,007,496
Net OPEB Obligation		477,425
Total long-term liabilities		13,299,970
Total liabilities		14,674,584

NET POSITION

Net investment in capital assets		11,498,113
Restricted for housing assistance payments		499,832
Unrestricted		2,900,090
Total net position	$	14,898,035
		-

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

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

For the year ended June 30, 2014

OPERATING REVENUES:	
Tenant rental revenue	$ 4,093,350
Commercial rental revenue	48,000
Miscellaneous income	49,293
Total operating revenues	4,190,643
OPERATING EXPENSES:	
Salaries	1,552,565
Employee benefits & taxes	625,701
Housing assistance payments	13,271,483
Maintenance & operations	2,034,928
Professional services	62,729
Insurance	71,621
Operating expenses	441,194
Depreciation	658,892
Total operating expenses	18,719,113
Operating income (loss)	(14,528,470)
NON-OPERATING REVENUES (EXPENSES):	
Federal program grants	15,452,144
State and local program grants	254,534
Interest income	23,452
Interest expense	(511,037)
Miscellaneous income	85,030
Net non-operating revenues before capital contributions	15,304,123
CHANGE IN NET POSITION	775,653
NET POSITION, beginning of year	14,268,337
PRIOR PERIOD ADJUSTMENT	(145,955)
NET POSITION, beginning of year restated	14,122,382
NET POSITION, end of year	$ 14,898,035

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

HOUSING AUTHORITY OF THURSTON COUNTY

STATEMENT OF CASH FLOWS

For the year ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and funders	$ 4,231,527
Cash payments to suppliers for goods and services	(16,025,609)
Cash payments to employees for services	(2,199,476)
Net cash used by operating activities	(13,993,558)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Payments received on DPA Mortgages	55,668
Operating grants received	15,640,555
Net cash provided by non-capital financing activities	15,696,223
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on revenue bonds and other debt	(481,405)
Interest paid on revenue bonds and other debt	(499,952)
Purchases of property and equipment	(829,904)
Net cash used by capital and related financing activities	(1,811,261)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income received	24,446
Net cash provided by investing activities	24,446
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,150)
CASH AND CASH EQUIVALENTS, at beginning of year	4,430,881
CASH AND CASH EQUIVALENTS, at end of year	$ 4,346,731

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	$ (14,528,470)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	658,892
Net OPEB Obligation	71,104
Changes in current assets and liabilities:	
Increase in operating accounts receivable	42,804
Increase in operating other current assets	(9,684)
Decrease in accounts payable	55,389
Decrease in accrued taxes payable	(4,150)
Decrease in accrued compensated absences	(17,060)
Decrease in social security refund payable	(260,161)
Tenant security deposits received	102,852
Tenant security deposits refunded	(104,772)
Escrow deposits received	67,329
Escrow deposits paid out	(67,631)
Net cash provided (used) by operating activities	$ (13,993,558)

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of HATC conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. During the fiscal year ended June 30, 2014, three new accounting standards (Statements No. 61, No. 65 and No. 66) issued by the GASB became effective and were implemented by the HATC where necessary or applicable. While these statements have not had a material impact on the HATC's financial statements, GASB Statement No. 65 resulted in a Prior Period Adjustment on the Statement of Revenues, Expenses and Changes in Net Position. For details of this Prior Period Adjustment please see Note 16.

The following is a summary of the most significant policies (including identification of those policies which result in departures from generally accepted accounting principles):

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

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

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

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

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

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

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

In addition, non-exempt employees are allowed to accumulate compensatory time in lieu of overtime pay. Compensatory time, if elected, shall accrue at the rate of one-and-one-half hours for each hour of overtime worked. All accrued, unused compensatory time will be paid out upon termination of employment. Compensated absences payable, as reported on the balance sheet, is based on the accrued annual leave and compensatory time balances as of June 30, 2014.

e. <u>Capital Assets:</u>

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

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

f. <u>Bond Issuance & Closing Costs</u>:

Due to the implementation of GASB 65, bond issue costs that were previously being amortized over the period for which the related debt is outstanding in accordance with GAAP, resulted in a prior period adjustment to the Statement of Revenues, Expenses, and Changes in Fund Net Position.

g. <u>Receivables</u>:

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

h. <u>Mortgages Receivable:</u>

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

i. <u>Use of Estimates:</u>

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

j. <u>Cash and Cash Equivalents</u>:

