Washington State Auditor's Office

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Financial Statements and Federal Single Audit Report

Housing Authority of Snohomish County (HASCO)

For the period July 1, 2014 through June 30, 2015

Published March 17, 2016

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Washington State Auditor's Office

March 17, 2016

Board of Commissioners
HASCO
Everett, Washington

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

JAN M. JUTTE, CPA, CGFM

DEPUTY STATE AUDITOR

OLYMPIA, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • TDD Relay (800) 833-6388

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FEDERAL SUMMARY

HASCO
Snohomish County
July 1, 2014 through June 30, 2015

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

Financial Statements

An unmodified opinion was issued by us and the other auditors on the financial statements of the business-type activities and the aggregate discretely presented component units. Our report includes a reference to other auditors that audited the financial statements of HASCO – Jackson House at Pacific Crest Limited Liability Limited Partnership and Olympic and Sound View, Limited Liability Company, which combined represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units.

Internal Control Over Financial Reporting:

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

We and the other auditors 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	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 $1,076,661.

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

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

HASCO
Snohomish County
July 1, 2014 through June 30, 2015

Board of Commissioners
HASCO
Everett, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of HASCO, Snohomish County, Washington, as of and for the year ended June 30, 2015, 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 February 26, 2016. As discussed in Note 13 to the financial statements, during the year ended June 30, 2015, the Housing Authority implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Our report includes a reference to other auditors who audited the financial statements of HASCO – Jackson House at Pacific Crest Limited Liability Limited Partnership and Olympic and Sound View, Limited Liability Company, as described in our report on the Housing Authority's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 and the reports of the other auditors 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.

JAN M. JUTTE, CPA, CGFM

DEPUTY STATE AUDITOR

OLYMPIA, WA

February 26, 2016

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

HASCO
Snohomish County
July 1, 2014 through June 30, 2015

Board of Commissioners
HASCO
Everett, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the HASCO, Snohomish 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, 2015. 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, 2015.

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.

JAN M. JUTTE, CPA, CGFM

DEPUTY STATE AUDITOR

OLYMPIA, WA

February 26, 2016

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

HASCO
Snohomish County
July 1, 2014 through June 30, 2015

Board of Commissioners
HASCO
Everett, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of HASCO, Snohomish County, Washington, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed on page 16.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of HASCO – Jackson House at Pacific Crest Limited Liability Limited Partnership and Olympic and Sound View, Limited Liability Company, which combined represent 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for HASCO – Jackson House at Pacific Crest Limited Liability Limited Partnership and Olympic and Sound View, Limited Liability Company, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of HASCO, as of June 30, 2015, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 13 to the financial statements, in 2015, the Housing Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No.* 27 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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 17 through 23 and pension trust fund information on pages 50 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming 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.

The Schedule of Liabilities is presented for purposes of additional analysis is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016 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.

Jan M Jutte

JAN M. JUTTE, CPA, CGFM

DEPUTY STATE AUDITOR

OLYMPIA, WA

February 26, 2016

FINANCIAL SECTION

HASCO
Snohomish County
July 1, 2014 through June 30, 2015

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2015
Statement of Revenues, Expenses and Changes in Fund Net Position – 2015
Statement of Cash Flows – 2015
Notes to Financial Statements – 2015

REQUIRED SUPPLEMENTARY INFORMATION

Pension Trust Fund – 2015

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2015
Notes to the Schedule of Expenditures of Federal Awards – 2015
Schedule of Liabilities – 2015
Financial Data Schedule – 2015

HOUSING AUTHORITY OF SNOHOMISH COUNTY

Management's Discussion and Analysis
For the Year Ended June 30, 2015

The Housing Authority of Snohomish County ("HASCO" or the "Authority") owns and manages property and administers rental subsidy programs to provide eligible low-income persons safe and affordable housing. HASCO is a political subdivision of the State of Washington created under the authority of Revised Code of Washington (RCW) Chapter 35.82. The Authority manages a broad range of federally and locally financed housing programs serving Snohomish County. The Authority owns or manages in excess of 2,200 units of housing and provides rental subsidies to over 3,300 additional families.

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

As management of the Authority, we offer readers of the Authority's financial statements and the related footnote disclosures this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and accompanying footnotes. The management discussion and analysis is presented in conformance with generally accepted accounting principles (GAAP).

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

Overview of the Financial Statements

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

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

The statements are prepared on the accrual basis and present all assets and liabilities of the Authority, both financial and capital assets, as well as short and long term. They also present all revenues and expenses of the Authority during the year, regardless of when the cash was received or paid. Collectively the statements provide information regarding the Authority's financial condition as of June 30, 2015 and the results of its operations and cash flows for the year then ended. The financial performance discussed below does not include the operating performance of two tax credit partnerships the Authority was involved in during the year, which are owned by separate limited partnerships or limited liability corporations but are managed by the Authority as general partner or managing member. These projects are reported in a separate component unit column on the financial statements.

Financial Highlights

- The Authority's total assets exceeded its total liabilities (net position) at the close of the most recent fiscal year by $ 29,617,432. This was a decrease of $ 1,583,618, or 5% from the prior year. The primary reasons for the decrease: 1) the Housing Choice Voucher program had a $1 million dollar loss due to decreased HUD funding, and 2) a change in accounting policy due to the implementation of GASB 68, Accounting and Financial Reporting for Pensions, created a restatement of prior period equity of nearly $3.5 million.

- The Authority was profitable for the fiscal year and a surplus was generated, excluding the prior period restatement, which did not affect operations.

- As of the close of the current fiscal year the Authority had total revenues, both operating and non-operating, of $ 53,801,911, this was a decrease of $ 1,532,749, or 2.7% over the previous year total of $ 55,334,660. The main reason for the decrease in revenues is that 2014 revenues included the sale of one of our properties at current market value and the recognition of a gain on the sale, both creating higher revenues in 2014. The Authority also had net operating income in the amount of $2,219,421 due to the strong local rental market and the $740,100 development fee earned by the Jackson House project.

- Total expenses, both operating and non-operating, were $ 51,850,954, which was an increase of $ 1,816,043, or 3.6% from the previous year total of $50,034,911. Of this total, $29,588,803, or 57%, was for pass through housing assistance payments in our Section 8 Housing Choice Voucher program. This was an increase of $328,810 over the previous year's housing assistance payments. Our Maintenance Repair Expenses also increased by $219,129 as the Authority was able to utilize cash flow to address additional maintenance issues. Our interest expense was also reduced by $245,615 which reflects continued savings from one bond issue refinanced during our last fiscal year.

Financial Statements

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

These statements include a <u>Statement of Net Position</u> which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority and is presented in a format where assets less liabilities equal "net position", formerly known as equity.

Assets and liabilities are presented in order of liquidity and are classified as either current (generally convertible or redeemable with cash within one year) or non-current.

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

> Net Investment in Capital Assets: This component of net position consists of all capital assets, reduced by the amount of outstanding debt that is attributable to the acquisition, construction, or improvement of those assets.
>
> Restricted Net Position: This component of net position consists of assets that are restricted by external contracts or regulations, such as those of creditors (e.g. debt service reserves), grantors, laws, or other regulations. Self-imposed restrictions by the Authority do not result in restricted net positions.
>
> Unrestricted Net Position: This component generally consists of anything that does not meet the definition of either of the first two components.

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

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

Statement of Net Position

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

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

	June 30 2014	June 30 2015
Assets:		
Current Assets	37.0	25.2
Capital Assets, net of depreciation	84.7	87.7
Non Current Assets	24.4	24.4
Total Assets	146.1	137.3
Deferred Outflow of Resources	2.9	3.1

Liabilities:		
Current Liabilities	1.6	2.0
Current Portion of Long Term Debt	16.3	4.3
Long Term Debt	88.1	90.0
Non Current Liabilities	8.9	10.7
Total Liabilities	114.9	107.0
Deferred Inflow of Resources	2.9	3.8
Net Position:		
Net Invested in Capital Assets	5.7	5.1
Restricted Net Position	2.9	1.9
Unrestricted Net Position	22.6	22.6
Total Net Position	31.2	29.6

Major Factors Affecting the Statement of Net Position

The Statement of Net Position measures the amount by which assets exceed the corresponding liabilities, or net position. Over time this may serve as useful measure of the Authority's financial position. The total net position of $29.6 million is broken into 3 categories.

The first category – Investment in Capital Assets, represents the book value amount invested in capital assets net of depreciation and the related debt. The primary change that affected this category was the purchase of a new office building for just under $2 million in cash, while at the same time lowering our overall debt through the normal repayment and reduction of the principal balances.

The Restricted Net Position consists of two main components, debt service reserves held by trustees to support our debt service commitments, and Section 8 Housing Assistance Payment reserves that are restricted and can only be used for housing assistance payments for our Section 8 Housing Choice Voucher program. The change in this portion of net position primarily reflects changes to the Section 8 Housing Assistance Payment reserve. HUD implemented changes to their cash management procedures in fiscal year 2014 whereby HUD would hold back reserves for the payment of HAP until they are needed. This requirement led to the Authority using the existing reserves in our possession for the housing assistance payments before HUD will disburse additional funds to the Authority. This change led to an increased reduction to our HAP Reserve in the amount of $850,000.

The Unrestricted Net Position represent the Authority's unrestricted cash and investments, which is essentially anything that does not fall into the first two categories. This year's decrease was primarily due to restating our prior period equity when implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as mentioned above.

Statement of Revenues, Expenses, and Changes in Net Position

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

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

	2014	2015
Operating Revenues		
Dwelling Income	16.2	17.4
Operating Subsidies and Grants	29.9	31.6
Other Income	1.8	1.4
Total Operating Revenues	47.9	50.4
Non Operating Revenues		
Grants	1.5	1.6
Interest and Other Non Operating	2.0	1.1
Disposition of Assets	3.9	.7
Total Non Operating Revenues	7.4	3.4
Total Revenues	55.3	53.8
Operating Expenses		
Operating and Administrative Expenses	15.0	15.7
Housing Assistance Payments	29.2	29.7
Depreciation	2.8	2.8
Total Operating Expenses	47.0	48.2
Non Operating Expenses		
Interest Expense and Subsidy	3.0	2.8
Other Non Operating	0	.8
Total Non Operating Expenses	3.0	3.6
Total Expenses	50.0	51.8
Income Before Contributions, Transfers, and Special Items	5.3	2.0
Capital Contributions	.1	.3
Transfers In (Out)	(0.4)	(0.5)
Extraordinary/Special Items	0	0
Change In Net Position	(0.3)	(0.2)
Total Net Position – Beginning of Year	26.2	27.7*
Prior Period Adjustment	0	0.1
Total Net Position – End of Year	31.2	29.6

*Beginning of year net position was adjusted due to the implementation of GASB 68.

