



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements Audit Report**

**Burke-Gilman Place Public  
Development Authority**

**King County**

**For the period January 1, 2013 through December 31, 2013**

**Published December 29, 2014**

**Report No. 1013246**





**Washington State Auditor**  
**Troy Kelley**

December 29, 2014

Board of Directors  
Burke-Gilman Place Public Development Authority  
Seattle, Washington

**Report on Financial Statements**

Please find attached our report on the Burke-Gilman Place Public Development Authority's financial statements.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR

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

## **Burke-Gilman Place Public Development Authority King County January 1, 2013 through December 31, 2013**

Board of Directors  
Burke-Gilman Place Public Development Authority  
Seattle, 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 Burke-Gilman Place Public Development Authority, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 20, 2014.

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

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

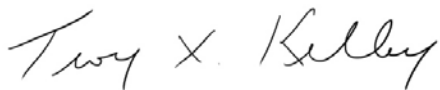
## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the 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 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



**TROY KELLEY**  
STATE AUDITOR

November 20, 2014

# **Independent Auditor's Report on Financial Statements**

## **Burke-Gilman Place Public Development Authority King County**

**January 1, 2013 through December 31, 2013**

Board of Directors  
Burke-Gilman Place Public Development Authority  
Seattle, Washington

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

We have audited the accompanying financial statements of the Burke-Gilman Place Public Development Authority, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 9.

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

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

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

Our responsibility is to express 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 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 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 Burke-Gilman Place Public Development Authority, as of December 31, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 13 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

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

**TROY KELLEY**  
STATE AUDITOR

November 20, 2014

## **Financial Section**

**Burke-Gilman Place Public Development Authority  
King County  
January 1, 2013 through December 31, 2013**

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

Management's Discussion and Analysis – 2013

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

Balance Sheet – 2013

Statement of Revenue, Expense and Changes in Fund Net Assets – 2013

Statement of Cash Flows – 2013

Notes to Financial Statements – 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

We are pleased to present the Burke Gilman Place Public Development Authority (the "PDA") financial reports for the year ended December 31, 2013. This report was prepared by the staff of The CWD Group, Inc, which serves as the PDA's management company. The information presented in this report is the responsibility of the PDA. To the best of our knowledge, the information presented is accurate in all material respects; is presented in a manner designed to fairly state the financial position and results of operations of the PDA, and includes all necessary disclosures to present a complete understanding of the PDA's financial affairs.

### **Profile**

The Burke-Gilman Place Public Development Authority (the "PDA") is a public authority created under RCW 35.21.730 et seq. and Seattle Municipal Code 3.110 by a charter dated September 13, 1983 (the "Charter"). Former Seattle mayor Charles Royer signed the Charter on behalf of the City of Seattle (the "City"), who organized the PDA as one means of addressing the City's "shortage of decent, safe and sanitary dwelling accommodations for families of low income and handicapped persons".

Shortly after its formation, the PDA issued \$4.7 million in Multifamily Housing Revenue Bonds for development of a low-income housing project named "Burke-Gilman Place" on portions of the former US Coast Guard property near Children's Hospital in northeast Seattle (the "Property"). Today, many of the apartment units at Burke-Gilman Place are still utilized as low-income housing. Other portions of the Property accommodate facilities held by Ronald MacDonald House and Provail (formerly known as United Cerebral Palsy Association) and The Children's Center, an early childhood education center.

The main purposes of the PDA, as delineated in its Charter, are

- to provide an open forum for discussion of the relationship of uses of the Burke Gilman Place property to one another and to surrounding communities,
- to fulfill the objectives and intent of the Burke-Gilman Place Development Plan and P.U.D. adopted by [Seattle] City Council;
- to provide for continued management and maintenance of the Burke-Gilman Place Development Plan and P.U.D,
- to implement through leases, management agreements and other means all deed covenants placed on the Burke-Gilman Place property by the City or Federal Government; and
- to own, lease or transfer portions of the Burke-Gilman Place property consistent with agreements made between the City and users of the property.