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

k. <u>Federal Income Taxes</u>:

The Housing Authority is a municipal corporation and is, therefore, exempt from federal income taxes.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

As required by Washington State law, the Housing Authority's cash and cash equivalents are limited to obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, or certificates of deposit with Washington State banks and savings and loan institutions. Because Washington State law limits the Authority's deposits and investments to those with no risk of loss, the Housing Authority has no policies addressing custodial credit risk. As of June 30, 2014, all of the Housing Authority's cash and cash equivalents are in the Thurston County Investment Pool or in checking and savings accounts with Washington State banks and credit unions. The cash and cash equivalents are recorded at cost plus accrued interest earnings, which approximate fair value.

At June 30, 2014, all cash and cash equivalents of the Housing Authority are fully insured and are held by the Housing Authority, or their agents in the Housing Authority's name.

	Carrying Amount	Fair Value
Local Banks and Credit Unions	$ 218,467	$ 218,467
Thurston County Investment Pool	4,128,264	4,128,264
Total	$ 4,346,731	$ 4,346,731

At June 30, 2014, unrestricted cash and cash equivalents consists of the following--

Amounts designated for maintenance and operating reserves	$ 1,206,461
Amounts designated for Section 8 programs	445,065
Amounts designated for social security refunds payable	138,750
Undesignated cash and cash equivalents	1,604,110
Total cash and cash equivalents	$ 3,394,386

Restricted cash and cash equivalents consist of the following:

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

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

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

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

e. **Restricted – NRA interest payable to HUD**
Effective January 1, 2012, all interest earned on Net Restricted Assets is recorded as a payable to HUD.

At June 30, 2014, restricted cash and cash equivalents consist of the following--

Housing Choice Voucher Program – Net Restricted Assets	$	499,832
FSS payable to tenants		123,158
Tenant security deposits		201,606
DPA restricted loan funds		126,450
NRA interest payable to HUD		1,299
Total restricted cash	$	952,345

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2014, accounts receivable consists of the following--

Accounts receivable--federal grants	$	126,019
Accounts receivable--state and local grants		34,201
Accounts receivable--property management companies		197,408
Accounts receivable--portable vouchers		7,089
Accounts receivable--other		13,836
Accounts receivable—over paid HAP		84,348
Allowance for doubtful accounts		(41,414)
Total accounts receivable	$	421,487

NOTE 4 - CAPITAL ASSETS:

The following is a summary of the changes in capital assets for the year ended June 30, 2014:

	Balance, Beginning of year	Additions	Retirements	Balance, End of year
Capital assets not being depreciated:				
Land	$ 5,749,785	$ 334,168	$	$ 6,083,953
Construction in Progress	244,878	721,440	949,447	16,871
Total capital assets not being depreciated	5,994,663	1,055,608	949,447	6,100,824
Capital assets being depreciated				
Buildings and improvements	22,498,691	701,123		23,199,814
Equipment	772,193	22,620	6,637	788,176
Total capital assets being depreciated	23,270,884	723,743	6,637	23,987,990
Less accumulated depreciation	(6,124,293)	(658,892)	(6,637)	(6,776,548)
Total capital assets being depreciated-net	17,146,591	64,851	-	17,211,442
Total capital assets - net	$ 23,141,254	$ 1,120,459	$ 949,447	$ 23,312,266

NOTE 5 – CONSTRUCTION-IN-PROGRESS

Construction-in-progress represents expenditures as of June 30, 2014 on a new development located on Dennis Street in Tumwater, Washington.

On January 31, 2013, the housing authority purchased land and improvements on Dennis Street in Tumwater, Washington for $910,000. The property, referred to as Allen Orchard, is ready to build with all improvements and infrastructure completed prior to purchase. The intention is to obtain a grant from the Housing Trust Fund and finance the balance for the construction of 12 duplexes, 24 units.

The property adjacent to an existing tri-plex in Lacey, Washington was purchased and demolished to make way for a new tri-plex. The new was completed and placed in service on June 1, 2014.