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

Direct grants and subsidies from HUD, or other grant programs, make up approximately 57% of the revenue we receive. By far the largest program the Authority administers is the Housing

Choice Voucher Program, commonly known as Section 8. This program also generates our largest single category of expense as well in the form of Housing Assistance Payments, which are transfer payments to private landlords to assist eligible low income families with their rent. Accordingly, a major factor affecting our Statement of Revenues, Expenses, and Changes in Net Position is Congress' continued appropriation and support for these programs. In fiscal year 2015, this support remained approximately the same as in the previous fiscal year. However because of rising rents in our local real estate market, this resulted in the Authority assisting fewer families. There is a real chance that this support will continue to decline.

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

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

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2015, the Authority had $ 87.7 million invested in capital assets as reflected in the following schedule, which is presented in detail in note number 3 in the financial statement footnotes.

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

	June 30 2014	June 30 2015
Land	24.7	26.6
Buildings and Structures	48.9	50.0
Capitalized Improvements	10.0	9.9
Equipment and Personal Property	.2	.1
Capital Assets, net of accumulated depreciation	83.8	86.6
Add: Construction Work in Progress	.9	1.1
Total Capital Assets net of accumulated depreciation	84.7	87.7

As noted previously the Authority purchased an office building in March, 2015. This resulted in an overall increase in capital assets.

The following reconciliation summarizes the change in capital assets for fiscal year 2015, which is presented in detail in the notes to the financial statements.

Change in Capital Assets
(in millions)

	2014	2015
Balance as of the Beginning of Fiscal Year	94.3	84.7
Additions	4.5	7.1
Retirements/Sales, net	(11.4)	(1.2)
Depreciation Expense	(2.7)	(2.9)
Balance as of the End of the Fiscal Year	84.7	87.7

Debt Administration

As of June 30, 2015 the Authority had $94.3 million of bonds, notes, and loans payable outstanding, as compared to $ 104.4 million outstanding as of June 30, 2014, a decrease of $10.1 million. The decrease in our overall debt was due to payoff of short term financing of a tax credit limited partnership. There was also reduction in our debt due to normal repayment of our bonds as well as early retirement of one bond issues due to refinancing transactions. This information is presented in detail in note 5 in the footnotes to the financial statements.

Change in Long Term Debt
(in millions)

	2014	2015
Balance as of the Beginning of the Fiscal Year	102.0	104.4
Additions	15.0	8.0
Early Retirements/Payoffs, net	(10.0)	(15.5)
Scheduled Redemptions	(2.6)	(2.6)
Balance as of the End of the Fiscal Year	104.4	94.3

Economic Factors

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

Legislative or regulatory changes or lack of congressional appropriations for the programs can and will affect the Authority's operations.

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

Washington State in general and Snohomish County in particular have had stable real estate markets in the past. We are currently enjoying a strong local rental market with rising rents and low vacancies. We expect vacancy rates in our local real estate market to remain low and economic activity to continue to improve.

Housing Authority of Snohomish County

Statement of Net Position

As of June 30, 2015

	Primary Government	Component Unit
ASSETS		
Current Assets:		
Unrestricted Cash and Cash Equivalents	20,425,388	763,279
Restricted Cash and Cash Equivalents	1,881,419	29,743
Investments	2,238,651	
Accounts Receivable - (net)	264,488	2,920
Prepaid Expenses	114,911	27,581
Notes and Loans Receivable - Current	226,394	-
TOTAL CURRENT ASSETS	**25,151,251**	**823,523**
Noncurrent Assets:		
Capital Assets		
Construction in Progress	1,099,803	-
Land	26,566,019	2,074,667
Structures & Equipment, Net of Depreciation	60,073,524	24,565,227
Total Capital Assets	**87,739,346**	**26,639,894**
Notes and Loans Receivable		
Notes and Loans Receivable - Noncurrent	9,481,500	-
Notes Receivable - Limited Partners	14,228,487	-
Other Assets	720,587	542,170
Total Notes and Loans Receivable	**24,430,574**	**542,170**
TOTAL NONCURRENT ASSETS	**112,169,920**	**27,182,064**
TOTAL ASSETS	**137,321,171**	**28,005,587**
DEFERRED OUTFLOW OF RESOURCES		
Deferred Outflow of Resources - Derivative/Hedging changes	**2,692,882**	-
Deferred Outflow of Resources Related to Pensions	395,067	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	**3,087,949**	**0**
LIABILITIES		
Current Liabilities:		
Accounts Payable	142,201	28,340
Tenant Security Deposits	584,445	59,732
Accrued Interest Payable	291,373	683,482
Current Portion of Long Term Debt	4,306,380	254,481
Prepaid Revenues	31,906	12,952
Compensated Absences - Current	324,717	-
Other Accrued Liabilities	607,343	-
TOTAL CURRENT LIABILITIES	**6,288,365**	**1,038,987**
Noncurrent Liabilities:		
Bonds, Notes and Loans Payable	89,963,162	22,861,164
Compensated Absences - Noncurrent	67,890	-
Loan & Notes Payable Noncurrent	8,018,641	-
Net Pension Liability	2,626,099	-
Other Noncurrent Liabilities	0	3,580,627
TOTAL NONCURRENT LIABILITIES	**100,675,792**	**26,441,791**
TOTAL LIABILITIES	**106,964,157**	**27,480,778**
DEFERRED INFLOW OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	2,692,882	928,618
Deferred Inflow of Resources Related to Pensions	1,134,649	-
TOTAL DEFERRED INFLOWS OF RESOURCES	**3,827,531**	**928,618**
NET POSITION		
Net Investment in Capital Assets	5,143,366	3,524,249
Restricted Net Position	1,881,419	29,743
Unrestricted Net Position	22,592,647	(3,957,801)
TOTAL NET POSITION	**29,617,432**	**(403,809)**

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

Housing Authority of Snohomish County
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year July 1, 2014 through June 30, 2015

	Primary Government	Component Unit
Operating Revenues		
Dwelling Income	16,622,864	1,868,369
Tenant Income - Other	762,288	110,000
HUD PHA Grants	31,635,304	-
Other Grants	48,569	-
Other Income	1,380,464	34,600
Total Operating Revenues	50,449,489	2,012,969
Operating Expenses		
Administrative Wages & Benefits	4,793,454	-
Office Administrative Expenses	1,188,294	299,683
Professional Services	143,500	-
Outside Management	500,926	79,099
Utilities	1,869,348	183,277
Maintenance Wages & Benefits	1,901,274	104,862
Maintenance Operating Expenses	1,799,314	185,945
Maintenance Repair Expenses	1,746,460	-
Taxes and Insurance	450,877	109,766
Housing Assistance Payments	29,698,803	-
Home Buyer/Rehab Loans and Other Exp	1,192,418	-
Other Expenses	96,301	35,318
Depreciation Expense	2,849,096	975,483
Total Operating Expenses	48,230,065	1,973,433
Operating Income (Loss)	2,219,424	39,536
Non-Operating Revenues		
HUD PHA Grants	512,783	-
Other Grants	1,067,722	-
Interest Income	380,269	18,698
Interest Credit Subsidy	304,701	-
Disposition of Assets	688,808	-
Other Non-operating Revenue	398,139	-
Total Non-Operating Revenues	3,352,422	18,698
Non-Operating Expenses		
Interest Expense	2,504,383	829,927
Interest Subsidy	304,701	-
Other Non-Operating Expenses	811,805	568,065
Total Non-Operating Expenses	3,620,889	1,397,992
Income Before Contributions, Transfers, Extraordinary and Special Items	1,950,957	(1,339,758)
Prior Period Adjustments	101,274	
Capital Contributions	279,591	-
Transfers In (Out) to other Govt.	(433,064)	-
Change in Net Position	1,898,758	(1,339,758)
Restated Total Net Position Beg. of Year	27,718,678	935,949
Contributed Capital	-	-
Total Net Position End of Year	29,617,436	(403,809)

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

Housing Authority of Snohomish County
Statement of Cash Flows
Fiscal Year Ended June 30, 2015

	Primary Government
Cash Flows from Operating Activities	
Cash received from tenants	17,339,715
Cash received from other sources	32,984,664
Cash (paid) received on loan servicing	141,756
Cash payment to suppliers for goods or services	(8,622,590)
Cash payments on housing assistance	(29,679,303)
Cash payments to employees for wages/benefits	(6,701,522)
Net cash flows (used) from operating activities	**5,462,720**
Cash Flows from Non-Capital Financing	
Cash received from grantors	2,542,670
Transfers to primary govt/component units/other	(433,064)
Interest paid on long term debt or loans	(47,036)
Other non-capital proceeds (payments)	1,515,381
Net cash provided (used) by non-capital financing	**3,577,951**
Cash Flows from Capital and Related Financing	
Net Change in Capital Assets	(5,904,501)
Gain (loss) on disposal of capital assets	5,181
Casualty losses	(811,805)
Proceeds from long term debt or loans	2,752,902
Repayment of long term debt or loans	13,125,405
Interest and fees paid on long term debt or loans	(16,657,893)
Net cash provided (used) by capital financing	**(7,490,711)**
Cash Flows from Investing Activities	
Interest Income	233,217
Net change in investment	(6,240)
Net increase (decrease) in cash or equivalents	**1,776,937**
Add Net Increase/Decrease to Beginning Cash	
Cash & Equivalents at Previous Fiscal Year End	22,768,522
Balance to Current Cash	
Cash & Equivalents at Current Fiscal Year End	24,545,458
Adjustments to reconcile income from operations to net cash provided	
Income from Operations	2,219,421
Depreciation	2,849,096
(Increase) Decrease in A/R - Tenants	(2,631)
(Increase) Decrease in Prepaid Expenses	(14,623)
(Increase) Decrease in Other Assets	612,416
(Increase) Decrease in Security Deposits	30,731
(Increase) Decrease in Accrued Liabilities	267,612
(Increase) Decrease in Deferred Revenues	(499,302)
Net Cash Provided (Used) by Operating Activity	**5,462,720**

The accompanying notes are an integral part of this statement.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Reporting Entity

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

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

b. Basis of Accounting and Financial Statement Presentation

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

c. Cash, Cash Equivalents, and Investments

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

d. Restricted Cash and Investments

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

e. Investments

Investments at year end consist of investments in marketable securities which have a maturity date of more than 3 months. State law prohibits any equity investments. Investments by the Authority are reported at fair value which is materially equivalent to cost. Fair value is determined utilizing month end safekeeping statements.

d. Accounts Receivable

Accounts receivable at year-end consist of amounts owed from various organizations or individuals for goods and services rendered, or owed on promissory notes or contracts receivable. Amounts owed on promissory notes or contracts receivable generally refer to loan amounts that are due and payable over time. The major receivables at year end are due from grantor agencies as amounts owed to the Authority but not yet received as well as long-term receivables for loans that are secured by real property, or for developer fees from our tax credit partnerships, which are component units of the Authority. Because the material account receivable balances are generally secured by grant or partnership agreements, or secured by liens against real property there is generally no need to estimate uncollectible accounts receivable. For any immaterial tenant accounts receivable the Authority does use the allowance method to estimate the amount of receivables that may be uncollectible, however these amounts are typically immaterial.

f. Inventory

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

g. Land, Structures, and Equipment and Depreciation

See Note 3 – Capital Assets and Depreciation.

h. Notes and Loans Receivable

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

i. Other Assets – Unamortized Bond Issue Costs

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

j. Accrued Interest Payable

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

k. Accrued Compensated Absences

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

l. Rehab Loans Payable

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

m. Developer Fees

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

n. Bonds/Notes/Loans Payable

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

o. Operating Revenues and Expenses

The Authority reports operating revenues as defined in GASB Statement 9. Operating revenues result from fees and charges from providing services in connection with the ongoing operations of providing low income housing. Operating revenues also include operating subsidies and grants provided by Housing and Urban Development (HUD). The use of this classification is based on guidance from HUD, one of the primary users of the financial statements. Operating expenses are those expenses that are directly incurred while in the operation of providing low income housing.