Activities in furtherance of these purposes would include enforcement of architectural controls and other covenants affecting the Property, enforcement of lease provisions under property owned by the PDA, collection and management of rental income generated by the Property, and provision of a public forum for discussion of issues relating to the PDA.

### **Major Initiatives**

The following represents the PDA's major initiatives for the year ended December 31, 2013.

- The PDA initiated proposed changes to the existing Burke Gilman Place PDA Charter & Rules. The proposed changes received final approval by Mayor McGinn on October 9, 2013.
- The PDA actively investigated water usage billing discrepancies, which remained unresolved by December 31, 2013. Investigation of potential water leaks and/or water meter accuracies are ongoing.

### **Overview of the Financial Statements**

Assets of the PDA exceeded liabilities at December 31, 2013, by \$1,456,954 (net assets). Of this, \$372,108 is unrestricted and may be used to meet the PDA's ongoing operating expenses.

Net assets decreased by \$30,549 in 2013. The change was due to normal operating revenue and expenses fluctuations.

## BALANCE SHEET

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
Current Assets	\$ 585,974	\$ 618,050
Noncurrent Assets	<u>1,084,846</u>	<u>1,091,657</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,670,820</u></b>	<b>\$ <u>1,709,708</u></b>
<b><u>LIABILITIES</u></b>		
Current Liabilities	\$ 27,787	\$ 32,917
Noncurrent Liabilities	<u>186,079</u>	<u>189,287</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 213,866</b>	<b>\$ 222,205</b>
<b>NET ASSETS</b>		
Invested in Capital Assets	\$ 1,084,846	\$ 1,091,657
Unrestricted Net Assets	<u>372,108</u>	<u>395,845</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u>1,456,954</u></b>	<b>\$ <u>1,487,503</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,670,820</u></b>	<b>\$ <u>1,709,708</u></b>

The balance sheet presents the assets, liabilities and net assets of the PDA at the end of the fiscal year. The purpose is to give a snapshot of the financial condition of the PDA at a certain point in time.

Total assets of the PDA amounted to \$1,670,820 and \$1,709,708 at December 31, 2013 and 2012, respectively. The PDA has seen a decrease in its total assets due to the decrease in capital assets and small decrease in net assets for the year due to normal operations. Current assets and noncurrent assets have decreased respectively due to the PDA's normal operations, change in investments and depreciation of the capital assets.

## STATEMENT OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS

	<u>2013</u>	<u>2012</u>
<b>OPERATING REVENUES</b>		
<b>TOTAL OPERATING REVENUE</b>	\$ 261,665	\$ 249,811
<b>TOTAL OPERATING EXPENSES</b>	<u>292,747</u>	<u>253,049</u>
<b>OPERATING INCOME (LOSS)</b>	(31,082)	(3,238)
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<u>533</u>	<u>1,630</u>
<b>CHANGE IN NET ASSETS</b>	\$ <u>(30,549)</u>	\$ <u>(1,608)</u>

The purpose of this statement is to present the PDA's operations and net revenue earned from those operations. The significant change in income and expenses from 2012 to 2013 is related to the payment of utilities and the collection of utility reimbursements from the users.

### Changes in Capital Assets

In 2013, there were no major capital expenditures

### Economic and Other Factors Affecting the PDA's Future

At this time, the PDA has either sold or entered in to long-term ground leases for all of the property formerly owned by the US Coast Guard. This has placed the PDA in a strong financial position with predictable annual income, minimal operating expenses and no long-term debt. The PDA is financially secure, and reasonably insulated from adverse economic events. The PDA expects the future to be the same.

In late 2012, the PDA became aware that two water meters were not functioning. Since that time, the malfunctioning water meters have been replaced, however the PDA has been receiving less than 100 % reimbursement from the users due to undetermined issues. The PDA is continuing to investigate the water system for potential leaks and water meter inaccuracies.

Burke Gilman Place Public Development Authority  
Balance Sheet  
December 31, 2013

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**\*\*\*\* ASSETS \*\*\*\***

**CURRENT ASSETS**

Cash and cash equivalents	\$551,199.19
Accounts Receivable	34,107.05
Prepaid/Deferred Expense	<u>667.34</u>

<b>TOTAL CURRENT ASSETS</b>	<b>585,973.58</b>
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**NONCURRENT ASSETS**

Capital Assets, Net	<u>1,084,846.43</u>
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<b>TOTAL NONCURRENT ASSETS</b>	<b>1,084,846.43</b>
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<b>TOTAL ASSETS</b>	<b>\$1,670,820.01</b>
	<u>-----</u>

**\*\*\*\* LIABILITIES \*\*\*\***

**CURRENT LIABILITIES**

Accounts Payable	<u>\$27,786.81</u>
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<b>Total Current Liabilities</b>	<b>27,786.81</b>
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**NONCURRENT LIABLILITES**

Deferred Lease Income	<u>186,079.17</u>
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<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>186,079.17</u></b>
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<b>TOTAL LIABILITIES</b>	<b>213,865.98</b>
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**\*\*\*\* NET ASSETS \*\*\*\***

Invested in Capital Assets	1,084,846.43
Unrestricted Net Assets	<u>372,107.60</u>

<b>TOTAL NET ASSETS</b>	<b><u>1,456,954.03</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,670,820.01</b>
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The Notes to the Financial Statements are an Integral Part of the Statement.

**Burke Gilman Place Public Development Authority**  
**STATEMENTS OF REVENUE, EXPENSE, AND CHANGE IN FUND NET ASSETS**  
For the Years Ended December 31, 2013

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**OPERATING REVENUES**

User Income-Utilities	\$193,124
Lease Income	53,208
User Fee Income-Regular	<u>15,333</u>

**TOTAL OPERATING REVENUE** **261,665**

**OPERATING EXPENSES**

Utility Expense	219,924
Maintenance and Repairs	23,119
Management Fees	19,227
Legal Fees	13,875
Depreciation Expense	6,811
Audit/Tax Prep	6,019
Insurance Expense	1,803
Office Expense	1,746
Public Notices/Advertising	<u>223</u>

**TOTAL OPERATING EXPENSES** **292,747**

**OPERATING INCOME (LOSS)** **(31,082)**

**NONOPERATING REVENUES (EXPENSES)**

Interest income	549
Bank Charges	<u>(16)</u>

**TOTAL NONOPERATING REVENUES (EXPENSES)** **533**

**CHANGE IN NET ASSETS** **\$ (30,549)**

Net Assets, beginning of year	1,487,503
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Net Assets, end of year	<u>1,456,954</u>

The Notes to the Financial Statements are an Integral Part of the Statement.

Burke Gilman Place Public Development Authority  
Statement of Cash Flows  
For the Year Ended December 31, 2013

Cash Flow from Operating Activities	
Receipts from Leases and Users	\$ 252,834
Payments to Suppliers and Others	<u>(275,578)</u>
Net cash Flows from Operating Activities	<u>(22,744)</u>
Cash Flows from Capital and related Financing Activities	
Purchase of Capital Assets	-
Cash Flows From Investing Activates	
Interest Received on Investments	549
Certificate of Deposit converted to 4-week maturities	-
Bank Charges on Investments	<u>(16)</u>
Net Cash from Investing Activities	<u>533</u>
Increase in cash and cash equivalents	(22,211)
Cash and Cash Equivalents-Beginning of the year	<u>573,410</u>
Cash and Cash Equivalents-End of the year	<u><u>\$ 551,199</u></u>
Reconciliation of operating loss to net cash flows from operating activities	
Operating Loss	<u>\$ (31,082)</u>
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation	6811
Change in operating assets and liabilities:	
Accounts Receivable	(6,292)
Prepaid/Deferred Expenses	16,158
Accounts Payable	(5,131)
Deferred Lease Income	(3,208)
Cash Flows from Operating Activities	<u><u>(22,744)</u></u>

The Notes to Financial Statements are an Integral part of this Statement.

Burke Gilman Place  
Public Development Authority

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Notes to Financial Statements

NOTE 1- ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Burke Gilman Place Public Development Authority (the “PDA”) is a public authority organized under the laws of the State of Washington for the purpose of managing land known as Burke Gilman Place, a 20-acre site in northeast Seattle, and developing facilities on the property consistent with deed covenants placed on the property by the City of Seattle and the federal government. The PDA has been charged with management of an integrated site combining low and middle-income housing, unassisted housing, health-related housing, and an early childhood education center.

B. Basis of Accounting and Financial Statement Presentation

Basis of Accounting

Due to its business-like operations, the PDA is considered as a stand-alone proprietary entity. The financial statements have been prepared using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities (whether current or noncurrent) associated with its activities are included on the balance sheet. Revenue is recognized when earned and expenses are recorded when an obligation has been incurred. Capital asset purchases are capitalized. In accordance with Governmental Accounting Standards board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the PDA has elected to apply all FASB pronouncements issued after November 30, 1989, except for those that conflict or contradict GASB pronouncements.

Financial Statement Presentation

The financial statements are presented in accordance with governmental accounting principles generally accepted in the United States.

C. Assets, Liabilities, and Equities

Cash and Cash Equivalents

For purposes of financial statement presentation, the PDA considers all current asset funds with maturities of three months or less to be cash equivalents.

Accounts receivable

At December 31, 2013, the PDA’s account receivable consisted of user-special charges and user-utility fees. The PDA considers the regular user fees and utility fees balances over 30 days old to be past due and uses the allowance method for recognizing bad debts. The PDA considers the 2013 accounts receivable –Users at year end to be fully collectible in 2014. When an account is deemed uncollectible, it is generally written off against the allowance. There was no allowance necessary at December 31, 2013.

#### Prepaid Expense

Insurance is paid in full annually and expense monthly over the life of the policy. As of December 31, 2013 the prepaid insurance balance is \$667.34.

#### Lease Income

Lease income is recognized during the period the lease takes place. Also see Deferred Lease Income and Note 5.

#### User Fees-Regular

The PDA is responsible for maintaining all common areas of Burke Gilman property. The City of Seattle (the "City"), under the Declaration of Covenants, Conditions, and Restrictions, Authorizes the Authority to assess each property user annually for anticipated costs according to a contracted formula.

#### User Fee - Utilities

The PDA directly pays the City of Seattle for water, sewer and garbage. A third party vender bills and collects from each user their portion of the usage. The third party vender forwards the funds to the PDA each month representing the current month's collections. Revenue is recognized during the usage period. As of December 31, 2013 User Fee-Utilities accounts receivable is \$30,712.31. The PDA pays the Seattle City light for the electricity to run pathway lighting. In late 2012, a discrepancy in water usage was detected between total consumption and the sum total of the user's charges. The PDA is investigating sub-meter operation/ calibration and possible water leaks as the source of the discrepancy, see Note 6.

#### User Fee-Special Charges

The PDA periodically engages in special projects for capital improvement or extraordinary expense that may be collected from the users. In 2013, there were not special projects completed.

#### Deferred Lease Income

Deferred lease income represents a lease payment received up front from a ground lease, as further described in Note 5 (Burke Gilman Apartments), and is deferred and recognized on a straight line basis over the lease term.

#### Capital Assets

Capital assets are defined by the PDA as assets with an initial individual cost of more than \$500 and an estimated life in excess of 5 years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The cost of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expenses in the year the expense is incurred.

Capital assets are also discussed in Note 4.

### Classification of Revenue and Expenses

The PDA distinguishes operating revenue and expense from non-operating items in the preparation of its financial statements according to the following criteria:

Operating – Operating revenue and expenses are generally the result from maintenance and management of the PDA.

Non-operating - All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

### Net Assets

Net assets comprise of the various net earnings from operating revenue, non-operating revenue and expenses. Net assets are classified in the following two components:

Invested in capital assets-This component of net assets consists of capital assets, net of accumulated depreciation. As of December 31, 2013, the total invested in capital assets, net of accumulated depreciation was \$1,084,846.

Unrestricted-This component of net assets consist of net assets that do not meet the definition of “restricted” or “ invested in capital assets, net of related debt.”

### Income Taxes

As a public governmental entity, the PDA is exempt from Income taxes.

### Use of Estimates

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

### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

In 2013, the PDA was in compliance and is unaware of any issues.

### NOTE 3-CERTIFICATES OF DEPOSITS

In 2013, the PDA closed all certificates of deposits in the CDARS program and opened an account the Local Government Investment Pool (LGIP). The current net earnings rate is 0.1276% as of 12/31/13. Certificates of deposits are reported at cost plus accrued interest, and are federally insured. As of December 31, 2013, the PDA had \$500,344.98 in the LGIP account.

The PDA believes the custodial credit risk is extremely low.

### NOTE 4-CAPITAL ASSETS

Description	Balance December 31, 2012	Additions	Decreases	Balance December 31, 2013
Land	\$1,027,000			\$1,027,000
Total Capital Assets not depreciated	1,027,000			1,027,000
Underground Utilities	91,933			91,933
Fence Project 2010	13,846			13,846
Fence Project 2012	11,367			11,367
Pathway Lighting	30,628			30,628
Total Other Capital Assets	147,774			147,774
Less: accumulated depreciation for other Improvements	83,117	6,811		89,928
Total Other Capital Assets, net	64,657	(6,811)		57,846
Capital Assets, net	\$1,091,657	\$(6,811)	\$0	\$1,084,846

Land-The PDA land was transferred to the City of Seattle in 1982 under the terms of a Quit Claim Deed from the U.S. Department of Housing and Urban and Development. The City subsequently transferred portions of the property to the PDA and other portions to other entities. The 1982 Quit Claim Deed provided for reversion of the land to the federal government if certain conditions regarding the development and operation of the land were not met. Those conditions were met and the reversion clause expired in 2002.

Given the presence of the reversion clause, prior to 2002 the four PDA-owned parcels were considered to have nominal value. The value for the land for balance sheet purposes is now based on the year of acquisition assessed value as determined by the King County Assessor's Office for each parcel.

#### NOTE 5-LEASES

##### Burke-Gilman Apartments

A ground lease executed in 1993 and amended during 1997 for parcels G,H, and I requires the owner of the Burke Gilman Apartments (a tenant of the PDA) to pay the Authority \$50,000 for calendar years 2004 through 2024; and fair market rent with a cost of living escalator every five years for subsequent periods. The rent is payable annually on or before April 1 of each year for the current calendar year. The cost and carrying amount is equal to the parcels land value of \$597,600.

##### Burke Gilman Gardens

In March 1997, a ground lease was executed for a parcel F in the northeast portion of the Burke-Gilman Place property between Burke-Gilman Place Public Development Authority as landlord and another public development authority, Capitol Hill Housing Improvement Program (CHHIP), as tenant. The lease term is 75 years with one fixed rent payment of \$240,000, which was paid in 1997. Deferred revenue

from this lease was \$186,079 as of December 31, 2013. The cost and carrying amount is equal to the parcel land value of \$429,400.

Simultaneously, a sublease was executed from CHHIP to TCC, a nonprofit corporation. CHHIP built the education center where TCC conducts its operations.

#### NOTE 6-SPECIAL ITEMS

In late 2012, an analysis of the shared utility expense and reimbursement was preformed. It was discovered that the PDA was being reimburse for less than 100% of its cost. The third party process of gathering data was analyzed. This process found that the meters were not using the same consumption measurements and that two meters were not functioning. Since that time, the malfunctioning water meters have been replaced, however the PDA has been receiving less than 100 % reimbursement from the users due undetermined issues. The PDA is continuing to investigate the water system for potential leaks and water meter inaccuracies.

## 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.

Contact information for the State Auditor's Office	
<b>Deputy Director for Communications</b>	Thomas Shapley <a href="mailto:Thomas.Shapley@sao.wa.gov">Thomas.Shapley@sao.wa.gov</a> (360) 902-0367
<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>