NOTE 6 - ACCOUNTS PAYABLE:

At June 30, 2014, accounts payable consists of the following--

Accounts payable—vendors	$ 197,889
Accounts payable—HUD	77,314
Total accounts payable	$ 275,203

NOTE 7 – REVOLVING LOAN FUND

In October, 2003 the Housing Authority entered into a contract with the Washington State Department of Community Trade and Economic Development (DCTED) to administer a revolving fund. The total award is in the form of a recoverable grant with no expectation of repayment if the Housing Authority is in compliance with the terms and conditions set forth in the agreement for the term of the commitment ending December 31, 2034. Under this agreement, the Housing Authority issues second mortgages in connection with first-time home purchases for eligible low-income families. The second mortgages are secured by a deed of trust and any payments are restricted for the purpose of providing additional opportunities for low-income families to purchase homes. As of June 30, 2014, the Housing Authority has assisted 44 families with their first-time home purchases.

Revolving loan Fund as of June 30, 2014 is summarized as follows:

Beginning Balance	Additions	Reductions	End of Year
$1,503,755	$80,000	$67,038	$1,516,717

NOTE 8 – OTHER NOTES PAYABLE AND LONG-TERM DEBT

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

1. **Notes Payable**:

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

   b. **Olympia Crest Phase II – Notes Payable:**

      1. **Note Payable:**
      The Housing Authority received a deferred note payable on May 21, 2008 from the City of Olympia for $360,000 to purchase land adjacent to the existing property on which 24 new units were built. The note is secured by a Deed of Trust on the property. The note is a zero interest note with payment deferred until the property is sold, provided that the property is used as low-income housing. If the property is no longer used as low-income housing, the note shall be payable in 240 equal monthly payments bearing interest at 12% per annum. It is the intent of both the borrower and the lender to renegotiate the terms of this loan agreement every 5 years on or about the anniversary of the loan closing date for the purpose of determining the feasibility of converting this to an installment payment loan at 0%.

      2. **Note Payable:**
      The Housing Authority received a contract award of $2,000,000 in April, 2009 from the Department of Community, Trade and Economic Development (CTED) to build 24 units adjacent to the existing Olympia Crest Apartment Complex. The contact is secured

by a Deed of Trust on the property. $1,000,000 of the award is a recoverable grant with no expectation of repayment if the terms and conditions of the contract have been met through the term of the commitment that ends on September 30, 2050. The remaining $1,000,000 of the award is a zero interest note with quarterly payment beginning March 31, 2011 with the final payment due March 31, 2045.

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

1. **Note Payable**: The Housing Authority received a zero interest note from DCD for $467,421, with terms deferred until sale, refinance, change of use, or fifty years, whichever occurs first.

2. **Amortized Note Payable**: The Housing Authority received an additional note payable from DCD for $151,590. This note requires payments of $3,031.80 per year, 0% interest, and the note matures in December 2043.

2. Bonds Payable:

Refunding Revenue Bond – Heritage Bank:
On August 25, 2004, the Housing Authority entered into an agreement with Heritage Bank providing for the issuance of a single pooled refunding revenue bond of the Authority in a principal amount of $8,300,000. The proceeds of the bond were used to refund all of the Authority's Housing Revenue Bonds, 1993 (Surrey Lane Project), Housing Revenue Bonds, 1993 (Forest Park Project – Olympia Crest), and Housing Revenue Bonds, 1994 (Villa Granada Project – Falls Pointe), and to pay the costs of issuing the bond. In addition, $221,724 of the proceeds, along with $117,159 of cash, was used to pay off a 7.25% loan payable on the Shadow Wood apartment complex. The pooled refunding revenue bond was issued in the aggregate principal amount of $8,300,000, bears an interest rate of 4.90% per annum and matures on August 25, 2024. The unamortized discounts on the refunded bonds payable will be amortized over the life of the pooled refunding revenue bond.

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

Multifamily Revenue Bond – Washington Sate Housing Finance Commission:
On May 15, 2011, the Housing Authority entered into an agreement with the Washington State Housing Finance Commission (WSHFC) providing funding for Sequoia Landing with a $2,500,000 grant and issuance of a Multifamily Revenue Bond in the principal amount of $3,356,000. The proceeds of the bond were used to build 40 units on Littlerock Road in Tumwater, Washington. This bond bears an interest rate of 4.95% per annum and matures June 1, 2043. Beginning July 1, 2013, monthly principal and interest payments of $18,061.53 are due on the 1st of each month amortized over a 30-year period.