This presentation results in an operating income that is higher than a non-operating income presentation by the amounts of the subsidies or grants. Overall it does not affect the presentation of net income or the change in net position in the statement of revenues, expenses, and changes in net position, or the presentation of cash and cash equivalents. This also changes the reporting classifications on the cash flow statement as subsidies are reported as operating activity rather than non capital financing, but has no affect overall.

p. Budgets

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

NOTE 2 – CASH DEPOSITS, CASH EQUIVALENTS, AND INVESTMENTS

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

The Authority voluntarily participates in the Washington State Local Government Investment Pool (LGIP). The LGIP was created by the state legislature in 1986 and is overseen by the Office of the State Treasurer. The State Treasurer created the LGIP Advisory Committee that is comprised of 12 members selected from active pool participants. The LGIP is considered extremely low risk. The LGIP is operated in a manner consistent with the SEC's rule 2a-7, which limits investments to high quality obligations with an average maturity of less than 90 days. This minimizes both market and credit risk. Any balances in the LGIP are reported at par value, which is the same as the fair value of the pool shares. The Authority also occasionally invests in government backed securities to try to improve returns. All investments are still in accordance with our investment policies.

All cash and investment amounts are recorded at fair value which is materially equivalent to cost. As of June 30, 2015, the Authority was holding $ 20,425,388 in unrestricted cash, demand deposits and cash equivalents, and $2,238,651 in short-term investments. All restricted cash and investments held in bond trust accounts are invested in accordance with the provisions of the various trust indentures. As of June 30, 2015, the Authority was holding $ 1,881,419 in restricted cash and investments. These balances are invested in the following investment types:

Unrestricted Investments

Investment	Maturity	Fair Value	Rating
State Treasurer's LGIP	Next Day or On Demand	$ 9,004,488	Not Rated
Government Securities Money Market Fund	Next Day Liquidity	2,292,146	Not Rated
Bank Accounts	Next Day Liquidity	9,128,753	Not Rated
		$20,425,388	
Federal Farm Credit Bank Note	August 11, 2016	750,032	AA+
Federal Home Loan Bank Note	June 13, 2019	741,515	AA+
Federal Farm Credit Bank Note	July 25, 2017	747,104	AA+
		$ 2,238,651	
Total Unrestricted Cash and Investments		$22,664,039	

Restricted Investments

Investment	Maturity	Fair Value	Rating
Government Securities Money Market Fund	Next Day Liquidity	$ 1,253,733	Not Rated
Investment Agreements	May 1, 2031	543,113	Not Rated
State Treasurer's LGIP	Next Day Liquidity	84,574	Not Rated
Total Restricted Investments		$ 1,881,419	

Interest Rate Risk

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

Custodial Risk

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

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

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

NOTE 3 – CAPITAL ASSETS AND DEPRECIATION

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

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

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

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

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

Capital Asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets not being depreciated:				
Land	$ 24,693,489	1,872,530		$ 26,566,019
Construction Work in Progress (net)	934,401	616,107	450,705	1,099,803
Total Capital Assets not being depreciated:	$ 25,627,890	2,488,637	450,705	$ 27,665,822
Capital Assets being depreciated:				
Buildings and Structures	$ 77,185,491	3,799,244	248,829	$ 80,735,906
Capitalized Improvements	16,660,154	825,147	661,895	16,823,406
Equipment and Personal Property	696,667	11,655	54,160	654,162
Total Capital Assets being depreciated:	$ 94,542,313	4,636,047	964,884	$ 98,213,475
Less accumulated depreciation: (net)				
Buildings and Structures	(28,308,717)	134,170	2,487,201	(30,661,748)
Capitalized Improvements	(6,684,123)	8,195	287,902	(6,963,829)
Equipment and Personal Property	(498,423)	70,106	86,057	(514,374)
Total accumulated depreciation:	(35,491,262)	212,471	2,861,160	(38,139,951)
Total Capital Assets being depreciated, net:	$ 59,051,051	4,848,518	3,826,045	$60,073,524
Total Capital Assets, net of depreciation	$ 84,678,941	7,337,154	4,276,749	$ 87,739,346

NOTE 4 – PENSION PLAN

Substantially all the Authority's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement System (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA. 98504-8380.

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

Plan Description

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

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

PERS participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either

PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

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

PERS Plan 1 and Plan 2 defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 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.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service.

Plan 1 members are eligible for retirement at any age after 30 years of service, at the age of 55 with 25 years of service, or at the age of 60 with five 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 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 benefit option.

Plan 1 members may elect to receive an optional cost of living adjustment (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The allowance amount is $350 per month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any worker's compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after completion of 5 years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. AFC is the monthly average of the 60 consecutive highest paid service months. 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% 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 the early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, 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 also actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. 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 contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 investments are 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 calculated at 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

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

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

If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

If they have 30 service credit years and are at least 55 years old, and were hired after May 1, 2013, they have a choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return to work rules.

PERS Plan 3 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option. PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 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 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.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6 % of pay per year of service benefit, capped at 37.5% of AFC. Newly elected or appointed justices and judges who chose to become PERS members on or after January1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 2,221 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans as of June 30, 2015:

Retirees and Beneficiaries Receiving Benefits	88,846
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	31,716
Active Plan Members Vested	104,984
Active Plan Members Non-vested	47,477
Total	273,023

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

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

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

The required contribution rates expressed as a percentage of current year covered payroll, as of June 30, 2015, were as follows:

PERS	Plan 1	Plan 2	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%.
** The employer rate for state elected officials in 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials in 7.50% for Plan 1 and 4.92% for Plan 2 and Plan 3.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by PERS 3 member.

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

PERS	Plan 1	Plan 2	Plan 3
2013	$ 11,801	$ 211,299	$ 34,001
2014	$ 8,472	$ 279,373	$ 53,886
2015	$ 4,985	$ 292,246	$ 57,696

The Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Employer Contributions and the Schedule to Pension Note are presented after the notes to the financial statements.

NOTE 5 - LONG TERM DEBT

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

A. Revenue Bonds Payable

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

The bonds are issued in the name of the Authority and are liabilities of the Authority. No other governmental agency is liable for these bonds except the Authority. The underlying non profit owners and partnerships are current on all obligations under the terms of the governing loan and regulatory agreements. The Authority has no taxing powers. All the bonds are tax-exempt revenue bonds, and are subject to arbitrage requirements, except the bonds for the Bristol Square project, formerly known as the West Pacific Limited Partnership. As of June 30, 2015 the total outstanding balance of bonds payable for conduit financed projects is $8,901,059 and consists of the bonds listed above under *Conduit Bond Issues.*

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

As of June 30, 2015 the total outstanding balance of bonds payable for Authority owned projects is $61,575,238 and consists of the bonds payable listed in the *Housing Authority Owned Projects* section, above.

Total bonds payable activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Est. Due Next Year
Conduit Financing	$ 22,687,669		(13,786,610)	$ 8,901,059	$ 212,041
Bonds Payable	60,596,167	5,214,704	(4,235,633)	61,575,238	2,490,545
Unamort. Discounts	(263,554)		28,145	(235,409)	
Bonds Payable, net	$ 83,020,282	5,214,704	(17,994,098)	$ 70,240,888	

The estimated annual requirements to amortize all the Authority's revenue bonds outstanding as of June 30, 2015, including interest, are as follows:

Fiscal Year	Bond Principal	Interest
2016	2,478,801	2,348,646
2017	2,574,102	2,258,298
2018	2,669,413	2,164,673
2019	2,771,093	2,066,362
2020	2,873,180	1,934,531
2021-2025	17,170,528	7,140,063
2026-2030	11,272,671	4,791,122
2031-2035	10,430,000	3,195,431
2036-2040	4,825,000	956,991
2041-2045	520,000	16,900

At June 30, 2015, the Authority has $ 1,796,845 classified as restricted assets that are held by trustees, as required by our bond indentures and agreements.

B. Notes Payable

The notes payable consist of several promissory notes with USDA, Rural Housing Services as well as a deferred promissory note with the Washington State Department of Community, Trade, and Economic Development (CTED).

The Authority has entered into promissory notes with the U.S Department of Agriculture, Rural Development Division, formerly known as Farmers Home Administration. The Craigmont note financed the acquisition of this project. It is a 40-year note payable with an interest rate of 7.75%. The notes associated with the Pooled Project represent promissory notes assumed by the Authority upon acquisition of these projects. These notes have a 40-year term with an interest rate of 6.75%. The Glenwood Apartment note financed the acquisition of this project. It is a 40-year note payable with an interest rate of 9.00%. These notes are subordinate to the Authority's revenue bonds on this project. By complying with provisions of the loan agreements, interest credits are granted on a monthly basis that makes the effective interest rate 1.00%. The amount of interest credit granted in any year is calculated and has been reported on the schedule of federal financial assistance as a subsidy. Annual debt service requirements on these notes could vary depending on the amount of interest credit granted. The Pooled Project receives rental assistance through USDA, Rural Development.

The Authority entered into a promissory note with the Washington State Department of Community, Trade, and Economic Development (CTED). The note is subject to the terms and conditions of the Housing Finance Unit Agreement, contract number 03-49300-802, in consideration for the sale and financing of Ebey Arms Apartments. The contract is for a term of 40 years. Quarterly interest only payments of $2,723.75 are due for the first 15 years. The final interest only payment is due on November 30, 2018. Principal and interest payments of $12,327.10 shall be due beginning February 28, 2019 and quarterly thereafter for 25 years until the loan is due and payable in full on or before November 30, 2043. As of June 30, 2015, the total outstanding balance of Notes Payable is $6,020,961. Details are listed in the attached schedule, under *Notes Payable*.

Total notes payable activity for the fiscal year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Estimated Principal Due Next Year
Craigmont	1,311,339	0	(33,170)	1,278,169	35,834
USDA Pooled Project	2,404,633	0	(59,794)	2,344,839	63,960
Glenwood	1,323,467	0	(15,014)	1,308,453	16,422
Ebey Arms	1,089,500	0	0	1,089,500	0
Pacific Crest	0	0	0	0	0
Total Notes Payable	$ 6,128,939	0	(107,978)	$ 6,020,961	

The Authority has not calculated an estimate of the annual requirements to amortize the notes payable outstanding as of June 30, 2015, because future events could trigger changes in interest rates which would affect the amount of interest and the amortizing balances, as previously described.