	Balance, Beginning of year	Additions	Reductions	Balance, End of year	Due Within One Year
Other notes payable at June 30, 2014 is summarized as follows--					
DCTED Note payable--Lake Park	$ 470,911	$ -	$ -	$ 470,911	$ -
City of Olympia Note payable--Olympia Crest	360,000	-	-	360,000	-
DCD Note payable--Horizons West	467,421	-	-	467,421	-
Total other notes payable	$ 1,298,332	$ -	$ -	$ 1,298,332	$ -
Long-term debt at June 30, 2013 is summarized as follows--					
DCD Note payable--Horizons West	$ 93,986	$ -	$ 3,032	$ 90,954	$ 3,032
Bond Payable - Heritage Bank	5,651,704	-	388,203	5,263,501	407,894
HTF Note Payable - Olympia Crest Phase II	940,000		24,000	916,000	24,000
Bond Payable - Heritage - Olympia Crest Phase II	1,091,834		16,531	1,075,303	17,824
WSHFC-Bond Payable-Sequoia Landing	3,330,542	-	49,639	3,280,903	55,575
Total long-term debt	$ 11,108,066	$ -	$ 481,405	10,626,661	$ 508,325
Less current portion of long-term debt				(508,325)	
Less discounts on refunded bonds payable				(110,840)	
Long term debt--net				$ 10,007,496	

The annual debt service requirements to maturity for long-term debt as of June 30, 2014 are as follows:

	Principal	Interest
2015	508,325	473,030
2016	531,654	449,703
2017	558,648	409,629
2018	585,784	408,651
2019	614,306	367,050
2020-2024	3,551,362	1,355,417
2025-2029	926,966	793,921
2030-2034	1,449,355	509,813
2035-2039	959,906	258,945
2040-2044	884,220	48,234
2045-2046	56,135	-
Totals	$ 10,626,661	$ 5,074,393

NOTE 9 – SPRING COURT COMPLEX

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

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

NOTE 10 – PENSION PLANS

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

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS 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 exercise 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. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS 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 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 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 2013, 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, in lieu of any retirement benefit, 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 from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

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.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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.

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, if hired prior to May 1, 2013:

- 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 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

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. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

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 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 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 by 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, and were hired before May 1, 2013, 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.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are 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.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies 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.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to but not yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	**263,347**

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.

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

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

The required contribution rates expressed as a percentage of current-year covered payrolls, as of June 30, 2014, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
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%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

2014	$141,634
2013	$117,701
2012	$120,920

NOTE 11 - DEFERRED COMPENSATION PLAN

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

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

NOTE 12 – WASHINGTON HOUSING AUTHORITIES' RISK RETENTION POOL

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

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

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

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

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

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

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

NOTE 13 – OTHER POST EMPLOYMENT BENEFITS

Background

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

Plan Description and Funding Policy

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

Annual OPEB cost and Net OPEB Obligation

	FYE 2014	FYE 2013	FYE 2012
Annual required contribution	$ 84,231	$107,084	$107,628
Annual OPEB costs	76,986	101,895	103,969
Estimated pay-as-you-go employer contributions	(5,882)	(12,106)	(10,704)
Net OPEB costs	71,104	89,789	93,265
Starting Net OPEB Obligation	406,321	316,532	223,267
Net OPEB Obligation	$477,425	$406,321	$316,532

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation of the plan for 2014 are $76,986, 7.6% and $71,104, respectively.

Actuarial Methods and Assumptions

The Housing Authority used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2013 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2013. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL and NOO are amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation. The medical cost inflation trend assumption varies by medical plan and Medicare coverage, starting at approximately 8.0% and decreasing to an ultimate rare of 5.0% in 2083 and beyond. A complete copy of the 2013 Other Post-Employment Benefits Actuarial Valuation report may be obtained by writing to: The Office of State Actuary, P.O. Box 40914, Olympia, WA 98504-0914; or it may be downloaded from the OSA website at www.osa.leg.wa.gov.

NOTE 14 – CONTRACTS AND AGREEMENTS

The Housing Authority has agreements with two property management companies for the property management of 492 apartments owned by the Housing Authority located in Olympia, Lacey and Tumwater, Washington. Under the terms of the agreements, the property management companies are responsible for leasing and managing the property, including tenant selection, collection of rents and other receipts, payment of operating expenses, maintenance, and accounting for the property's operations.

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

NOTE 15 – ACCOUNTING AND REPORTING CHANGES

In accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, all debt issuance costs, with the exception of prepaid insurance associated with the issuance of debt, do not meet the definition of an asset or a deferred outflow of resources and such costs should be expensed when incurred. This expensing is required for reporting periods beginning no later than December 15, 2012. This is a change in accounting principle as in prior reporting periods all debt issuance costs were in conformity with GAAP capitalized as assets and amortized (expensed) on a straight-line basis over the life of the related debt issuance. The implementation of GASB Statement No. 65 resulted in a Prior Period Adjustment on the Statement of Revenues, Expenses and Changes in Fund Net Position. For details of this Prior Period Adjustment please see Note 16.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

As a result of implementing GASB Statement No. 65 the Housing Authority reported a Prior Period Adjustment to expense the June 30, 2013 unamortized debt issuance costs, which totaled $145,955. In the judgment of the Housing Authority the net effect of the Prior Period Adjustment did not possess the materiality warranted to make restating the 2013 Annual Financial Statements practicable.

NOTE 17 – CONTINGENCIES AND LITIGATION

The Housing Authority is occasionally party to various legal proceedings which normally occur in housing authority operations. These legal proceedings have historically been resolved in the Housing Authority's favor, and future legal proceedings are not likely to have a material adverse impact on the affected funds of the Housing Authority. Also, the Housing Authority is covered against litigation through the Housing Authorities' Risk Retention Pool, as discussed in Note 12. At June 30, 2014, the Housing Authority was not aware of any pending or threatened litigation or other contingent liabilities that are required to be accrued or disclosed in the financial statements.

HOUSING AUTHORITY OF THURSTON COUNTY
Required Supplementary Information
Schedule of Funding Progress
June 30, 2014

Funded Status and Funding Progress
As of June 30, 2014, based on the actuarial date of June 30, 2013, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the Housing Authority's pay-as-you-go policy. Following is the funded status for the plan as of June 30:

	2014	2013	2012
Actuarial value of assets (a)	$ --	$ --	$ --
AAL (b)	868,349	900,014	891,685
UAAL (b-a)	$ 868,349	$ 900,014	$ 891,685
Funded ratio (a/b)	--	--	--
Covered payroll (c)	$1,569,622	$1,651,895	$1, 703,118
UAAL as a percentage of covered payroll ((b-a)/c)	55.3%	54.5%	52.4%

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

NOTE 1 - BASIS OF ACCOUNTING AND PRESENTATION

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

NOTE 2 – OTHER POST EMPLOYMENT BENEFITS – FUNDED STATUS AND FUNDING PROGRESS

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

Actuarial Methods and Assumptions
The Housing Authority used the alternative measurement method permitted under GASB Statement No. 45. A single retirement age of 62.20 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2013 actuarial valuation report issued by the Office of the State Actuary (OSA). Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2013. The results were based on grouped data with 4 active groupings and 4 inactive groupings. The actuarial cost method used to determine the actuarial accrued liability was Projected Unit Credit. The AAL is amortized on an open basis as a level dollar over 30 years. These assumptions are individually and collectively reasonable for the purposes of this valuation. The medical cost inflation trend assumption varies by medical plan and Medicare coverage, starting at approximately 8.0% and decreasing to an ultimate rare of 5.0% in 2083 and beyond. A complete copy of the 2013 Other Post-Employment Benefits Actuarial Valuation report may be obtained by writing to: The Office of State Actuary, P.O. Box 40914, Olympia, WA 98504-0914; or it may be downloaded from the OSA website at www.osa.leg.wa.gov.

Housing Authority of Thurston County
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other ID Number	Expenditures			Foot-note Ref.
				From Pass-Through Awards	From Direct Awards	Total	
U.S. Department of HUD	Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	WA049-SRO-001 WA049-SCO-001		139,827 63,218	203,045	
	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitation	14.856	WA049-MRO-001		234,606	234,606	
	Section 8 Housing Choice Vouchers	14.871	WA049-VO		13,995,449	13,995,449	
	Supportive Housing with Persons with Disabilities	14.181	WA049 DV		461,492	461,492	
	Supportive Housing Program	14.235	04-45503-16		133,678	133,678	
U.S. Dept. of HUD/ Pass through from Thurson County	Home Investment Partnerships Program	14.239	N/A	193,264		193,264	
U.S. Dept. of HUD/ Pass through from Thurston Regional Planning Council	Community Challenge Planning Grant s and the Department of Transportation's TIGER II Planning Grants	14.704	N/A	2,369		2,369	
U.S. Dept. of HUD/ Pass through from WA State Department of Commerce	Community Development Block Grant s/ State's Program and Non-Entitlement Grants in Hawaii	14.228	06-64004-054	14,889			
U.S. Dept. of HUD/ Pass through from City of Olympia	Community Development Block Grant s/ State's Program and Non-Entitlement Grants in Hawaii		RRP-188	360,000		374,889	3
U.S. Dept. of HUD/ Pass through from the WA State Department of Commerce	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	F07-43207-428	21,478		21,478	
Department of Agriculture, Rural Housing Service	Very Low-Income Housing Repair Loans and Grants	10.417	N/A		7,500	7,500	
Total Federal Awards Expended				**592,000**	**15,035,770**	**15,627,770**	