C. Loans Payable

The Authority also has a number of other debt obligations that are most appropriately categorized as loans payable. In general these loans were entered into to take advantage of favorable loan or grant agreements. A summary totaling $18,007,690 as of 6/30/2015 is listed in the attached schedule, and a more detailed description of these loans follows:

Detailed Description:

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

a. $500,000 is a deferred loan that incurs simple interest at 1% per year. Both the principal and interest are deferred and will be forgiven on December 31, 2035 if the Authority has complied with the affordable housing conditions outlined in the agreement. If the property is sold, the deferred amounts become due and payable. The deferred portion of this loan increased by $5,000 in fiscal year 2015. The outstanding principal and deferred interest balance is $600,000. The Authority has complied with all the provisions of the agreement.

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

c. The final $168,000 portion of the loan is a 1% loan to be amortized over 40 years with annual payments of principal and interest in the amount of $5,098 due each December 31. All payments have been made on this portion of the loan. The current outstanding principal balance is $92,360.

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

(3) Center House: The Authority entered into a contract with the Washington State Department of Community Development in August of 1991 in the amount of $389,000 to provide funds to assist with the construction and development of the Centerhouse Apartments. This note was re-negotiated with the State and the County which will alter the terms of repayment. An additional $100,000 was awarded in April of 2013 but was not received until December of 2013. Quarterly principal payments of $5,093.75 are due beginning March 31, 2017 through September 30, 2037, with the final principal payment of $66,218.75 due on or before December 31st, 2037.

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

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

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

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

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

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

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

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

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

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

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

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

(8) Olympic/Sound View: The Housing Authority entered into a loan agreement with Snohomish County in the amount of $772,500 to provide funding for the retirement of bridge financing used by the agency to acquire the property. The loan is a zero percent loan and is payable in full no later than December 31, 2048.

(9) Olympic/Sound View: The Housing Authority entered into a loan agreement with the State of Washington, Department of Community Trade and Economic Development in the amount of $2,000,000 to provide a portion of the funding for the acquisition and rehab of the apartment buildings located in Edmonds, Washington. The loan bears interest of 1% compounded quarterly, however no interest will begin to accrue until January 31, 2009. Payment on the loan shall be deferred until January 31, 2023. Quarterly payments in the amount of $25,000 shall begin on January 31, 2023. The full remaining principal balance and any accrued but unpaid interest shall be due and payable no later than December 31, 2048.

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

a. The Housing Authority entered into a recoverable grant agreement with the Washington State Department of Community Development (contract # 09-94100-027), in the amount of $950,000.

There is no expectation that the grant will be repaid, however if the terms and conditions of the grant agreement are not met, or if the property is sold, transferred, refinanced, or if the use changes over the 50 year term of the grant, the grant and a share of the appreciated value becomes due and payable to the State Housing Trust Fund. The first draw on these funds was made in April of 2010. The current outstanding balance as of June 30, 2015 is $950,000. The termination date of the agreement is June 30, 2061.

b. The Authority entered into a HOME loan agreement with Snohomish County (contract # HCD 10-42-1003-113), for $ 494,933 for a term of 40 years, The loan is a zero percent deferred loan that requires no interest or principal payments for 40 years. After 40 years the entire loan shall be forgiven provided that the Housing Authority has fully complied with the provisions of the HOME agreement and promissory note. The current outstanding balance as of June 30, 2015 is $494,933.

(11) Tall Firs: The Housing Authority entered into two agreements to provide funding for the transfer of Tall Firs Apartments from Senior Services of Snohomish County to the Housing Authority on June 18, 2015. The loans are outlined below:

a. The Housing Authority entered into a recoverable grant agreement with the Washington State Department of Commerce (contract # 13-94110-019), in the amount of $2,600,000. This recoverable grant was received to provide a portion of the funds to acquire the Tall Firs Apartments, a 40-unit apartment project located in Mountlake Terrace, and to provide additional funds to assist with the rehabilitation of the project. The recoverable grant is a 0% deferred loan with a 40-year term. There is no expectation that the recoverable grant will be repaid as long as the terms and conditions of the grant agreement are met.

The recoverable grant is subject to repayment if the property is sold, transferred, refinanced, or the use changes over the 40-year term of the grant, the grant and a share of the appreciated value becomes due and payable to the State Housing Trust Fund. The first draw on this recoverable grant was made in June of 2015 in the amount of $541,479, which is also the outstanding amount as of June 30, 2015.

b. The Housing Authority entered into a 0% interest deferred loan with Snohomish County in June of 2015 (HCS-15-11-1403-113) using local AHTF funds in the amount of $1,500,000. The loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years entire loan shall be forgiven provided that the Housing Authority has fully complied with the provisions of the AHTF agreement and promissory note. The outstanding balance of this loan agreement is $1,500,000 as of June 30, 2015

(12) Glenwood: The Housing Authority entered into two agreements to provide funding for the rehabilitation of 46 units of housing at the Glenwood Apartments in Lake Stevens, Washington. The loans are outlined below:

a. The Authority entered into a HOME loan agreement with Snohomish County in July of 2014 (contract # HCS-13-42-1302-113), for $ 536,754 for a term of 40 years. The loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years entire loan shall be forgiven provided that the Housing Authority has fully complied with the provisions of the HOME agreement and promissory note.

b. The Housing Authority entered into a 0% interest deferred loan with Snohomish County in July of 2014 (HCS-13-11-1303-113) using local AHTF funds in the amount of $323,246. The loan is a deferred loan that requires no interest or principal payments for 40 years. After 40 years entire loan shall be forgiven provided that the Housing Authority has fully complied with the provisions of the AHTF agreement and promissory note. The outstanding balance of this loan agreement is $174,668 as of June 30, 2015.

The Authority has not calculated an estimate of the annual requirements to amortize the loans payable outstanding as of June 30, 2015, because as previously described, the unique characteristics of the loans, such as deferral of principal and interest etc., effectively make these loans non-amortizing and at the time they come due they will likely be forgiven.

Summary of total outstanding long term debt:

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

Bonds Payable, net of unamortized discounts	$ 70,240,888
Notes Payable	6,020,961
Loans Payable	18,007,690
Total Long Term Debt	$ 94,269,539
Current Portion of Long Term Debt	$ 4,306,380
Non Current Portion of Long Term Debt	89,963,159
Total Long Term Debt	$ 94,269,539

NOTE 6 - DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

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

The effect this year of this accounting requirement is that the value of the hedging instruments is shown as a deferred outflow of resources as well as a deferred inflow of resources on the Statement of Net Position in the amount of $2,692,882. Because the hedging instruments were determined to be effective, and this accounting treatment was applied, there is no effect on the net position, or equity balances of the Housing Authority. The remaining disclosures provide additional required information about our hedging instruments.

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

Description	Changes in Fair Value Classification	Changes in Fair Value Amount	Fair Value at June 30, 2015 Classification	Fair Value at June 30, 2015 Amount	Notional Amount
Housing Authority Bond Issue					
Cash Flow Hedge					
Pay Fixed interest rate swap	Deferred outflow	(73,776)	Debt	(1,712,157)	7,535,000
Pay Fixed interest rate swap	Deferred outflow	330,440	Debt	(81,534)	10,425,000
Component Unit Swap Obligation - Conduit Bond Issue					
Cash Flow Hedge					
Pay Fixed interest rate swap	Deferred outflow	(70,477)	Debt	(899,191)	5,325,000
				(2,692,882)	

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

Terms, Fair Value, and Credit Risk: The terms, fair values, and credit ratings, of the outstanding swap agreements as of June 30, 2015 are described below.

Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Rating
Housing Authority Bond Issue						
Pay Fixed	Hedge of changes in cash	6,305,000	5/1/2004	12/1/2034	Pay weighted average	A2/A/A+
Interest Rate	flows on 2003 variable rate	1,230,000	5/1/2004	12/1/2034	of 3.98% receive 70%	
Receive Variable	Revenue and Refunding bonds	7,535,000			of LIBOR	
Pay Fixed	Hedge of changes in cash				Pay fixed of	
Interest Rate	flows on 2005 variable	10,425,000	9/9/2005	9/1/2015	3.325% receive SIFMA	Aa3/A+/AA-
Receive Variable	rate Revenue bonds				Muni Swap Index Rate	
Component Unit Swap Obligation - Conduit Bond Issue						
Pay Fixed	Hedge of changes in cash				Pay fixed of	
Interest Rate	flows on 2007 variable	5,325,000	10/31/2007	11/1/2024	3.895% receive 70%	A2/A/A+
Receive Variable	rate Revenue bonds				of LIBOR	

Credit Risk: Is the risk that the counterparty will not fulfill its obligations under the contract. As of June 30, 2015 the negative fair values of the agreements may be countered by reductions in the total interest payments required under the variable rated bonds, creating lower synthetic rates. It is the Housing Authority's policy, that at the time of entering into any payment agreements, that the counterparty must carry a rating from at least two nationally recognized credit rating agencies as of the date of execution of the agreement, that is within the two highest long term investment grade rating categories, or that the counterparty must carry a rating from at least two nationally recognized credit rating agencies as of the date of execution of the agreement, that is within the three highest long term investment grade rating categories and that the payment obligations of the other party under the agreement are collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States government that are deposited with the governmental entity or an agent of the governmental entity and maintain a market value of not less than 102% of the net market value of the payment agreement to the Authority.

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

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

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

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

Swap Payments and Associated Debt: As rates vary, interest payments and net swap payments will also vary. As of June 30, 2015, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for the life of the bonds, were as follows:

FY	Principal	Interest	Total Prin and Int	Interest Rate Swap (net)	Total
2016	675,000	848,873	1,523,873	(57,282)	1,466,591
2017	700,000	823,852	1,523,852	(55,460)	1,468,392
2018	730,000	797,739	1,527,739	(53,552)	1,474,187
2019	770,000	770,534	1,540,534	(51,569)	1,488,966
2020	795,000	742,108	1,537,108	(49,495)	1,487,613
2021 - 2025	4,555,000	3,238,343	7,793,343	(213,013)	7,580,330
2026 - 2030	5,660,000	2,311,965	7,971,965	(145,529)	7,826,436
2031 - 2035	7,040,000	1,159,817	8,199,817	(61,653)	8,138,164
2036 - 2040	2,415,000	148,002	2,563,002	(1,753)	2,561,249

NOTE 7 - COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. The total accumulated annual leave, including vacation and sick leave, is accrued as an expense and a corresponding liability. Employees earn annual leave at rates ranging from 15 days per year for the first year to 31 days per year for eighteen years or more. Forty (40) hours of leave can be accumulated each year and carried forward up to a maximum of 240 hours. Upon termination, employees will be paid for all unused annual leave up to a maximum of 240 hours. As of year-end the liability for accumulated leave was calculated at $392,606 based on the number of accumulated hours and employee rates of pay.