The accompanying Notes to the Schedule of Expenditures of Federal Awards is an integral part of this statement.

HOUSING AUTHORITY OF THURSTON COUNTY
Notes to the Schedules of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

NOTE 1 - BASIS OF ACCOUNTING AND PRESENTATION

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

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - LOANS

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

HOUSING AUTHORITY OF THURSTON COUNTY
Olympia WA

COMBINED FINANCIAL DATA SCHEDULES
Fiscal Year Ending June 30, 2014

	CFDA:	1	2	14.181	14.228	14.235	14.239	14704	14.871	10.417	14.900	14.249	14.856		
Line #		Business Activities	State & Local	Supp. Housing Pers W/Disab.	CDBG	HATS	HOME	Othr Fed #1 TRPC	Section 8 Voucher	USDA	LHCG	Section 8 SRO I & II	Section 8 Mod Rehab	Elimination	Total
111	Cash - Unrestricted	2,833,270		147,843				743	297,222		47,367	50,649	17,292		3,394,386
113	Cash - Other Restricted	126,450							499,832						626,282
114	Cash - Tenant Security Deposits	201,606													201,606
115	Cash-Restricted for payment of Current Liabilities								124,457						124,457
100	Total Cash	3,161,326	-	147,843	-	-	-	743	921,511	-	47,367	50,649	17,292	-	4,346,731
121	A/R - PHA Projects								7,089						7,089
122	A/R - HUD Other Projects			2,476					64,876						67,352
124	A/R - Other Government		34,201			14,764	35,048			7,500	1,355				92,868
125	A/R - Miscellaneous	205,860													205,860
126.2	Allownace for Doubtful Accts - Other														0
127	Notes,Loans, & Mortgage Receivable -Current	47,052													47,052
128	Fraud Recovery								84,348						84,348
128.1	Allownace for Doubtful Accts - Fraud								(41,414)						(41,414)
129	Accrued Interest Receivable	4,076							1,223			85			5,384
120	Total Receivables, net of allowances for Doubt. Accts	256,988	34,201	2,476	-	14,764	35,048	-	116,122	7,500	1,355	85	-		468,539
142	Prepaid Expenses & Other Assets	101,934													101,934
144	Interprogram Due From	1,575,830												(1,575,830)	0
150	Total Current Assets	5,096,078	34,201	150,319	-	14,764	35,048	743	1,037,633	7,500	48,722	50,734	17,292	(1,575,830)	4,917,204
161	Land	6,083,953													6,083,953
162	Buildings	23,199,814													23,199,814
163	Furniture, Equipment & Machinery - Dwellings	431,935													431,935
164	Furniture, Equipment & Machinery - Admin	356,241													356,241
166	Accumulated Depreciation	(6,776,548)													(6,776,548)
167	Contruction in Progress	16,871													16,871
160	Total Fixed Assets, Net of Accum Depr	23,312,266	-	-	-	-	-	-	-	-	-	-	-		23,312,266
171	Notes,Loans, & Mortgage Receivable - Non Curre	1,343,149													1,343,149
174	Other Assets	-													0
180	Total Non-Current Assets	24,655,415	-	-	-	-	-		-	-	-	-	-		24,655,415
190	Total Assets	29,751,493	34,201	150,319	-	14,764	35,048	743	1,037,633	7,500	48,722	50,734	17,292	(1,575,830)	29,572,619
311	Bank Overdrafts														0
312	Accounts Payable <90 days	170,216	2,593			280	22,131		2,540			12	117		197,889
321	Accrued Wages / Payroll Taxes Payable	494	57	78	14	181	64	-	1,430		5	29	36		2,388
322	Accrued Compensated Absences	43,405	4,038	2,377	355	8,757	1,274	-	62,957		75	279	368		123,885
325	Accrued Interest Payable														0
331	A/P - HUD PHA Programs			58,875					1,299			13,746	4,693		78,613
341	Tenant Security Deposits	201,606													201,606
342	Deferred Revenues														0
343	Current Portion of Long Term Debt - Capital Prjct	508,325													508,325
345	Other Current Liabilities	138,750							123,158						261,908
347	Interprogram Due To		411,829		43,723	716,185	98,438		245,982	7,500		30,295	21,878	(1,575,830)	0
310	Total Current Liabilities	1,062,796	418,517	61,330	44,092	725,403	121,907	-	437,366	7,500	80	44,361	27,092	(1,575,830)	1,374,614
351	Long Term Debt, Net of Current - Capital Projects	11,305,828													11,305,828
353	Noncurrent liabilities other	1,516,717													1,516,717

HOUSING AUTHORITY OF THURSTON COUNTY
Olympia WA

COMBINED FINANCIAL DATA SCHEDULES
Fiscal Year Ending June 30, 2014

Line #	CFDA:	1 Business Activities	2 State & Local	14.181 Supp. Housing Pers W/Disab.	14.228 CDBG	14.235 HATS	14.239 HOME	14704 Othr Fed #1 TRPC	14.871 Section 8 Voucher	10.417 USDA	14.900 LHCG	14.249 Section 8 SRO I & II	14.856 Section 8 Mod Rehab	Elimination	Total
357	OPEB Liability	88,747	13,753	14,318	3,276	37,398	7,052	184	294,599		2,397	7,839	7,862		477,425
350	Total Non-Current Liabilities	12,911,292	13,753	14,318	3,276	37,398	7,052	184	294,599	-	2,397	7,839	7,862		13,299,970
300	Total Liabilities	13,974,088	432,270	75,648	47,368	762,801	128,959	184	731,965	7,500	2,477	52,200	34,954	(1,575,830)	14,674,584
508.1	Investment in Capital assets, net of related debt	11,498,113											-		11,498,113
511.4	Restricted Net Assets								499,832	-					499,832
512.4	Unrestricted Net Assets	4,279,292	(398,069)	74,671	(47,368)	(748,037)	(93,911)	559	(194,164)	-	46,245	(1,466)	(17,662)	-	2,900,090
513	Total Equity	15,777,405	(398,069)	74,671	(47,368)	(748,037)	(93,911)	559	305,668	-	46,245	(1,466)	(17,662)	-	14,898,035
600	Total Liabilities & Equity	29,751,493	34,201	150,319	-	14,764	35,048	743	1,037,633	7,500	48,722	50,734	17,292	(1,575,830)	29,572,619
		-	-	-	-	-	-	-	-	-	-	-	-	-	0
70300	Net Tenant Rental Revenue	3,963,354		-		-	-		-			-			3,963,354
70400	Tenant Revenue other	129,996													129,996
															0
70500	Total Tenant Revenue	4,093,350	-	-	-	-	-		-		-	-	-		4,093,350
70600-010	Housing Assistance Payments								12,656,432						12,656,432
70600-020	Ongoing Administrative Fees Earned								1,286,134						1,286,134
70600-031	FSS Coordinator Grant								131,314						131,314
															0
70600	HUD PHA Grants			462,014		133,678	193,263	3,042			21,478	221,712	244,059		1,279,246
70800	Other Government Grants		254,534							7,500					262,034
71100-010	Investment Income - Unrestricted-HAP														0
71100	Investment Income - Unrestricted	20,073		108					2,790			242	239		23,452
71400-010	Fraud Recovery-HAP								27,396						27,396
71400-020	Fraud Recovery-Admin								91,318						91,318
71400	Fraud Recovery														0
71500	Other Revenue	108,086			17,054				221,415						346,555
71600	Gain or Loss on sale of fixed assets														0
72000-010	Investment Income - Restricted-HAP														0
70000	Total Revenue	4,221,509	254,534	462,122	17,054	133,678	193,263	3,042	14,416,799	7,500	21,478	221,954	244,298		20,197,231
91100	Administrative Salaries	354,916	39,908	45,782	4,225	106,476	43,708	1,768	842,772		3,324	14,045	17,482		1,474,406
91200	Auditing Fees			610		244			15,140			349	318		16,661
91300	Outside management fees	150,644													150,644
91400	Advertisitng and Marketing	17,229	3,562		233		256								21,280
91500	Employee Benefits - Administrative	81,775	14,295	21,410	1,704	43,575	18,111	448	386,933		1,271	6,267	7,709		583,498
91600	Office Expenses	64,093	59			237			37,332						101,721
91700	Legal Expense	25,878							4,118						29,996
91800	Travel	5,951	421		159	2,973	595	5	8,984		10	12	225		19,335
91900	Other expenses	80,610	36,342	919		3,947			109,672		560	523	481		233,054
92100	Tenant Services - Salaries								95,216						95,216
92300	Employee Benefits - Tenant Services								34,119						34,119
93100	Water	98,368													98,368
93200	Electricity	73,961	4,192												78,153
93300	Gas														0
93600	Sewer	224,451	1,856												226,307
93800	Other utilities expense	111,672	3,776			821	120		650						117,039