NOTE 8 - TAX CREDIT PARTNERSHIPS

As of June 30th, 2015, the Authority is the General Partner in two (2) partnerships to administer affordable housing with low income tax credits allocated by the Washington State Housing Finance Commission. The partnership is a separate legal entity that meets the requirement of GASB Statement 14 to be treated as part of the agency's reporting entity. The partnership meets the criteria of "imposition of will" and "financial benefit/burden", and therefore, meets the criteria of a component unit and is part of the reporting entity.

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

Following is a brief description of each partnership:

Jackson House at Pacific Crest LLLP

The Authority is the general partner and .01% owner of the Jackson House at Pacific Crest Limited Liability Limited Partnership. The Partnership was formed in July of 2013 to acquire, rehabilitate, and operate the Jackson House at Pacific Crest Apartments LLLP, a 120-unit apartment complex located in Everett, Washington, now doing business as the Jackson House Apartments. The project is 99.99% owned by the Boston Capital Corporate Tax Credit Fund XXXVII.

In order to finance the purchase the Housing Authority issued a bond in the amount of $9.2 million. The proceeds of the bond issue were then loaned to the partnership under the terms of a loan and regulatory agreement, which the partnership used, as part of the funds to purchase the property. The Authority also issued and loaned the partnership, under the terms of a bridge loan disbursement agreement, a temporary bridge loan of up to $5.3 million. The bridge loan was to provide additional funds for acquisition and rehabilitation of the project. In addition to the bond and the bridge loan, the Authority also provided seller financing in the form of a surplus cash promissory note of up to $4,325,000.

These bonds and notes provided the necessary security for the partnership to issue an FHA 223(f) bond in the amount of $7,729,800, secured solely by the rent revenue generated by the property. The proceeds of the FHA bond, along with the other funding sources described above, provided the partnership the resources to acquire the project from the Authority and make a $9,200,000 deposit into a cash collateral bank account in order to secure the bond financing during the rehabilitation of the project.

The acquisition occurred through a financing lease agreement, which is treated as a sale, since capitalized lease payments of $12.1 million were received as of the date of the agreement. Of this amount $8,790,000 was received in cash with the remainder being provided as seller financing payable via a surplus cash promissory note. The lease agreement is for 99 years and expires December 31, 2111.

On October 1st, 2014, the Jackson House at Pacific Crest LLLP, substantially completed the rehabilitation of the project. This enabled the partnership to utilize their cash collateral account in the amount of $9.2 million and redeem the $9.2 million Jackson House Bank Note issued in July of 2013. The Authority had issued this note and loaned the proceeds to the partnership under the terms of a loan and regulatory agreement. This effectively decreased the Authority’s outstanding debt balance by $9.2 million as well as eliminated the corresponding receivable from the Partnership.

On June 3, 2015, Boston Capital made a tax-credit equity pay-in of $5,402,966. A portion of those funds were used to payoff the $4,386,531 bridge loan used for rehabilitation of the project. In conjunction with the equity pay-in, $658,635 was drawn on the HASCO seller financing loan, for a total of just under $4 million. This loan earns 6.16% simple interest and will be paid from the property’s residual cash flow. The balance of the funds were used to establish a property Operating Reserve and pay $740,100 toward the $2 million development fee that the Housing Authority has earned as general partner of the project. The project is expected to generate equity of approximately $5,489,628 through the sale of the low-income tax credits.

Olympic and Sound View, LLC

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

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

Upon completion of the project rehab the General Partner is entitled to a development fee for development services rendered in connection with the acquisition and rehabilitation. The managing member is entitled to a developer fee of $1,200,000 for development services rendered in connection with acquisition and rehabilitation of the project. The limited liability company issued a note to the managing member which bears interest at 8%. Payments on the note are to be made from excess project cash flow. As of December 31st, 2014 the principal amount due on the note is $645,000. The project expects to generate $4,038,701 in low-income tax credits. At the end of the tax credit compliance period, the Authority has an option to purchase the complex from the partnership.

Summary information for each partnership as of December 31, 2014 is outlined below. This information is summarized and presented in the same format as those audits are presented. No adjustments in the presentation formats were made to provide similarity with the Authority's financial statement presentation.

Condensed Balance Sheet	**Jackson House**	**Olympic & Sound View**
Current Assets	161,451	489,110
Restricted Assets	172,962	0
Property, Buildings, & Equipment (net)	16,582,129	10,057,765
Other Assets (net)	399,184	142,986
Total Assets	17,315,726	10,689,861
Current Liabilities	504,954	328,199
Bonds Payable (net of discount)	7,574,299	5,380,000
Other Long Term Liabilities	10,275,827	4,346,117
Partner' Equity	(1,039,354)	635,545
Total Liabilities and Equity	17,315,726	10,689,861
Condensed Income Statement		
Operating Revenues	1,085,539	946,128
Operating Expenses	(576,064)	(421,886)
Operating Income (Loss)	509,475	524,242
Interest Expense	(525,976)	(290,090)
Depreciation/Amort. Expense	(557,540)	(417,943)
Other Non-Operating Expenses	(227,507)	(354,419)
Non-Operating Revenues & Expenses	(1,311,023)	(1,062,452)
Net Income (Loss)	(801,548)	(538,210)

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

NOTE 9 - RISK MANAGEMENT

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

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

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

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

HARRP self insures the full layer of coverage for liability lines, $2,000,000 per occurrence and $2,000,000 annual aggregate. There is no purchased reinsurance above this limit. For property, HARRP retains $2,000,000 and purchases $63,000,000 of reinsurance above this limit, in excess property coverage for a combined total of $65,000,000. The HARRP Board of Directors determines the limits and coverage terms, in its sole discretion. All prior losses have been covered by insurance. There have been no settlements in the past that have exceeded our insurance coverage's.

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

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

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

NOTE 10 – CONTINGENT LIABILITIES

The Housing Authority owns and operates 3 manufactured home parks which serve as an affordable housing option for residents of the County. To further enhance affordability of the manufactured homes the Authority has worked with a local lender who provides 30 year mortgage financing to the homeowners. Thirty year financing is typically not available to manufactured home purchasers, which makes these loans more affordable. Because the homeowners do not own the land the Authority has provided guaranties to the lender to cure any loan deficiencies and resell the homes if a homeowner defaults on their mortgage. The Authority and the lender currently have agreed to 50 such loans which total $3,039,688. The Authority works with the lender and monitors these loans for any delinquencies and works with homeowners and the lender to resolve issues that arise.

NOTE 11 – OTHER NON-OPERATING EXPENSES

As mentioned in Loans Payable, above, the Housing Authority acquired Tall Firs Apartments from Senior Services of Snohomish County in a transfer to the Authority on June 18, 2015. Due to the debt structure in place when the Housing Authority took over ownership, the total debt was in excess of the value of the land and building. The Authority booked an $811,805 loss on purchase in order to account for this excess. Two deferred, 40-year forgivable loans make up a large portion of this debt which is not expected to be repaid if the terms and conditions of the grant agreement are met.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was identified in the amount of $101,274. This adjustment was to correct an error in fiscal year 2014 where assets were expensed rather than capitalized.

NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The Authority implemented the provisions of Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, of the Governmental Accounting Standards Board (GASB) for the fiscal year ended June 30, 2015. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. It was necessary to adjust our beginning equity by $3,482,372 and to book a net pension liability of $2,626,099 due to implementing GASB Statement No. 68. This Statement is effective for fiscal years beginning after June 15, 2014.

NOTE 14 – ALLIANCE FOR AFFORDABLE HOUSING

The Housing Authority entered into an Interlocal Cooperation Agreement for inter-jurisdictional coordination relating to affordable housing within Snohomish County along with the cities of Edmonds, Everett, Granite Falls, Lake Stevens, Lynnwood, Marysville, Mill Creek, Mountlake Terrace, Mukilteo, and Snohomish, the town of Woodway, and Snohomish County, referred to as the Alliance for Housing Affordability. The Parties have a common goal to facilitate the availability of housing within Snohomish County and to provide a common foundation for housing policies and programs in Snohomish County. The purpose of the Agreement is to create a venue for the Parties to undertake planning, cooperation and education in support of the goal of enhancing the supply of affordable housing in Snohomish County. The original Agreement became effective in July, 2013 and was extended through June 30, 2017. It can be extended in two year increments prior to March 31st of the final year of each term.

City of Mountlake Terrace is the Fiscal Agent and the Housing Authority is the Administrative Agent. Funding for the Alliance's one full-time professional comes from contributions from each of the cities and the County, as well as funding from Gates Foundation grants. The Housing Authority committed to provide modest staffing and an administrative base to support the Alliance. Although the Authority is providing minimal staff support for the committee, the Alliance is not a Housing Authority project. The Housing is reimbursed for its costs in providing the services required as Administrative Agency, which include providing qualified staffing for technical and administrative services.

NOTE 15 – SUBSEQUENT EVENTS

The Board of Commissioners approved Resolution No. 2166 on July 21, 2015 for the early redemption of the outstanding bonds for Whispering Pines. On September 1, 2015, the Housing Authority called $6,095,000 in Whispering Pines bonds outstanding from the 2005 bond issue. The bonds were redeemed early due to a weighted average coupon rate of 5.664%, for a potential interest savings of $2,997,555 over the remaining 15-year life of the bonds.

Schedules of Required Supplementary Information

SCHEDULE OF THE HOUSING AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Pension Plans

Last 10 Fiscal Years*

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year and were presented for the years where data was available.

PERS # 1	**2014**	**2013**
Housing Authority's proportion of the net pension liability (asset)	0.035012%	0.035353%
Housing Authority's proportionate share of the net pension liability (asset)	1,763,746	2,065,766
Housing Authority's covered-employee payroll	92,396	164,017
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1908.90%	1259.48%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	

PERS # 2/3	**2014**	**2013**
Housing Authority's proportion of the net pension liability (asset)	0.042662%	0.041156%
Housing Authority's proportionate share of the net pension liability (asset)	862,353	1,757,367
Housing Authority's covered-employee payroll	3,634,592	3,403,287
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.73%	51.64%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	

SCHEDULE OF THE HOUSING AUTHORITY CONTRIBUTIONS

Pension Plans

Last 10 Fiscal Years*

PERS # 1	2014	2013
Contractually required contribution	154,975.30	91,685.53
Contributions in relation to the contractually required contribution	(154,975.30)	(91,685.53)
Contribution deficiency (excess}	-	-
Housing Authority's covered-employee payroll	92,396	164,017
Contributions as a percentage of covered-employee payroll	167.73%	55.90%

PERS # 2/3	2014	2013
Contractually required contribution	180,219.52	159,708.10
Contributions in relation to the contractually required contribution	(180,219.52)	(159,708.10)
Contribution deficiency (excess}	-	-
Housing Authority's covered-employee payroll	3,634,592	3,403,287
Contributions as a percentage of covered-employee payroll	4.96%	4.69%

Notes to Required Supplementary Information

for the Year Ended June 30, 2015

Changes of benefit terms: There were no changes in the benefit terms for the Pension Plans.

Changes of assumptions: There were no changes in the assumptions for the Pension Plans.

Schedule to Pension Note

For the year ended June 30, 2015, the Housing Authority recognized pension expense of $248,638. At June 30, 2015, the Housing Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PERS # 1 Deferred Outflows of Resources	PERS # 2 & 3 Deferred Outflows of Resources	PERS # 1 Deferred Inflows of Resources	PERS # 2 & 3 Deferred Inflows of Resources
Differences between expected and actual experience	-	-	-	0
Changes of assumptions	-	-	-	0
Net difference between projected and actual earnings on pension plan investments	-	-	220,547	914,102
Changes in proportion and differences between Housing Authority contributions and proportionate share of contributions	-	50,016	-	-
District contributions subsequent to the measurement date	155,572	189,479	-	-
Total	155,572	239,495	220,547	914,102

$395,067 reported as deferred outflows of resources related to pensions resulting from Housing Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Differences Between Projected and Actual Earnings on Plan Investments

Year ended June 30:	Deferred Inflows of Resources for PERS # 1	Deferred Inflows of Resources for PERS # 2 & 3
2015	(55,137)	(228,526)
2016	(55,137)	(228,525)
2017	(55,137)	(228,525)
2018	(55,137)	(228,525)

Differences between Proportion Share

Year ended June 30:	Deferred Outflows of Resources for PERS # 1	Deferred Outflows of Resources for PERS # 2 & 3
2015	-	(14,290)
2016	-	(14,290)
2017	-	(14,290)
2018	-	(7,145)

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent total economic inflation; 3.75 percent salary inflation
Salary increases	In addition to the base 3.75 percent salary inflation assumption, salaries are also
Investment rate of return	7.5 percent

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience of Office of the State Actuary (OSA) 2007-2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	20.00%	0.80%
Tangible Assets	5.00%	4.10%
Real estate	15.00%	5.30%
Global equity	37.00%	6.05%
Private equity	23.00%	9.05%
Commodities	0.00%	
Cash	0.00%	
Total	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent for all the plans. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent was used to determine the total liability.

Sensitivity of NPL: The table below presents the net pension liability of employers, calculated using the discount rate of 7.50 percent as well as what employers' net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

Discount Rate Sensitivity
Employers' Net Pension Liability

Pension Trust	1% Decrease (6.5%)	Current Discount Rate (7.50%)	1% Increase (8.5%)
PERS 1	2,173,990	1,763,746	1,411,592
PERS 2/3	3,597,059	862,353	(1,226,454)
	5,771,049	2,626,099	185,139

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued DRS financial report.

Housing Authority of Snohomish County
Schedule of Expenditures of Federal Awards
For Fiscal Year Ending June 30, 2015

Federal Agency Name/Pass-Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	Direct Fund Amount	Total Current Year Funds Expended	Debt Liability Balance
Rural Housing Service, Department of Agriculture	Rural Rental Housing Loan	10.415	946873888	**304,701**	304,701	3,653,292
Department of Agriculture Subtotal				**304,701**	**304,701**	
HUD	Section 8 New Construction & Substantial Rehabilitation	14.182	WA19-R000-003	**225,834**	225,834	
HUD / Snohomish County	Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-530003	**15,809**	15,809	
Office of Public and Indian Housing, Department of Housing and Urban Development	Public and Indian Housing	14.850	WA039-00100113D	**453,656**	453,656	
Office of Public and Indian Housing, Department of Housing and Urban Development	Section 8 Housing Choice Vouchers	14.871	WA039VO0161	**30,872,457**	30,872,457	
Office of Public and Indian Housing, Department of Housing and Urban Development	Public Housing Capital Fund	14.872	WA19P039501-14	**3,724**		
Office of Public and Indian Housing, Department of Housing and Urban Development	Public Housing Capital Fund	14.872	WA19P039501-13	**177,623**		
Office of Public and Indian Housing, Department of Housing and Urban Development	Public Housing Capital Fund	14.872	WA19P039501-12	**181,601**	362,948	
Housing and Urban Development Subtotal				**31,930,704**	**31,930,704**	
Totals				**32,235,405**	**32,235,405**	

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

Housing Authority of Snohomish County
Notes to the Schedule of Expenditures of Federal Awards
For Fiscal Year Ending June 30, 2015

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - PROGRAM COSTS

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

NOTE 3 - FEDERAL LOANS

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

NOTE 4 - EXPENDITURES

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

Housing Authority of Snohomish County
Schedule of Liabilities
For Fiscal Year Ending June 30, 2015

Debt Type ID No.	Description	Issue Date	Interest Rate - %	Maturity	Beginning Balance	Additions	Reductions	Ending Balance
Revenue Bonds Payable								
Conduit Bond Issues								
263.92	SAHG Refunding Revenue Bond	05/13	3.875	6/1/2033	2,791,163	-	(53,029)	2,738,134
263.92	Housing Hope Avondale Village Project	11/05	6.00 - 7.00	11/1/2036	794,975	-	(12,050)	782,925
263.92	Olympic and Sound View LLC	11/07	Variable Rate w/Swap Hedge	12/1/2037	5,515,000	-	(135,000)	5,380,000
263.92	Jackson House at Pacific Crest LLLP Bank Note	07/13	Variable Rate LIBOR		9,200,000	-	(9,200,000)	-
263.92	Jackson House at Pacific Crest LLLP Bridge Loan	07/13	Variable Rate LIBOR		4,386,531		(4,386,531)	-
	Total Bonds Payable -- HA Financed Projects:				**22,687,669**	**-**	**(13,786,610)**	**8,901,059**
Housing Authority Owned Projects							-	
252.11	Woodlake/Fairview Bonds	11/99	6.20 - 6.30		1,905,000		(1,905,000)	-
252.11	Woodlake and Fairview Refunding Revenue Note	03/15	3.625	4/1/2030	-	1,230,000	(10,322)	1,219,678
252.11	Ebey Arms Revenue Bonds, Center House, Raintree Village and Valley Commons Refunding Bonds	11/03	Variable Rate w/Swap Hedge	11/1/2034	7,755,000	-	(220,000)	7,535,000
252.11	Autumn Chase Bonds	09/05	Variable Rate w/Swap Hedge	7/1/2036	10,710,000	-	(285,000)	10,425,000
252.11	Whispering Pines Bonds	12/05	4.75 - 5.75	9/1/2030	6,330,000	-	(235,000)	6,095,000
252.11	Westwood Crossing Bonds	05/07	5.25	11/1/2037	4,230,000	-	(100,000)	4,130,000
252.11	Squire/Kingsbury Mobile Home Park	05/07	4.40 - 4.50	10/1/2037	3,570,000	-	(90,000)	3,480,000
252.11	Bristol Square FNMA Bond (Taxable)	04/11	5.8	6/21/2021	5,183,768	-	(70,432)	5,113,336
252.11	USDA Pooled Project - Banner Bank	04/12	4	4/1/2027	2,390,567	-	(146,706)	2,243,861
252.11	Millwood Estates (FNMA Note)	12/12	2.61	1/1/2023	8,751,832	-	(928,173)	7,823,659
252.11	Edmonds Highlands Bonds	12/12	1.00 - 3.25		9,770,000	-	(245,000)	9,525,000
252.11	Tall Firs WSHFC Nonprofit Revenue Bonds	07/10	3.000 - 5.125		-	2,850,000		2,850,000
263.92	Bank of America - General Line of Credit			3/19/2017	-	1,134,704	-	1,134,704
	Total Bonds Payable -- Housing Authority Projects:				**60,596,167**	**5,214,704**	**(4,235,633)**	**61,575,238**
	TOTAL BONDS PAYABLE				**83,283,836**	**5,214,704**	**(18,022,243)**	**70,476,297**
	Less: Total Unamortized Bond Discounts				**(263,554)**	**-**	**28,145**	**(235,409)**
	TOTAL BONDS PAYABLE (Net of Unamortized Discounts)				**83,020,282**	**5,214,704**	**(17,994,098)**	**70,240,888**

Debt Type	ID No.	Description	Issue Date	Interest Rate - %	Maturity	Beginning Balance	Additions	Reductions	Ending Balance
Notes Payable									
	263.62	Craigmont - USDA Note	11/92	1.00 - 7.75	11/1/2032	1,311,339		(33,170)	1,278,169
	263.62	USDA Pooled Project - USDA Note	04/96	1.00 - 6.75	4/1/2036	2,404,633		(59,794)	2,344,839
	263.62	Glenwood - USDA Note	04/89	1.00 - 9.00	4/1/2039	1,323,467	-	(15,014)	1,308,453
	263.62	Ebey Arms - Wash. State CTED Note	11/03	1.00	11/30/2043	1,089,500	-	-	1,089,500
					Total Notes Payable:	**6,128,939**	**-**	**(107,978)**	**6,020,961**
Loans Payable									
	263.82	Thomas Lake	12/94	1.00	12/31/2034	691,512	5,000	(4,152)	692,360
	263.82	AIDS Housing		Deferred		220,150	-	-	220,150
	263.82	Center House State Dept of Commerce HTF	04/13	Deferred	12/31/2037	489,000	-	-	489,000
	263.82	Autumn Leaf	01/06	Deferred	12/31/2045	500,000	-	-	500,000
	263.82	Autumn Leaf	01/06	Deferred	12/31/2045	309,535	-	-	309,535
	263.82	Squire/Kingsbury	04/07	0	12/31/2057	3,500,000	-	-	3,500,000
	263.82	Squire/Kingsbury	07/07	Deferred		392,938	-	-	392,938
	263.82	Squire/Kingsbury	09/07	Deferred		625,113	-	-	625,113
	263.82	Squire/Kingsbury	06/08	Deferred		1,000,000	-	-	1,000,000
	263.82	Squire/Kingsbury	01/09	Deferred		558,260	-	-	558,260
	263.82	Fairview II State Dept of Commerce HTF	09/07	Deferred	12/31/2047	850,000	-	-	850,000
	263.82	East Terrace III	09/07	Deferred		750,000	-	-	750,000
	263.82	East Terrace III	09/07	Deferred		1,150,000			1,150,000
	263.82	Olympic/Sound View Snohomish County HTF	10/07	Deferred	12/31/2048	772,500	-	-	772,500
	263.82	Olympic/Sound View State Dept of Commerce HOME	10/07	Deferred	12/31/2048	2,000,000	-	-	2,000,000
	263.82	Fairview Rehab State Dept of Commerce HTF	03/10	Deferred	6/30/2061	950,000	-	-	950,000
	263.82	Fairview Rehab Snohomish County HOME	05/11	Deferred	6/30/2051	494,933	-	-	494,933
	263.82	Tall Firs Wa State Dept of Commerce HTF	06/15	Deferred	6/17/2055	-	541,479	-	541,479
	263.82	Tall Firs Snohomish County Affordable HTF	06/15	Deferred	6/15/2055	-	1,500,000	-	1,500,000
	263.82	Glenwood Snohomish County Affordable HTF	07/14	Deferred	7/31/2054	-	174,668	-	174,668
	263.82	Glenwood County HOME funds	07/14	Deferred	7/31/2054	-	536,754	-	536,754
					Total Loans Payable:	**15,253,941**	**2,757,901**	**(4,152)**	**18,007,690**
					Total Outstanding Long Term Debt:	104,403,162	7,972,605	(18,106,228)	**94,269,539**