HOUSING AUTHORITY OF THURSTON COUNTY
Olympia WA

COMBINED FINANCIAL DATA SCHEDULES
Fiscal Year Ending June 30, 2014

Line #	CFDA:	1 Business Activities	2 State & Local	14.181 Supp. Housing Pers W/Disab.	14.228 CDBG	14.235 HATS	14.239 HOME	14704 Othr Fed #1 TRPC	14.871 Section 8 Voucher	10.417 USDA	14.900 LHCG	14.249 Section 8 SRO I & II	14.856 Section 8 Mod Rehab	Elimination	Total
94200	Ord Maint & Oper - Other	877,356	176,828	6,532	8,495	15,382	150,983	143	126,958	7,500	16,356	1,929	2,395		1,390,857
95300	Protective services - Other	12,388													12,388
96110	Property Insurance	68,117													68,117
96120	Liability Insurance			120					3,252			72	60		3,504
96130	Workers Comp	944	209	274	25	714	231	5	5,490		16	78	98		8,084
96200	General Expense														0
96210	Compensated Absences	(776)	18	(1,282)	48	(180)	405		(13,297)		16	(949)	(1,060)		(17,057)
96600	Bad Debt-Other								20,660						20,660
96710	Interest Expense	511,037													511,037
96730	Amortize bond costs	-													0
96800	Severance Expense														0
96900	Total Operating Expense	2,758,614	281,466	74,365	14,889	174,189	214,409	2,369	1,677,999	7,500	21,553	22,326	27,708		5,277,387
97000	Excess Operating Revenue Over Operating Expense	1,462,895	(26,932)	387,757	2,165	(40,511)	(21,146)	673	12,738,800	-	(75)	199,628	216,590		14,919,844
97200	Casualty Losses - Non-Capitalized														0
97300-010															0
97300-020	Home Ownership								66,800						66,800
97300-040	Tenant Protection								71,042						71,042
97300-041	Port-outs								517,343						517,343
97300-045	FSS escrow deposits								66,531						66,531
97300-049	Special purpose vouchers								2,704,249						2,704,249
97300-050	All Other								9,064,106						9,064,106
97300	Housing Assistance Payments	6,667		387,127								180,719	206,898		781,411
97350	HAP - Portability In								191,428						191,428
97400	Depreciation Expense	658,892													658,892
97500	Fraud Losses								22,389						22,389
90000	Total Expenses	3,424,173	281,466	461,492	14,889	174,189	214,409	2,369	14,381,887	7,500	21,553	203,045	234,606		19,421,578
10010	Operating Transfers In								41,000						41,000
10020	Operating Transfers Out	(41,000)													(41,000)
10100	Total Other Financing Sources (Uses)	(41,000)	-	-	-	-	-	-	41,000	-	-	-	-	-	-
10000	Excess (Deficiency) Operating Rev Over (Under) Ex	756,336	(26,932)	630	2,165	(40,511)	(21,146)	673	75,912	-	(75)	18,909	9,692		775,653
11020	Required Annual debt payments	481,405													481,405
11030	Beginning Equity	15,167,024	(371,137)	74,041	(49,533)	(707,526)	(72,765)	(114)	229,756	-	46,320	(20,375)	(27,354)		14,268,337
11040	Prior Period Adjustments, Equity Tfrs & Corrects	(145,955)													(145,955)
11170	Administrative Fee Equity								(194,164)						(194,164)
11180	Housing Assistance Payment Equit								499,832						499,832
11190	Unit Months Available	5,871		900					23,484			516	480		31,251
11210	Number of Months Leased	5,783		900					22,784			479	454		30,400

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.

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

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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