Housing Authority of Snohomish County (WA039)

EVERETT, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2015

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	$360,156		$2,383,840	$41,307	$517,237	$703,547	$476,856	$111,929	$15,184,078	$767,401	$20,546,351		$20,546,351
112 Cash - Restricted - Modernization and Development													
113 Cash - Other Restricted					$84,574	$29,743			$1,796,845		$1,911,162		$1,911,162
114 Cash - Tenant Security Deposits	$35,449		$52,794			$59,732	$19,231		$475,109		$642,315		$642,315
115 Cash - Restricted for Payment of Current Liabilities													
100 Total Cash	$395,605	$0	$2,436,634	$41,307	$601,811	$793,022	$496,087	$111,929	$17,456,032	$767,401	$23,099,828	$0	$23,099,828
121 Accounts Receivable - PHA Projects													
122 Accounts Receivable - HUD Other Projects													
124 Accounts Receivable - Other Government			$76,879	$2,047	$9,979				$11,744		$100,649		$100,649
125 Accounts Receivable - Miscellaneous									$1,701,047		$1,701,047	($1,605,107)	$95,940
126 Accounts Receivable - Tenants	$16,737		$8,697		$3,962	$2,920	$1,584		$54,636		$88,536		$88,536
126.1 Allowance for Doubtful Accounts -Tenants	($4,710)		($2,716)		($2,691)	$0	($1,187)		($6,412)		($17,716)		($17,716)
126.2 Allowance for Doubtful Accounts - Other			$0	$0	$0				$0		$0		$0
127 Notes, Loans, & Mortgages Receivable - Current								$3,811	$222,282		$226,093		$226,093
128 Fraud Recovery													
128.1 Allowance for Doubtful Accounts - Fraud													
129 Accrued Interest Receivable									$301		$301		$301
120 Total Receivables, Net of Allowances for Doubtful Accounts	$12,027	$0	$82,860	$2,047	$11,250	$2,920	$397	$3,811	$1,983,598	$0	$2,098,910	($1,605,107)	$493,803
131 Investments - Unrestricted									$2,238,651		$2,238,651		$2,238,651
132 Investments - Restricted													
135 Investments - Restricted for Payment of Current Liability													
142 Prepaid Expenses and Other Assets	$9,253		$7,235		$8,452	$27,581	$2,675		$83,854	$3,441	$142,491		$142,491
143 Inventories													
143.1 Allowance for Obsolete Inventories													
144 Inter Program Due From													
145 Assets Held for Sale													
150 Total Current Assets	$416,885	$0	$2,526,729	$43,354	$621,513	$823,523	$499,159	$115,740	$21,762,135	$770,842	$27,579,880	($1,605,107)	$25,974,773
161 Land	$1,424,327		$2,756,689			$2,074,667	$950,128		$21,434,875		$28,640,686		$28,640,686
162 Buildings	$14,870,914		$5,900,819			$27,734,903	$3,966,395		$63,837,414		$116,310,445		$116,310,445
163 Furniture, Equipment & Machinery - Dwellings	$14,511		$6,991			$657,038			$1,883,236		$2,561,776		$2,561,776
164 Furniture, Equipment & Machinery - Administration			$61,180						$647,172		$708,352		$708,352
165 Leasehold Improvements	$1,255,900		$289,894				$173,324		$4,080,726		$5,799,844		$5,799,844
166 Accumulated Depreciation	($10,173,258)		($2,887,553)			($3,826,714)	($1,732,421)		($23,346,720)		($41,966,666)		($41,966,666)
167 Construction in Progress	$284,707		$113,485				$53,916		$647,695		$1,099,803		$1,099,803
168 Infrastructure									$1,225,000		$1,225,000		$1,225,000
160 Total Capital Assets, Net of Accumulated Depreciation	$7,677,101	$0	$6,241,505	$0	$0	$26,639,894	$3,411,342	$0	$70,409,398	$0	$114,379,240	$0	$114,379,240
171 Notes, Loans and Mortgages Receivable - Non-Current								$580,154	$8,901,346		$9,481,500		$9,481,500
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due													
173 Grants Receivable - Non Current													
174 Other Assets			$82,419			$542,170	$42,756		$595,412		$1,262,757		$1,262,757
176 Investments in Joint Ventures									$14,228,487		$14,228,487		$14,228,487
180 Total Non-Current Assets	$7,677,101	$0	$6,323,924	$0	$0	$27,182,064	$3,454,098	$580,154	$94,134,643	$0	$139,351,984	$0	$139,351,984
200 Deferred Outflow of Resources									$2,692,882	$395,067	$3,087,949		$3,087,949
290 Total Assets and Deferred Outflow of Resources	$8,093,986	$0	$8,850,653	$43,354	$621,513	$28,005,587	$3,953,257	$695,894	$118,589,660	$1,165,909	$170,019,813	($1,605,107)	$168,414,706
311 Bank Overdraft													
312 Accounts Payable <= 90 Days	$11,582		$65,687	$35	$1,406	$28,340	$2,092		$60,096	$1,304	$170,542		$170,542
313 Accounts Payable >90 Days Past Due													
321 Accrued Wage/Payroll Taxes Payable									$51,104		$51,104		$51,104

Housing Authority of Snohomish County (WA039)

EVERETT, WA

Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2015

322 Accrued Compensated Absences - Current Portion	$31,032		$28,548	$2,732	$61,044		$10,951		$112,085	$78,324	$324,716		$324,716
324 Accrued Contingency Liability													
325 Accrued Interest Payable						$683,482			$291,373		$974,855		$974,855
331 Accounts Payable - HUD PHA Programs						$0					$0		$0
332 Account Payable - PHA Projects													
333 Accounts Payable - Other Government	$12,622										$12,622		$12,622
341 Tenant Security Deposits	$35,697		$52,640			$59,732	$19,205		$476,903		$644,177		$644,177
342 Unearned Revenue						$12,952			$31,906		$44,858		$44,858
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			$232,560			$254,481	$99,090		$3,974,730		$4,560,861		$4,560,861
344 Current Portion of Long-term Debt - Operating Borrowings													
345 Other Current Liabilities									$356,330		$356,330		$356,330
346 Accrued Liabilities - Other	$170,469								$16,818		$187,287		$187,287
347 Inter Program - Due To													
348 Loan Liability - Current			$150,000						$1,455,107		$1,605,107	($1,605,107)	$0
310 Total Current Liabilities	$261,402	$0	$529,435	$2,767	$62,450	$1,038,987	$131,338	$0	$6,826,452	$79,628	$8,932,459	($1,605,107)	$7,327,352
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			$6,376,017			$22,861,164	$4,271,269		$79,315,875		$112,824,325		$112,824,325
352 Long-term Debt, Net of Current - Operating Borrowings													
353 Non-current Liabilities - Other						$4,509,245		$583,965	$7,434,676		$12,527,886		$12,527,886
354 Accrued Compensated Absences - Non Current	$4,586		$2,421	$144	$16,411		$2,412		$23,881	$18,034	$67,889		$67,889
355 Loan Liability - Non Current													
356 FASB 5 Liabilities													
357 Accrued Pension and OPEB Liabilities										$2,626,099	$2,626,099		$2,626,099
350 Total Non-Current Liabilities	$4,586	$0	$6,378,438	$144	$16,411	$27,370,409	$4,273,681	$583,965	$86,774,432	$2,644,133	$128,046,199	$0	$128,046,199
300 Total Liabilities	$265,988	$0	$6,907,873	$2,911	$78,861	$28,409,396	$4,405,019	$583,965	$93,600,884	$2,723,761	$136,978,658	($1,605,107)	$135,373,551
400 Deferred Inflow of Resources									$2,692,882	$1,134,649	$3,827,531		$3,827,531
508.4 Net Investment in Capital Assets	$7,677,101		($367,072)			$3,524,249	($959,017)		($1,207,649)		$8,667,612		$8,667,612
511.4 Restricted Net Position					$84,574	$29,743			$1,796,845		$1,911,162		$1,911,162
512.4 Unrestricted Net Position	$150,897	$0	$2,309,852	$40,443	$458,078	($3,957,801)	$507,255	$111,929	$21,706,698	($2,692,501)	$18,634,850		$18,634,850
513 Total Equity - Net Assets / Position	$7,827,998	$0	$1,942,780	$40,443	$542,652	($403,809)	($451,762)	$111,929	$22,295,894	($2,692,501)	$29,213,624	$0	$29,213,624
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$8,093,986	$0	$8,850,653	$43,354	$621,513	$28,005,587	$3,953,257	$695,894	$118,589,660	$1,165,909	$170,019,813	($1,605,107)	$168,414,706

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

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2015

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.218 Community Development Block Grants/Entitlement Grants	14.871 Housing Choice Vouchers	6.1 Component Unit Discretely Presented	14.182 N/C S/R Section 8 Programs	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$785,392		$671,398			$1,868,369	$531,804		$14,634,270		$18,491,233		$18,491,233
70400 Tenant Revenue - Other	$12,296		$26,075			$110,000	$18,541		$705,376		$872,288		$872,288
70500 Total Tenant Revenue	$797,688	$0	$697,473	$0	$0	$1,978,369	$550,345	$0	$15,339,646	$0	$19,363,521	$0	$19,363,521
70600 HUD PHA Operating Grants	$537,013		$1,067,722	$15,809	$30,872,457		$225,834	$0			$32,718,835		$32,718,835
70610 Capital Grants	$279,591							$0			$279,591		$279,591
70710 Management Fee										$787,462	$787,462	($787,462)	$0
70720 Asset Management Fee										$361,214	$361,214	($361,214)	$0
70730 Book Keeping Fee										$344,113	$344,113	($344,113)	$0
70740 Front Line Service Fee													
70750 Other Fees													
70700 Total Fee Revenue										$1,492,789	$1,492,789	($1,492,789)	$0
70800 Other Government Grants		$304,711						$0	$49,428		$354,139		$354,139
71100 Investment Income - Unrestricted	$263		$2,556	$20	$365	$18,698	$10,888	$64	$367,269	$446	$400,569		$400,569
71200 Mortgage Interest Income									$21,189		$21,189		$21,189
71300 Proceeds from Disposition of Assets Held for Sale													
71310 Cost of Sale of Assets													
71400 Fraud Recovery					$49,286						$49,286		$49,286
71500 Other Revenue	$61,332		$3,925	$451,330	$422,605	$34,600		$44,784	$1,838,585		$2,857,161	($620,365)	$2,236,796
71600 Gain or Loss on Sale of Capital Assets	$662						($5,223)		$693,369		$688,808		$688,808
72000 Investment Income - Restricted					$443						$443		$443
70000 Total Revenue	$1,676,549	$304,711	$1,771,676	$467,159	$31,345,156	$2,031,667	$781,844	$44,848	$18,309,486	$1,493,235	$58,226,331	($2,113,154)	$56,113,177
91100 Administrative Salaries	$229,177		$208,815	$12,785	$963,342	$299,683	$98,613		$1,172,237	$910,590	$3,895,242		$3,895,242
91200 Auditing Fees	$2,838		$3,527		$13,454		$1,240		$18,757		$39,816		$39,816
91300 Management Fee	$119,280		$101,473		$513,566	$79,099	$39,800		$789,789		$1,643,007	($1,062,981)	$580,026
91310 Book-keeping Fee	$18,675		$20,716		$295,073		$7,474		$90,856		$432,794	($432,794)	$0
91400 Advertising and Marketing	$296		$1,455		$1,939		$744		$117,197	$623	$122,254		$122,254
91500 Employee Benefit contributions - Administrative	$70,166		$74,966	$3,514	$349,762		$35,772		$385,948	$160,056	$1,080,184		$1,080,184
91600 Office Expenses	$86,266		$53,207	$244	$281,696		$25,205		$436,451	$76,971	$960,040		$960,040
91700 Legal Expense	$3,566		$1,882	$1,055	$276		$2,613		$70,135	$24,158	$103,685		$103,685
91800 Travel	$4,008		$3,235	$46	$1,713		$625		$16,254	$6,582	$32,463		$32,463
91810 Allocated Overhead													
91900 Other	$11,830		$15,860		$226,590		$1,885				$256,165	($256,165)	$0
91000 Total Operating - Administrative	$546,102	$0	$485,136	$17,644	$2,647,411	$378,782	$213,971	$0	$3,097,624	$1,178,980	$8,565,650	($1,751,940)	$6,813,710
92000 Asset Management Fee	$24,870		$27,610				$9,960		$298,774		$361,214	($361,214)	$0
92100 Tenant Services - Salaries	$58,184		$1,309		$6,792		$1,949		$14,781	$3,071	$86,086		$86,086
92200 Relocation Costs													
92300 Employee Benefit Contributions - Tenant Services	$22,000		$478		$2,328		$726		$5,021	$1,074	$31,627		$31,627
92400 Tenant Services - Other	$25,604		$7,413		$307		$10,503		$52,474		$96,301		$96,301
92500 Total Tenant Services	$105,788	$0	$9,200	$0	$9,427	$0	$13,178	$0	$72,276	$4,145	$214,014	$0	$214,014
93100 Water	$54,962		$59,975			$33,161	$19,910		$337,320		$505,328		$505,328
93200 Electricity	$25,349		$53,919			$43,946	$5,452		$132,903		$261,569		$261,569
93300 Gas	$2,889					$12,705			$27,254		$42,848		$42,848
93400 Fuel													
93500 Labor													
93600 Sewer	$127,599		$155,243				$76,509		$750,657		$1,110,008		$1,110,008
93700 Employee Benefit Contributions - Utilities													
93800 Other Utilities Expense	$995		$6,917			$93,465	$17,603		$13,891		$132,871		$132,871
93000 Total Utilities	$211,794	$0	$276,054	$0	$0	$183,277	$119,474	$0	$1,262,025	$0	$2,052,624	$0	$2,052,624
94100 Ordinary Maintenance and Operations - Labor	$127,070		$93,200			$97,269	$35,801		$671,497		$1,024,837		$1,024,837

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

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2015

94200 Ordinary Maintenance and Operations - Materials and Other	$39,150		$46,999			$35,341	$11,994		$203,631		$337,115		$337,115
94300 Ordinary Maintenance and Operations Contracts	$218,000		$150,461			$150,604	$69,837		$960,758		$1,549,660		$1,549,660
94500 Employee Benefit Contributions - Ordinary Maintenance	$47,602		$32,643			$7,593	$24,363		$869,098		$981,299		$981,299
94000 Total Maintenance	$431,822	$0	$323,303	$0	$0	$290,807	$141,995	$0	$2,704,984	$0	$3,892,911	$0	$3,892,911
95100 Protective Services - Labor													
95200 Protective Services - Other Contract Costs	$5,592								$92,893		$98,485		$98,485
95300 Protective Services - Other													
95500 Employee Benefit Contributions - Protective Services													
95000 Total Protective Services	$5,592	$0	$0	$0	$0	$0	$0	$0	$92,893	$0	$98,485	$0	$98,485
96110 Property Insurance	$28,368		$20,468				$7,687		$132,251	$112	$188,886		$188,886
96120 Liability Insurance	$6,139		$5,651		$27,909		$2,010		$75,575	$336	$117,620		$117,620
96130 Workmen's Compensation	$7,615		$5,814	$40	$3,371		$2,550		$76,320	$2,530	$98,240		$98,240
96140 All Other Insurance	$724		$1,293		$5,600	$107,392	$497		$12,926	$12,469	$140,901		$140,901
96100 Total insurance Premiums	$42,846	$0	$33,226	$40	$36,880	$107,392	$12,744	$0	$297,072	$15,447	$545,647	$0	$545,647
96200 Other General Expenses			$650		$105,423	$35,318	$2,612		$1,083,731		$1,227,734		$1,227,734
96210 Compensated Absences													
96300 Payments in Lieu of Taxes	$12,622					$2,374					$14,996		$14,996
96400 Bad debt - Tenant Rents	$7,531		$8,403				$8,274		$49,329		$73,537		$73,537
96500 Bad debt - Mortgages													
96600 Bad debt - Other													
96800 Severance Expense													
96000 Total Other General Expenses	$20,153	$0	$9,053	$0	$105,423	$37,692	$10,886	$0	$1,133,060	$0	$1,316,267	$0	$1,316,267
96710 Interest of Mortgage (or Bonds) Payable		$304,711	$59,201			$1,397,992	$30,681		$14,304		$1,806,889		$1,806,889
96720 Interest on Notes Payable (Short and Long Term)			$92,956				$92,532		$2,167,672		$2,353,160		$2,353,160
96730 Amortization of Bond Issue Costs			$6,868				$4,751		$35,417		$47,036		$47,036
96700 Total Interest Expense and Amortization Cost	$0	$304,711	$159,025	$0	$0	$1,397,992	$127,964	$0	$2,217,393	$0	$4,207,085	$0	$4,207,085
96900 Total Operating Expenses	$1,388,967	$304,711	$1,322,607	$17,684	$2,799,141	$2,395,942	$650,172	$0	$11,176,101	$1,198,572	$21,253,897	($2,113,154)	$19,140,743
97000 Excess of Operating Revenue over Operating Expenses	$287,582	$0	$449,069	$449,475	$28,546,015	($364,275)	$131,672	$44,848	$7,133,385	$294,663	$36,972,434	$0	$36,972,434
97100 Extraordinary Maintenance	$380,761		$163,739				$20,346		$1,181,615		$1,746,461		$1,746,461
97200 Casualty Losses - Non-capitalized									$811,805		$811,805		$811,805
97300 Housing Assistance Payments					$29,181,030						$29,181,030		$29,181,030
97350 HAP Portability-In					$407,773						$407,773		$407,773
97400 Depreciation Expense	$332,653		$194,331			$975,483	$161,465		$2,160,648		$3,824,580		$3,824,580
97500 Fraud Losses													
97600 Capital Outlays - Governmental Funds													
97700 Debt Principal Payment - Governmental Funds													
97800 Dwelling Units Rent Expense									$110,000		$110,000		$110,000
90000 Total Expenses	$2,102,381	$304,711	$1,680,677	$17,684	$32,387,944	$3,371,425	$831,983	$0	$15,440,169	$1,198,572	$57,335,546	($2,113,154)	$55,222,392
10010 Operating Transfer In													
10020 Operating transfer Out													
10030 Operating Transfers from/to Primary Government													
10040 Operating Transfers from/to Component Unit				($404,923)				($28,141)			($433,064)		($433,064)
10050 Proceeds from Notes, Loans and Bonds													
10060 Proceeds from Property Sales													
10070 Extraordinary Items, Net Gain/Loss													
10080 Special Items (Net Gain/Loss)													
10091 Inter Project Excess Cash Transfer In													
10092 Inter Project Excess Cash Transfer Out													
10093 Transfers between Program and Project - In													
10094 Transfers between Project and Program - Out													
10100 Total Other financing Sources (Uses)	$0	$0	$0	($404,923)	$0	$0	$0	($28,141)	$0	$0	($433,064)	$0	($433,064)
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($425,832)	$0	$90,999	$44,552	($1,042,788)	($1,339,758)	($50,139)	$16,707	$2,869,317	$294,663	$457,721	$0	$457,721
11020 Required Annual Debt Principal Payments	$0	$0	$221,030	$0	$0	$7,400,565	$113,492	$0	$2,250,174	$0	$9,985,261		$9,985,261

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

Submission Type: Audited/A-133 Fiscal Year End: 06/30/2015

11030 Beginning Equity	$8,152,556	$0	$1,851,781	($4,109)	$1,585,440	$935,949	($401,623)	$95,222	$19,426,577	$495,208	$32,137,001		$32,137,001
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$101,274									($3,482,372)	($3,381,098)		($3,381,098)
11050 Changes in Compensated Absence Balance													
11060 Changes in Contingent Liability Balance													
11070 Changes in Unrecognized Pension Transition Liability													
11080 Changes in Special Term/Severance Benefits Liability													
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents													
11100 Changes in Allowance for Doubtful Accounts - Other													
11170 Administrative Fee Equity					$458,078						$458,078		$458,078
11180 Housing Assistance Payments Equity					$84,574						$84,574		$84,574
11190 Unit Months Available	2520		2784	0	43260	2496	996		16932		68988		68988
11210 Number of Unit Months Leased	2499		2769	0	41274	2458	992		16635		66627		66627
11270 Excess Cash	$30,483										$30,483		$30,483
11610 Land Purchases	$0									$0	$0		$0
11620 Building Purchases	$0									$0	$0		$0
11630 Furniture & Equipment - Dwelling Purchases	$0									$0	$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0									$0	$0		$0
11650 Leasehold Improvements Purchases	$279,591									$0	$279,591		$279,591
11660 Infrastructure Purchases	$0									$0	$0		$0
13510 CFFP Debt Service Payments	$0									$0	$0		$0
13901 Replacement Housing Factor Funds	$0									$0	$0		$0

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

Deputy Director for Communications	Adam Wilson Adam.Wilson@sao.wa.gov (360) 902-0367
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov