



**Office of the Washington State Auditor**  
**Pat McCarthy**

May 10, 2018

Board of Commissioners  
Housing Authority of Island County  
Coupeville, Washington

**Contracted CPA Firm's Audit Report on Financial Statements and  
Federal Single Audit**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the Housing Authority of Island County's financial statements and compliance with federal grant requirements for the fiscal year ended September 30, 2016. The Housing Authority contracted with the CPA firm for this audit under an agreement with the State Auditor's Office.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The State Auditor's Office did not audit the accompanying financial statements or the compliance with federal grant agreements and, accordingly, we do not express an opinion on those financial statements or on compliance.

This report is being published on the State Auditor's Office website as a matter of public record.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

HOUSING AUTHORITY OF ISLAND COUNTY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

	<u>PAGE</u>
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	1 - 3
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 .....	4 - 5
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	6 - 8
INDEPENDENT AUDITOR'S REPORT OF FINANCIAL STATEMENTS .....	9 - 11
FINANCIAL SECTION:	
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	12 - 17
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position .....	18
Statement of Revenues, Expenses and Changes in Net Position .....	19
Statement of Cash Flows .....	20
Notes to Financial Statements .....	21 - 35
REQUIRED SUPPLEMENTARY INFORMATION.....	36 - 37
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	38
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	39
SUPPLEMENTAL INFORMATION:	
Financial Data Schedule .....	40 - 44
Actual Modernization Cost Certificate.....	45

Housing Authority of Island County  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

- Significant deficiency(ies) identified that  
are not considered to be material weaknesses \_\_\_\_\_ Yes      X   No

Noncompliance material to financial statements \_\_\_\_\_ Yes      X   No

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No

- Significant deficiency(ies) identified that  
are not considered to be material weaknesses \_\_\_\_\_ Yes      X   No

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with Uniform Guidance?   X   Yes    \_\_\_\_\_ No

Identification of major program:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

Housing Authority of Island County

Schedule of Findings and Questioned Costs - (Continued)

Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS - (Continued)

Dollar threshold used to distinguish between

Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee:

  X   Yes        No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2016-001

Information on the federal program:

CFDA 14.871 Section 8 Housing Choice Vouchers

Federal Award Identification:

Federal Agency: Department of Housing and Urban Development

Pass-through entity: N/A

Criteria or specific requirement (including statutory, regulatory, or other citation): Per 24 CFR 982, the Section 8 Housing Choice Vouchers program requires housing authorities to obtain and document verification of assets, income, expenses and other factors that affect the determination of tenant income and the tenant's share of rent at move-in and at least at each annual recertification.

Condition: During an annual recertification of a tenant, the most recent payroll information obtained was not used. Instead, year-end information such as a W-2 was used. However, there were 10 more current paystubs in the file. If the current pay stubs had been used, the tenant's income would have been approximately \$8,400 more on an annualized basis. The amount of the tenant's share of rent was therefore understated by \$211 since the effective date of September 1 , 2016.

Questioned costs: None.

Context: The sample size was 25 tenant certifications and the dollar value of the housing assistance payments for these 25 tenant certifications was \$14,671. The amount of Section 8 Housing Assistance funds received during the audit period was \$1,757,000. The Housing Authority has approximately 200 vouchers issued each month. The sample population was a statistically valid sample.

Effect: Due to the type of error noted, the effect could either be an overstatement or understatement of housing assistance subsidies.

Housing Authority of Island County

Schedule of Findings and Questioned Costs - (Continued)

Year Ended September 30, 2016

Cause: Management compared the W-2 information to the more current payroll stubs. Hourly wages were similar. The individual had received bonus and commission payments in 2016 which had not occurred in 2015. Management did not include these amounts.

Identification as a repeat finding: N/A

Recommendation: Management should develop procedures to ensure the most current verifications of each tenants' income, assets, expenses and other items are obtained and used during certifications. Management should also consult their administrative plan and HUD guidance to ensure all eligible income is included.

Views of responsible officials and planned corrective actions:

Improper HAP Calculation Finding: Processes have been put in place to ensure that whenever an annual recertification is completed for our clients, the most current income will be used. In this particular case, this involved one of our Homeownership vouchers, the Section 8 specialist utilized the previous year's tax return and W2 as income verification, when in fact the pay stubs for the current year were in the file.

The paystubs had two onetime payments, one for a dividend check (paid once a year) and one for a bonus check (paid once a year). Our specialist did not count those items as income believing they were one time payments and therefore exempt. This resulted in the Housing Authority overpaying the HAP payment by \$211 a month for the past year.

Corrective Action:

1. Training and references have been provided to the Section 8 specialist to ensure she is aware that bonuses and dividends although they may be one time payments from an employer, are always counted as income.
2. EIV, although an unreliable document, will be used to cross check employers and to compare reported income.
3. Most recent income will always be used. Tax returns, although helpful for clients who are self-employed, should be the last resort as the information is normally the prior year, and is not current enough to make an accurate projection of income.
4. All files will be carefully scrutinized during the monthly Rim Reviews to ensure income is being calculated properly, to include verification of a homeownership voucher to determine if the family is at their 10-year point in homeownership that the value of their home is properly documented as an imputed asset.
5. The Executive Director has created an easy to use form that will properly calculate the imputed asset for homeowners and will be part of the recertification documents.



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Commissioners  
Housing Authority of Island County  
Coupeville, Washington

We have audited, in accordance with the 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 unit of the Housing Authority of Island County (the Authority) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control Over Financial Reporting

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

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

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

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 - (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Lovenidge Hunt + Co., PLLC*

Bellevue, Washington  
June 26, 2017





**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Housing Authority of Island County  
Coupeville, Washington

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Island County's (the Authority) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the year ended September 30, 2016. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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 the Authority's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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 the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - (CONTINUED)

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Laveridge Hunt + Co. PLLC*

Bellevue, Washington  
June 26, 2017



**Loveridge Hunt & Co., PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners  
Housing Authority of Island County  
Coupeville, Washington

### Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of Island County (the Authority), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component unit of the Authority as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 to 17 and pension schedules on page 36 to 37 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 the financial reporting for placing the basic financial statements in an appropriate operation, economic or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Expenditures of Federal Awards on page 38 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Awards Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. The Financial Data Schedule on pages 40 to 44 and the Actual Modernization Cost Certificate on page 45 are presented for the purpose of additional analysis as required by HUD, and is also not a required part of the basic financial statements.

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS - (CONTINUED)

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. Such 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 accepted in United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended September 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

*Loveridge Hunt + Co., PLLC*

Bellevue, Washington  
June 26, 2017

## FINANCIAL SECTION

**Housing Authority of Island County**  
**Management Discussion and Analysis**  
**Year Ending September 30, 2016**

As management of the Housing Authority of Island County (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ending September 30, 2016. Bayview Greens, LLC is also presented in the financial statements. The analysis of the financial activities for Bayview Greens, LLC is for the fiscal year ending December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Entity Overview

The Housing Authority of Island County is a municipal corporation incorporated in the State of Washington and governed by a six-member board. Board members are appointed by the Board of Island County Commissioners. The financial performance discussed in the following analyses does not include the Bayview Greens, LLC. The Bayview Greens, LLC is owned by a separate limited liability company with the Authority acting as the managing member. This separate legal entity is not carried directly on the books of the Authority but is listed as a component unit in the Authority's financial statements.

Financial Highlights

- The assets and deferred outflows of the Authority exceeded its total liabilities and deferred inflows at the close of the most recent fiscal year by \$1,864,042, (net position). This represents a decrease of \$155,265. This decrease is the result of reduced grant funding. At the close of the current fiscal year, the Authority expended \$2.1 million in federal grant revenues.
- The Authority's cash balance at September 30, 2016 was \$420,612 representing a decrease of \$49,404 from September 30, 2015.
- The Authority had operating revenues of \$2,655,434 and operating expenses of \$2,839,139 not including the depreciation expense.

Overview of the Financial Statements

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

Financial Statements

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

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

The Authority's entity-wide financial statements include:



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

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

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

*Unrestricted:* This component of Net Position consists of assets that do meet the definitions of Invested in Capital Assets, Net of Related Debt or Restricted.

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

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

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

#### Other Supplementary Financial Information

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

In addition to the REAC standard reporting, the Authority prepares a SEFA. This report is presented on a full accrual GAAP basis.

#### Notes to the Financial Statement

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

## Authority-Wide Financial Analysis

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

Statements of Net Position As of September 30		
	<u>2016</u>	<u>2015</u>
Current and other Assets	\$ 927,165	\$ 1,013,550
Capital Assets	4,641,324	4,716,895
Deferred outflows	<u>72,905</u>	<u>28,679</u>
 Total Assets and deferred outflows	 \$ <u><b>5,641,394</b></u>	 \$ <u><b>5,759,124</b></u>
Long-term debt outstanding	\$ 3,050,893	\$ 3,104,756
Other liabilities	<u>720,087</u>	<u>576,726</u>
Total Liabilities	<b>\$ 3,770,980</b>	<b>\$ 3,681,482</b>
Deferred inflow	6,372	57,229
Net Position		
Invested in capital assets, net of debt	\$ 1,577,302	\$ 1,612,139
Restricted	143,849	63,333
Unrestricted	<u>142,891</u>	<u>344,941</u>
Total Net Position	1,864,042	<u>2,020,413</u>
Total liabilities and net position and deferred inflows	<b>\$ <u>5,641,394</u></b>	<b>\$ <u>5,759,124</u></b>
Operating Revenues		
Net tenant rental revenue	\$ 540,410	\$ 521,732
Other Revenue	186,516	120,822
HUD Operating Subsidy	<u>1,928,508</u>	<u>1,994,596</u>
Total operating revenue	<b>\$ 2,665,434</b>	<b>\$ 2,637,150</b>
Non-operating Revenue		
Other government grants	\$ 98,357	129,399
Capital grants	131,970	1,500
Other non-operating revenue	<u>7,552</u>	<u>169,670</u>
Total Revenue	<b>\$ 2,903,313</b>	<b>\$ 2,937,719</b>
Operating Expenses		
Administrative	\$ 430,573	\$ 362,612
General	115,232	25,191
Tenant Services	58,372	68,316
Housing Assistance Payments	1,679,536	1,644,535
Utilities	210,091	193,461
Maintenance and Operations	326,461	330,826
Insurance	18,874	19,207
Depreciation expense	<u>180,135</u>	<u>192,141</u>
Total Operating Expenses	<b>\$ 3,019,274</b>	<b>\$ 2,836,289</b>

Non-Operating expense		
Interest Expense	\$ 29,304	\$ 30,269
Loss on disposal of fixed assets	<u>0</u>	<u>540</u>
Total Expenses	<b>\$ 3,048,578</b>	<b>\$ 2,867,098</b>
Change in Net Position	<u>(155,265)</u>	<u>70,621</u>
Net Position, Beginning as previously stated	\$ 2,020,413	\$ 2,372,137
Prior Period Adjustments/Equity Transfer	<u>(1,106)</u>	<u>(422,345)</u>
Ending Net Position	<b>\$ <u>1,864,042</u></b>	<b>\$ <u>2,020,413</u></b>

Current and other assets decreased by \$86,385 in 2016 as compared to 2015. Capital assets decreased by \$75,571. The net decrease is related to depreciation.

Other governmental grants decreased by 24% in 2016 compared to 2015, largely due to the decrease in state and local grant funds. Capital grant revenue increased due to the projects completed during the fiscal year.

For 2016, there was an overall excess of expenses over revenues. During 2016, HUD required once again that PHA's spend down most of their restricted reserves and to ensure the reserves were spent provided less HAP revenue for the year, and administrative fee proration did not provide adequate revenue for expenses in the Section 8 program. The Authority has had to rely on unrestricted funds in that program to meet its administrative obligations.

Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, net position totaled \$1,864,042 at the close of the most recent fiscal year. The total assets are reported at \$5,641,394 of which \$4,641,324 is capital assets, and \$927,165 is other assets. Restricted Net Position balance totaled \$143,849, and Unrestricted Net Position balance totaled \$142,891.

Nearly all of the Authority's assets (85%) reflect its investment in capital assets, (e.g. buildings, improvements, and equipment). The Authority uses these capital assets to provide housing services to low and moderate income tenants; consequently, these assets are not available for future spending.

The unrestricted Net Position of the Authority are available for future use to provide additional housing services and resources.

#### Management's Overall Financial Analysis

Management's analysis of the Authority's overall financial position and results of financial operations indicates decrease in Net Position of \$156,371. This decrease of \$156,371, however, included a financial accounting decrease for depreciation of \$180,135. Without depreciation, the Net Position would have shown an increase of \$23,764. With the majority of the Authority's assets invested in appreciating real property, real growth in economic value is likely well in excess of the financial accounting decrease. There are no significant restrictions, commitments or other limitations which significantly affect the availability of resources for future use.

### Capital Assets

As of September 30, 2016, the Authority's investment in capital assets for its activities was \$4,641,324 (net of accumulated depreciation). There is related debt of \$3,064,022 which results in investment in capital assets, net of related debt of \$1,577,302. This investment in capital assets includes buildings, construction in progress, land and equipment. During fiscal year 2016, the Authority had new capital purchases of \$131,970.

A schedule of Capital Asset activity is included in Note 4.

### Long-Term Debt

The long-term debt of the Authority consists of two separate items. The majority of debt consists of loans incurred for the purpose of acquisition of real property providing low and moderate-income housing. The total loan liabilities reported by the Authority are \$3,064,028 of which \$3,028,725 is classified as non-current and \$35,303 is classified as current liabilities.

The Authority began the year with a beginning balance of \$3,070,926 beginning balance in long-term debt and made payment on outstanding notes of \$33,830, which was included in current liabilities.

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

A "Schedule of Long-Term Debt" is included in Note 8 to the financial statements.

### Economic factors that impact the authority are as follows:

- Federal funding which is at the discretion of the U. S. Department of Housing and Urban Development
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amounts in rental income received from public housing residents as well as the amounts paid by the authority in rental assistance for housing choice voucher recipients.
- Inflationary increases in utility costs, supplies and other costs which affect the cost to operate our programs.
- Reduction in Operations and Maintenance dollars provided by Island County Homeless Housing Funds to Operate and Maintain the Emergency Shelter units at Marjie's House.

### Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of Island County, 7 NW 6<sup>th</sup> Street, Coupeville, WA 98239.

**Housing Authority of Island County  
Statement of Net Position  
As of September 30, 2016**

<b>Assets</b>	<b>Total - HAIC</b>	<b>Bayview Greens, LLC as of 12/31/2015</b>
Current Assets		
Cash and cash equivalents	\$ 420,612	\$ 219,023
Investments - unrestricted	31,235	-
Investments - restricted (Note 1e & 3)	131,593	-
Receivables - net of allowance	4,796	987
Inventories - net of allowance	3,014	-
Prepaid expenses & other assets	21,829	120,282
<b>Total Current Assets</b>	<b>613,079</b>	<b>340,292</b>
Non current Assets		
Capital assets		
<i>Land</i>	1,070,397	-
<i>Buildings/Improvements</i>	7,219,605	5,846,003
<i>Equipment, Furniture and Machinery</i>	422,880	-
<i>Construction in Progress/leasehold improvements</i>	36,648	-
<i>Accumulated Depreciation</i>	(4,108,206)	(121,150)
Developer Fee Receivable	168,823	-
Receivable - Sponsor loan to Bayview Greens	145,263	-
<b>Total Non current Assets</b>	<b>4,955,410</b>	<b>5,724,853</b>
<b>Total Assets</b>	<b>5,568,489</b>	<b>6,065,145</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	<b>72,905</b>	-
<b>Liabilities</b>		
Current Liabilities		
Accounts payable	10,030	62,732
Accrued liabilities	59,681	315
Tenant security deposits	35,600	17,726
Current portion of long-term debt	35,303	1,872,894
<b>Total Current Liabilities</b>	<b>140,614</b>	<b>1,953,667</b>
Non current Liabilities		
Long term debt, net of current (Note 8)	3,033,198	3,829,846
Other long term liabilities	119,379	168,823
Net Pension Liability	477,789	-
<b>Total Non current Liabilities</b>	<b>3,630,366</b>	<b>3,998,669</b>
<b>Total Liabilities</b>	<b>3,770,980</b>	<b>5,952,336</b>
<b>Deferred Inflows of resources</b>		
Deferred inflows related to pensions	<b>6,372</b>	-
<b>Net Position</b>		
Net Investment of Capital Assets	1,577,302	22,113
Restricted net position	143,849	96,081
Unrestricted net position	142,891	(5,385)
<b>Total Net Position</b>	<b>\$ 1,864,042</b>	<b>\$ 112,809</b>

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

**Housing Authority of Island County**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ending September 30, 2016**

		<b>Bayview Greens, LLC</b>
	<b>Total</b>	<b>as of 12/31/2015</b>
<b><u>Operating Revenues</u></b>		
Rental income	\$ 532,527	\$ 106,741
Tenant Revenue Other	7,883	2,357
HUD Operating Revenue	1,928,508	-
Other Revenue	186,516	-
Total Operating Revenue	<u>2,655,434</u>	<u>109,098</u>
<b><u>Operating Expenses</u></b>		
Administrative	430,573	54,710
General	115,232	10,018
Tenant services	58,372	-
Housing assistance	1,679,536	-
Utilities	210,091	6,818
Insurance Expense	18,874	4,248
Maintenance	326,461	32,494
Depreciation	180,135	125,432
Total Operating Expense	<u>3,019,274</u>	<u>233,720</u>
Operating Income (Loss)	(363,840)	(124,622)
<b><u>Non operating Revenues (Expenses)</u></b>		
Grants (state/Federal)	98,357	-
Interest income	7,151	29
Gain (Loss) from disposition of property	-	-
Fraud loss recovery	401	-
Mortgage interest expense	(29,304)	(79,275)
Total Nonoperating Revenue(Expense)	<u>76,605</u>	<u>(79,246)</u>
Income before Contributions, Transfers, Extraordinary ai and Special Items	(287,235)	(203,868)
Capital Contributions	-	100,004
Capital Grants	131,970	-
Change in Net Position	<u>(155,265)</u>	<u>(103,864)</u>
Beginning Net Position as of October 1, 2015	2,020,413	216,673
Prior Period Adj/Correction of Errors	(1,106)	-
Ending Net Position as of September 30, 2016	<u>\$ 1,864,042</u>	<u>\$ 112,809</u>

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

**Housing Authority of Island County**  
**Statement of Cash Flows**  
**For the Year Ending September 30, 2016**

**Cash flows from operating activities**

Receipts from Tenants	\$	539,232
HUD Operating Grants		1,928,508
Other Operating Receipts		178,838
Payments to Suppliers		(484,020)
Payments to Employees		(598,861)
Payments for Housing Assistance		(1,679,536)
Net cash provided (used) by operating activities		<u>(115,839)</u>

**Cash flows from noncapital financing activities**

Grant Revenue		<u>98,357</u>
Net cash provided by noncapital financing activities		98,357

**Cash flows from capital and related financing activities**

Capital grants from governmental sources		131,970
Interest paid on long-term debt		(29,304)
Principal paid on long-term debt		(36,255)
Purchase and sale of capital assets		<u>(104,564)</u>
Net cash provided (used) by capital & related financing activities		(38,153)

**Cash flows from investing activities**

Interest		7,151
Investments Restricted Net Change		11,859
Investments Unrestricted Net Change		<u>(12,781)</u>
Net cash provided (used) by investment activity		6,229

Net increase (decrease) in cash and cash equivalents		(49,406)
Balance - Beginning of Year		<u>470,018</u>
Balance - End of Year	\$	<u><u>420,612</u></u>

**Reconciliation of operating income to net cash provided from operating activities**

Operating income	\$	(363,840)
Adjustments to cash basis:		
Depreciation expense		180,135
Increase in accounts receivable		(1,178)
Decrease in accounts receivable component unit		40,622
Increase in prepaid expenses/other assets		3,013
Increase in note receivable		(8,079)
Increase in accrued liabilities		(18,657)
Increase in accounts payable		(3,858)
Increase in security deposits		(1,150)
Decrease in non current liabilities		42,050
Increase in net pension liability		11,580
Decrease in inventory		<u>3,523</u>
Total adjustments		<u>248,001</u>
Net cash from operating activities	\$	<u><u>(115,839)</u></u>

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the fiscal year ended September 30, 2015, two new accounting standards (Statement No. 68 and 71 related to accounting and financial reporting for pensions.) issued by the GASB became effective and were implemented by the Housing Authority where necessary or applicable. The Housing Authority is continuing to implement these changes for 2016. These requirements revise existing requirements and establish new financial reporting requirements for most governments that provide their employees with pension benefits. These statements have had a material impact on the Authority's financial statements.

- a) Reporting Entity The Housing Authority of Island County is a municipal corporation governed by an appointed six-member board of directors. As required by GAAP management has considered all potential component units in defining the reporting entity. These financial statements represent the activities of the Housing Authority of Island County for the stated period and date. Bayview Greens, LLC of which the Housing Authority is the managing member, has a fiscal year end date of 12/31/2015.
- b) Basis of Accounting and Presentation The accounting records of the Authority are maintained and reported in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW and the Federal Department of Housing and Urban Development. The Authority must report using GAAP; however it has the option to use either the single enterprise proprietary fund or the special purpose governmental fund model. The Authority has elected to report as a single enterprise proprietary fund model and uses the accrual basis of accounting. The measurement focus is on the flow of economic resources. The propriety fund is composed of a number of programs. These programs are designed to provide low income individuals with housing. Programs are detailed in the Management, Discussion and Analysis.

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

- c) Cash and Cash Equivalents For the purposes of the statement of cash flows, the authority considers all highly liquid investments (including restricted investments) with maturities of three months or less when purchased to be cash equivalents. Deposit accounts are secured by the Federal Deposit Insurance Corporation (FDIC) and the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a risk sharing pool of public depository banks. The Authority transfers funds to other institutions to remain within the FDIC \$250,000 insurance as the securities mature. See notes 1 h and 3.
- d) Capital Assets See Note 4.



- e) Restricted Assets In accordance with certain agreements and Washington State Landlord-Tenant law separate restricted accounts are required to be established. The assets held in these accounts are reserved to specified purposes, and bear debt service and other special reserve requirements. Restricted resources currently include Family Self-Sufficiency Escrow Accounts; Operating and Replacement Reserves accounts; tenant security deposits; and Housing Assistance Payment accounts.
- f) Accounts Receivable Accounts receivable consist of amounts due from grantor agencies and unpaid rents due the Authority. Uncollectible accounts occur when tenants depart. The Authority estimates its reserve for doubtful accounts based upon a three-year running average of collection losses. Individual tenant accounts are written off after six months of unsuccessful collection efforts.
- g) Inventories Inventories are valued using the first in, first out (FIFO) method which approximates the current market value. Maintenance and cleaning supplies inventory is accounted for in the public housing program account. Supplies used from this inventory for non-HUD programs are charged to the appropriate program and the HUD program is reimbursed. During the fiscal year supplies purchases are charged to the public housing program account. At the end of the year an inventory of supplies is taken and the public housing program account is adjusted as to supplies expense and inventory.
- h) Investments and Custodial Risks The funds of the Authority are invested in deposit accounts in accordance with RCW 35.82.070 (6) and HUD Financial Management Handbook 7475.1 Chapter 4. The Authority invests in savings accounts, money market accounts, and certificates of deposit at banks that are qualified depositories as designated by the Washington Public Deposit Protection Commission (WPDPC) pursuant to RCW 39.58. The WPDPC is a risk sharing pool whereby member banks that are designated as "qualified public depositories" mutually insure public deposits against loss. The Authority transfers investments between financial institutions as they mature to maintain full FDIC insurance for all Authority deposits and investments. See note 1 c.
- i) Operating Revenues/Expenses The Authority reports operating revenues as described in GASB 9. Operating revenues result from fees and charges from providing low-income housing. Operating subsidies and grants are reported as non-operating revenues and presented as cash flows from non-capital financing activities in the statement of cash flows. Operating expenses are those that are directly incurred in the operation of providing low-income housing and are reported as operating expenses.
- j) Compensated Absences Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. Since September 1, 1996, the Authority's employees earn Paid Time Off (PTO) which can be used for either vacation or sick leave. PTO may be accrued up to 520 hours. Balances in these accounts were used to determine accrued compensated absences. HAIC began a revision to the current PTO program to a Vacation/Sick leave program. This change began 1 July 2016 and will be phased in over a 3-year period. The change eliminates PTO cash outs and requires employees to use their vacation time or lose it. The new program will be fully implemented by June 30, 2019.
- k) Amounts Due To and From Other Programs, and Interfund Loans Activity between programs that represent borrowing arrangements outstanding at the end of the year are referred to as inter-program loans. All other outstanding balances between programs are reported as due to/from other programs. "Due To" and "Due From" include short-term inter-program receivables and payables. When "Due To" and "Due From" would result in a net of zero, those items are not included on the financial statements. The Authority uses the "Due To" and "Due From" for transactions from the Capital Fund to Public Housing.

- l) Pensions For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

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

#### NOTE 3 – DEPOSITS AND INVESTMENTS

- a) Deposits The Authority's deposits and certificates of deposit are covered by the FDIC or by WPDPC participation by the financial institution where applicable. The Authority transfers funds to other institutions to remain within the FDIC \$250,000 insurance as the securities mature. See also notes 1 c and h)
- b) Investments As of September 30, 2016 the Authority held the following investments and deposits:

	Investments	Maturity	<u>Amount</u>
Bank deposit accounts	The Authority invests in savings accounts, money market accounts, and certificates of deposit at banks that are qualified depositories in accordance with RCW 35.82.070 (6) and HUD Financial Management Handbook 7475.1 Chapter 4.	N/A	\$ 273,387
Bank certificates of deposit		Various	\$ 310,053
		<b>Total</b>	<b>\$ 583,440</b>

#### NOTE 4 – CAPITAL ASSETS

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

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

The Authority made one major expenditure for capital assets during the year ended September 30, 2016.

	<u>Beginning Balance</u>	<u>Acquisitions</u>	<u>Dispositions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$1,070,397	-	-	\$1,070,397
Const. in Progress	<u>\$104,666</u>	<u>\$74,007</u>	<u>(\$142,025)</u>	<u>\$36,648</u>
Total Capital assets not being depreciated	\$1,175,063	\$74,007	(\$142,025)	\$1,107,045
Capital assets being depreciated:				
Buildings/Improvements	\$7,115,243	\$104,362	-	\$7,219,605
Equipment	<u>\$365,447</u>	<u>\$68,387</u>	<u>(\$10,954)</u>	<u>\$422,880</u>
Total Capital assets being depreciated	\$7,480,690	\$172,749	(\$10,954)	\$7,642,485
Less accumulated depreciation	<u>(\$3,938,858)</u>	<u>(\$180,135)</u>	<u>\$10,787</u>	<u>(\$4,108,206)</u>
Total capital assets being depreciated, net	<u>\$3,541,832</u>	<u>(\$7,386)</u>	<u>(\$167)</u>	<u>\$3,534,279</u>
TOTAL CAPITAL ASSETS, NET	<u>\$4,716,895</u>	<u>\$66,621</u>	<u>(\$142,192)</u>	<u>\$4,641,324</u>

#### NOTE 5 – CONSTRUCTION IN PROGRESS

The Authority had construction in progress during the period amounting to \$36,448 as of September 30, 2016.

#### NOTE 6 – SHORT TERM DEBT

The Authority did not use short term borrowing during the fiscal year ended September 30, 2016. Credit card statements are paid in full within one week of receipt. Payroll tax obligations are paid by EFTSB transfer on the date of payroll.

## NOTE 7 – LEASE COMMITMENTS

The Authority has two lease commitments, one is for our postage meter with Pitney Bowes, and the other is with MacGray for the laundry equipment at the Public Housing complexes. Both are considered operating leases.

## NOTE 8 – LONG TERM DEBT AND LIABILITIES

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

Property (Lender)	Original Amount	Issue Date	Interest Rate	Term	Installments	Outstanding Amount
Islander Apts. (HTF)	\$280,000	April 1993	0%	50 years	\$6,400/year	\$172,800
Glenhaven Apts. (HTF)	\$300,000	June 2001	1%	50 years	\$7,653.82/year	\$225,085
Glenhaven Apts. (USB)	\$637,500	May 2002	5.50%	30 years	\$3,641.28/month	\$467,993
Marjie's House (Island County)	\$100,000	February 2005	0.00%	20 years	\$5,000/year	\$45,000
					<b>Total</b>	<b>\$910,878</b>

Year Ending (Date)	Principal	Interest
2017	\$35,303	\$27,452
2018	\$36,395	\$26,354
2019	\$37,551	\$25,198
2020	\$38,771	\$23,978
2021	\$40,056	\$22,693
2022-2026	\$217,156	\$91,590
2027-2031	\$241,629	\$47,117
2032-2036	\$114,025	\$6,307
2037-2041	\$65,629	\$4,640
2042-2046	\$48,144	\$2,925
2047-2051	\$36,219	\$1,122
<b>TOTAL</b>	<b>\$910,878</b>	<b>\$279,376</b>

Service requirements to maturity for mortgages are as follows:

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

d. Changes in Long-Term Liabilities

	Beginning Balance 10/01/2015	Additions	Reductions	Ending Balance 09/30/2016	Due within One Year
Compensated Absences	\$65,230	\$ 3,122	\$16,522	\$51,830	\$51,830

Compensated absences are absences for which employees will be paid, such as vacation (and sick) leave. Since September 1, 1996 The Authority's employees earn Paid Time Off (PTO) which can be used for either vacation or sick leave. PTO may be accrued up to 520 hours. Balances in these accounts were used to determine accrued compensated absences. The entire balance is compensable on retirement. The Authority reports it as a current liability as employees can request a payout or take all of their PTO time within a year. Effective 1 July 2016, HAIC began phasing out the PTO program, employees earn vacation and sick leave. All previously earned PTO (prior to 1 July) the employee has the choice to take the PTO, move some to the sick leave bank or cash out the remaining PTO. Effective 30 June 2019, employees will be strictly on vacation/sick leave, and there will be no cash out of vacation days. Vacation is use or lose, but the sick leave bank can have up to 520 hours for personnel hired after 1 July 2016, and up to 720 for personnel hired prior to 1 July. This enables those personnel that choose to move PTO to the sick leave bank to not be penalized. Vacation/sick leave will not be cashed out upon retirement.

e. Conduit debt

The Authority has no conduit debt.

f. Deferred Recoverable Grant Revenue

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

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

NOTE 9 - PENSION PLAN

The following table represents the aggregate pension amounts for all plans subject to the requirements of the [GASB Statement 68, Accounting and Financial Reporting for Pensions](#) for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$477,789
Pension assets	\$ -
Deferred outflows of resources	\$ 72,316
Deferred inflows of resources	\$ 5,609
Pension expense/expenditures	\$104,909

## **State Sponsored Pension Plans**

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 state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## **Public Employees' Retirement System (PERS)**

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

**PERS Plan 1** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

### Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
<b>Total</b>	<b>11.18%</b>	<b>6.00%</b>

\* For employees participating in JBM, the contribution rate was 12.26%.

**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 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 benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three 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 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates

include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>

\* For employees participating in JBM, the contribution rate was 15.30%.

The Authority's actual PERS plan contributions were \$22,931 to PERS Plan 1 and \$29,879 to PERS Plan 2/3 for the year ended September 30, 2016.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.



There were minor changes in methods and assumptions since the last valuation.

- The assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, whose rates include a component for the PERS 1 plan liabilities). Based on these assumptions, the pension plans' 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 7.5 percent was used to determine the total liability.

### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

### Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$261,899	\$217,182	\$178,700
PERS 2/3	479,825	260,608	(135,861)

### Pension Plan Fiduciary Net Position

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

### Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the Authority reported a total pension liability of \$477,789 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$217,182
PERS 2/3	260,607

At June 30, the Authority's proportionate share of the collective net pension liabilities was as follows:

	<b>Proportionate Share 6/30/15</b>	<b>Proportionate Share 6/30/16</b>	<b>Change in Proportion</b>
PERS 1	.003769%	.004044%	.000275%
PERS 2/3	.004869	.005176	.000307

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations*.

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

## Pension Expense

For the year ended September 30, 2016, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$15,201
PERS 2/3	45,602
TOTAL	60,803

## Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Plan Name PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$ 5,468	\$
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 4,867	\$
TOTAL	\$10,335	\$

Plan Name PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$13,877	\$ 8,603
Net difference between projected and actual investment earnings on pension plan investments	\$31,892	\$
Changes of assumptions	\$ 2,694	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 7,765	\$(2,231)
Contributions subsequent to the measurement date	\$ 6,342	\$
TOTAL	\$62,570	\$ 6,372

Deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended September 30:</b>	<b>Plan Name PERS 1</b>	<b>Plan Name PERS 2/3</b>
2017	\$(1,346)	\$ (3,777)
2018	\$(1,346)	\$ (3,777)
2019	\$ 5,022	\$23,949
2020	\$ 3,139	\$15,497
Total	\$ 5,468	\$31,891

#### NOTE 10 – ACCOUNTING AND REPORTING CHANGES

There were no accounting or reporting changes for the current fiscal year.

#### NOTE 11 – PRIOR PERIOD ADJUSTMENTS

The Authority has recorded a prior period adjustment of (\$1,106). This is due to rounding, and equity transfers for programs that closed out prior to the end of the fiscal year.

#### NOTE 12 – MATERIAL RELATED PARTY TRANSACTIONS

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

The Housing Authority has a material related party relationship with Bayview Greens, LLC for the development of Sunny View Village. See Note 14 for further discussion of Bayview Greens, LLC.

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

#### NOTE 13 – RISK MANAGEMENT

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

approved self-insurance entity for utilization by public housing authorities. HARRP has a total of ninety member/owner housing authorities in the states of Washington, Oregon, California and Nevada. Thirty-six of the ninety members are Washington public housing entities.

New Members are underwritten at their original membership and thereafter automatically renew on an annual basis. Members may quit upon giving notice to HARRP prior to their renewal date. Members terminating membership are not eligible to rejoin HARRP for three years. HARRP can terminate the members after giving a sixty (60) 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 and Omissions coverage (which includes Employment Practices Liability) is written on a claims made basis, and the members are responsible for 10% of the incurred costs of the claims. The Property coverage offered by HARRP is on a replacement cost basis, with deductibles ranging from \$1,000 to \$25,000. (Due to special underwriting circumstances, some members may be subject to greater deductibles and E&O co-payments).

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

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

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

#### NOTE 14 – BAYVIEW GREENS LLC

Bayview Greens, LLC, has a calendar fiscal year end as of 12/31/15. Bayview Greens, (Sunny View Village) was completed and placed in service June 2015. Bayview Greens, LLC was initially formed November 21, 2007, the formation was amended December 13, 2011 to withdraw a former member and add a new managing member. The Housing Authority of Island County owns 0.01% of the LLC, and the investor, NDC Corporate Equity Fund XI, L.P. owns 99.99% of the project.

There are several funding streams for Sunny View Village listed as follows:

Island County Low Income Housing Surcharge Fund and the Homeless Housing fund each provided funding streams to acquire the land on which to build Sunny View Village. The LIHSF recoverable grant in the amount of \$225,000 is for 40 years at 0% interest. The Homeless Housing Fund recoverable grant is in the amount of \$350,000 for 40 years at 0% interest. Neither grant will be required to be repaid as long as the property is continually used for the intended purpose of serving low income working families.

Sunny View Village is a 4% Low Income Tax Credit/Bond project. There are funds passed through the State of Washington Department of Commerce in the amount of \$2,500,000. These funds are broken down as \$700,000 from the Washington State Housing Trust Fund, and \$1,800,000 in federal HOME dollars. The note matures in 40 years and accrues interest at 1%. No payments are required until maturity.

The Washington State Housing Finance Commission provided bonds in the amount of \$3,068,000. There are two bonds 2014A which is the Term note, of \$1,205,000 and 2014B which is the Construction loan of \$1,863,000. Both bonds are funded through Heritage Bank.

Capital Contributions from the investor total \$2,162,238. The construction financing was converted to a mortgage in June of 2016. The final contribution from the investor provided a payoff of the 2014B bond of \$1,863,000.

The Housing Authority has a sponsor loan of \$145,623, including accrued interest to the project. The outstanding balance accrues at 3.27 percent compounded annually. Payments of principal and interest are to be paid annually commencing on April 15, 2016 and each year thereafter until paid in full. Payments are subject to net cash flow. The note is secured by a leasehold deed of trust and matures on June 30, 2055.

The Authority earned a developer fee of \$168,823 during the development phase of Bayview Greens, LLC. The fee is to be paid from cash flow from operations as defined in the Bayview Greens, LLC operating agreement.

The Authority and Bayview Greens, LLC have executed a land lease agreements, which commenced on June 4, 2014. Bayview Greens is leasing the land for use as a low-income housing project pursuant to Section 42 of the Internal Revenue Code. The lease expires on June 3, 2089. Pursuant to the lease agreement, the tenant (Bayview Greens, LLC) shall pay the landlord (the Authority) a base rent of \$1 per year which commenced on January 1, 2015.

**Housing Authority of Island County**  
**Schedules of Required Supplementary Information**

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

PERS Pension Plans

As of June 30, 2016

Last 10 Fiscal Years\*

\*Until a full 10 year trend is compiled, information is presented only for those years for which information is available.

<b><u>PERS # 1</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Housing Authority's proportion of the net pension liability (asset)	0.004044%	0.003769%	0.003909%	0.004289%
Housing Authority's proportionate share of the net pension liability (asset)	217,182	197,154	196,918	250,617
Housing Authority's covered-employee payroll				
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%	61.19%	

<b><u>PERS # 2/3</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Housing Authority's proportion of the net pension liability (asset)	0.005176%	0.004869%	0.005033%	0.005712%
Housing Authority's proportionate share of the net pension liability (asset)	260,608	173,972	101,735	243,903
Housing Authority's covered-employee payroll	463,330	438,006	444,395	485,868
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.25%	39.72%	22.89%	50.20%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%	93.29%	

**Housing Authority of Island County**  
**Schedules of Required Supplementary Information**

**SCHEDULE OF THE HOUSING AUTHORITY'S EMPLOYER CONTRIBUTIONS**  
**Pension Plans**  
**Last 10 Fiscal Years\***

<b><u>PERS # 1</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Contractually required contribution	22,931	17,324	17,302	11,124
Contributions in relation to the contractually required contribution	<u>(22,931)</u>	<u>(17,324)</u>	<u>(17,302)</u>	<u>(11,124)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Housing Authority's covered-employee payroll	-	-	-	-
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%
<b><u>PERS # 2/3</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Contractually required contribution	29,879	21,688	21,261	22,166
Contributions in relation to the contractually required contribution	<u>(29,879)</u>	<u>(21,688)</u>	<u>(21,261)</u>	<u>(22,166)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Housing Authority's covered-employee payroll	463,330	438,006	444,395	485,868
Contributions as a percentage of covered-employee payroll	6.45%	4.95%	4.78%	4.56%

Notes to Required Supplementary Information  
for the Year Ended June 30, 2016

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

**Changes of assumptions:** There were minor changes in the assumptions for the Pension Plans. The assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.



**HOUSING AUTHORITY OF ISLAND COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended September 30, 2016**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Current Year Awards
<b>Dept of Housing and Urban Development (HUD) - Direct Programs</b>		
Section 8 Housing Choice Vouchers	14.871	\$ 1,707,971
PIH Family Self- Sufficiency Program	14.896	48,398
Public Housing Capital Fund	14.872	132,070
Public and Indian Housing	14.850	<u>270,364</u>
<b>Total Direct Programs</b>		<b>2,158,803</b>
<b>Indirect Programs</b>		
Federal Grantor/Pass-Through Grantor, HUD/Department of Commerce		
Shelter Plus Care	14.238	22,003
HOME Investment Partnerships Program	14.239	41,741
Total Program		<u>63,744</u>
<b>Total HUD Financial Assistance</b>		<b>\$ <u>2,222,547</u></b>
<b>TOTAL FEDERAL EXPENDITURES</b>		<b>\$ <u>2,222,547</u></b>

The accompanying notes to the SEFA are an integral part of this schedule.

**Housing Authority of Island County**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended September 30, 2016**

Note 1 -Basis of Accounting

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

Note 2 - Summary of Significant Accounting Policies

Expenditures are recognized following cost principals contained in the OMB Circular - A87 and Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

Note 3- Program Costs

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

Note 4- Use of Revenues

This schedule reflects the use of revenues rather than actual expenditures for Section 8 and Public Housing (HUD programs), other programs are actual expenditures.

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Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14,896 PIH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	14,238 Shelter Plus Care	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
111 Cash - Unrestricted	\$208,217			\$105,216		\$503	\$27,428	\$9,543	\$350,907	\$350,907
112 Cash - Restricted - Modernization and Development	\$9,839						\$12,652		\$22,491	\$22,491
113 Cash - Other Restricted			\$81,401	\$96,081					\$177,482	\$177,482
114 Cash - Tenant Security Deposits	\$29,636			\$17,726			\$9,937		\$57,299	\$57,299
115 Cash - Restricted for Payment of Current Liabilities			\$8,552				\$22,904		\$31,456	\$31,456
100 Total Cash	\$247,682	\$0	\$89,953	\$219,023	\$0	\$503	\$72,921	\$9,543	\$639,635	\$639,635
121 Accounts Receivable - PHA Projects										
122 Accounts Receivable - HUD Other Projects										
124 Accounts Receivable - Other Government										
125 Accounts Receivable - Miscellaneous	\$1,007								\$1,007	\$1,007
126 Accounts Receivable - Tenants	\$323			\$987			\$2,762		\$4,072	\$4,072
126.1 Allowance for Doubtful Accounts - Tenants	\$1,116			\$0			\$909		\$2,025	\$2,025
126.2 Allowance for Doubtful Accounts - Other	\$0								\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current										
128 Fraud Recovery			\$2,729						\$2,729	\$2,729
128.1 Allowance for Doubtful Accounts - Fraud			\$0						\$0	\$0
129 Accrued Interest Receivable										
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$214	\$0	\$2,729	\$987	\$0	\$0	\$1,853	\$0	\$5,783	\$5,783
131 Investments - Unrestricted										
132 Investments - Restricted			\$72,780				\$31,235		\$31,235	\$31,235
133 Investments - Restricted for Payment of Current Liability							\$58,813		\$31,593	\$31,593
142 Prepaid Expenses and Other Assets	\$17,559		\$1,095	\$120,282		\$8	\$3,167		\$142,111	\$142,111
143 Inventories	\$3,014								\$3,014	\$3,014
143.1 Allowance for Obsolete Inventories	\$0								\$0	\$0
144 Inter Program Due From										
145 Assets Held for Sale										
150 Total Current Assets	\$208,479	\$0	\$106,557	\$340,292	\$0	\$511	\$167,989	\$9,543	\$853,371	\$853,371
161 Land	\$47,825									
162 Buildings	\$4,457,784			\$5,846,003			\$1,022,572		\$1,070,397	\$1,070,397
163 Furniture, Equipment & Machinery - Dwellings	\$94,480						\$2,761,821		\$13,065,608	\$13,065,608
164 Furniture, Equipment & Machinery - Administration	\$190,496		\$21,724				\$88,864		\$173,144	\$173,144
165 Leasehold Improvements	\$36,648						\$37,516		\$249,736	\$249,736
166 Accumulated Depreciation	\$2,973,240		\$21,730	\$121,150			\$1,113,236		\$36,648	\$36,648
167 Construction in Progress									\$4,229,356	\$4,229,356
168 Infrastructure										
160 Total Capital Assets, Net of Accumulated Depreciation	\$1,843,993	\$0	\$6	\$5,724,853	\$0	\$0	\$2,797,337	\$0	\$10,366,177	\$10,366,177
171 Notes, Loans and Mortgages Receivable - Non-Current										
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							\$314,066		\$314,066	\$314,066
173 Grants Receivable - Non Current										
174 Other Assets										
176 Investments in Joint Ventures										
180 Total Non-Current Assets	\$1,843,993	\$0	\$6	\$5,724,853	\$0	\$0		\$0	\$10,680,263	\$10,680,263
200 Deferred Outflow of Resources	\$36,583		\$23,042				\$13,280		\$72,905	\$72,905
280 Total Assets and Deferred Outflow of Resources	\$2,140,055	\$0	\$189,593	\$6,065,145	\$0	\$511	\$3,292,692	\$9,543	\$11,706,539	\$11,706,539

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Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
311 Bank Overdraft										
312 Accounts Payable <= 90 Days				\$982					\$982	\$982
313 Accounts Payable -90 Days Past Due										
321 Accrued Wage/Payroll Taxes Payable										
322 Accrued Compensated Absences - Current Portion	\$28,258		\$18,324			\$775			\$47,357	\$47,357
324 Accrued Contingency Liability										
325 Accrued Interest Payable				\$19,625					\$19,625	\$19,625
331 Accounts Payable - HUD PHA Programs										
332 Account Payable - PHA Projects										
333 Accounts Payable - Other Government										
341 Tenant Security Deposits	\$27,550			\$17,726			\$8,050		\$53,326	\$53,326
342 Unearned Revenue				\$315					\$315	\$315
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$1,872,884			\$35,303		\$1,908,197	\$1,908,197
344 Current Portion of Long-term Debt - Operating Borrowings										
345 Other Current Liabilities			\$8,552	\$42,225			\$1,178		\$52,255	\$52,255
346 Accrued Liabilities - Other	\$12,324								\$12,324	\$12,324
347 Inter Program - Due To										
348 Loan Liability - Current										
310 Total Current Liabilities	\$88,132	\$0	\$26,876	\$1,953,667	\$0	\$775	\$44,831	\$0	\$2,094,281	\$2,094,281
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$3,628,846			\$2,453,725		\$6,283,571	\$6,283,571
352 Long-term Debt, Net of Current - Operating Borrowings										
353 Non-current Liabilities - Other			\$119,379	\$168,823			\$4,473		\$119,379	\$119,379
354 Accrued Compensated Absences - Non Current							\$575,000		\$575,000	\$575,000
355 Loan Liability - Non Current										
356 FASB 5 Liabilities										
357 Accrued Pension and OPEB Liabilities	\$246,549		\$147,277				\$83,963		\$477,789	\$477,789
360 Total Non-Current Liabilities	\$246,549	\$0	\$266,656	\$3,995,669	\$0	\$0	\$3,117,161	\$0	\$7,620,035	\$7,620,035
300 Total Liabilities	\$314,681	\$0	\$293,532	\$5,952,336	\$0	\$775	\$3,161,992	\$0	\$9,723,316	\$9,723,316
400 Deferred Inflow of Resources	\$4,839		\$1,466				\$67		\$6,372	\$6,372
508.4 Net Investment in Capital Assets	\$1,843,993			\$22,113			-\$266,691		\$1,599,415	\$1,599,415
511.4 Restricted Net Position	\$9,539		\$39,641	\$96,081			\$94,369		\$239,930	\$239,930
512.4 Unrestricted Net Position	-\$24,297	\$0	-\$145,046	-\$5,385	\$0	-\$264	\$32,955	\$9,543	\$137,506	\$137,506
513 Total Equity - Net Assets / Position	\$1,829,535	\$0	-\$105,405	\$112,809	\$0	-\$264	\$130,633	\$9,543	\$1,976,851	\$1,976,851
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,149,055	\$0	\$189,693	\$6,065,145	\$0	\$511	\$3,292,692	\$9,543	\$11,706,539	\$11,706,539

HA Of Island County (WA024)  
COUPEVILLE, WA

Entity Wide Revenue and Expense Summary

6/19/2017 3:38 PM

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

	Project Total	14,896 PH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	6,1 Component Unit - Discreetly Presented	14,238 Shelter Plus Care	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
70300 Net Tenant Rental Revenue	\$280,930			\$106,741			\$251,597		\$639,268	\$639,268
70400 Tenant Revenue - Other	\$5,678			\$2,357			\$2,205		\$10,240	\$10,240
70500 Total Tenant Revenue	\$286,608	\$0	\$0	\$109,098	\$0	\$0	\$253,802	\$0	\$649,508	\$649,508
70600 HUD PHA Operating Grants	\$270,464	\$46,398	\$1,609,646						\$1,928,508	\$1,928,508
70610 Capital Grants	\$131,970								\$131,970	\$131,970
70710 Management Fee										
70720 Asset Management Fee										
70730 Book Keeping Fee										
70740 Front Line Service Fee										
70750 Other Fees										
70700 Total Fee Revenue										
70800 Other Government Grants										
71100 Investment Income - Unrestricted	\$57			\$29	\$21,844	\$41,458	\$35,055		\$98,357	\$98,357
71200 Mortgage Interest Income							\$2,204		\$2,490	\$2,490
71300 Proceeds from Disposition of Assets Held for Sale										
71310 Cost of Sale of Assets										
71400 Fraud Recovery			\$374			\$27			\$401	\$401
71500 Other Revenue	\$77,705		\$98,325				\$10,486		\$186,516	\$186,516
71600 Gain or Loss on Sale of Capital Assets										
72000 Investment Income - Restricted			\$222				\$4,468		\$4,690	\$4,690
70000 Total Revenue	\$766,804	\$48,398	\$1,708,567	\$109,127	\$21,844	\$41,485	\$306,215	\$0	\$3,002,440	\$3,002,440
91100 Administrative Salaries	\$84,644		\$151,038	\$23,812		\$2,820	\$18,711		\$281,025	\$281,025
91200 Auditing Fees	\$6,145		\$18,997			\$76	\$3,065		\$28,783	\$28,783
91300 Management Fee				\$7,794					\$7,794	\$7,794
91310 Book-keeping Fee										
91400 Advertising and Marketing				\$8,400					\$8,400	\$8,400
91500 Employee Benefit Contributions - Administrative	\$34,595		\$49,283			\$586	\$20,962		\$105,426	\$105,426
91600 Office Expenses	\$18,462		\$7,199			\$151	\$4,445		\$30,257	\$30,257
91700 Legal Expense										
91800 Travel	\$1,400		\$562	\$1,084			\$50		\$3,096	\$3,096
91810 Allocated Overhead										
91900 Other	\$1,226		\$5,482	\$13,620			\$174		\$20,502	\$20,502
91000 Total Operating Expense - Administrative	\$146,472	\$0	\$232,566	\$54,710	\$0	\$4,133	\$47,407	\$0	\$485,283	\$485,283
92000 Asset Management Fee									\$6,042	\$6,042
92100 Tenant Services - Salaries		\$48,398		\$6,042					\$48,398	\$48,398
92200 Relocation Costs										
92300 Employee Benefit Contributions - Tenant Services										
92400 Tenant Services - Other							\$9,974		\$9,974	\$9,974
92500 Total Tenant Services	\$0	\$48,398	\$0	\$0	\$0	\$0	\$9,974	\$0	\$58,372	\$58,372
93100 Water	\$42,990			\$4,999			\$13,860		\$61,749	\$61,749
93200 Electricity				\$1,919			\$16,643		\$17,862	\$17,862
93300 Gas	\$823						\$3,662		\$4,485	\$4,485
93400 Fuel	\$185								\$185	\$185
93500 Labor										
93600 Sewer	\$57,970						\$14,581		\$72,551	\$72,551

HA Of Island County (WA024)  
COUPEVILLE, WA

Entity Wide Revenue and Expense Summary

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Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

Project Total	14,896 PH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	6,1 Component Unit - Discreetly Presented	14,238 Shelter Plus Care	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense	\$25,994					\$20,063		\$46,057	\$46,057
93900 Total Utilities	\$141,282	\$0	\$6,818	\$0	\$0	\$88,809	\$0	\$216,909	\$216,909
94100 Ordinary Maintenance and Operations - Labor	\$141,211		\$32,494			\$16,508		\$190,213	\$190,213
94200 Ordinary Maintenance and Operations - Materials and Other	\$39,874					\$6,488		\$46,984	\$46,984
94300 Ordinary Maintenance and Operations Contracts	\$32,720	\$622				\$43,179		\$75,899	\$75,899
94500 Employee Benefit Contributions - Ordinary Maintenance	\$45,859							\$45,859	\$45,859
94000 Total Maintenance	\$259,664	\$622	\$32,494	\$0	\$0	\$66,175	\$0	\$358,955	\$358,955
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95900 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance									
96120 Liability Insurance									
96130 Workmen's Compensation									
96140 All Other Insurance	\$12,288	\$1,704	\$4,248		\$21	\$4,861		\$23,122	\$23,122
96100 Total Insurance Premiums	\$12,288	\$1,704	\$4,248	\$0	\$21	\$4,861	\$0	\$23,122	\$23,122
96200 Other General Expenses			\$3,976	\$1,331		\$40,662		\$45,969	\$45,969
96210 Compensation and Retirement	\$3,067	-\$4,806			\$53	-\$4,420		-\$6,106	-\$6,106
96300 Payments in Lieu of Taxes	\$2,197							\$2,197	\$2,197
96400 Bad debt - Tenant Rents									
96500 Bad debt - Mortgages									
96600 Bad debt - Other	\$77,148							\$77,148	\$77,148
96800 Severance Expense									
96000 Total Other General Expenses	\$82,412	-\$4,806	\$3,976	\$1,331	\$53	\$36,242	\$0	\$119,208	\$119,208
96710 Interest of Mortgage (or Bonds) Payable									
96720 Interest on Notes Payable (Short and Long Term)			\$79,275					\$79,275	\$79,275
96730 Amortization of Bond Issue Costs						\$29,304		\$29,304	\$29,304
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$4,282	\$0	\$0	\$29,304	\$0	\$4,282	\$4,282
96900 Total Operating Expenses	\$642,118	\$48,398	\$230,081	\$1,331	\$4,207	\$262,772	\$0	\$1,380,752	\$1,380,752
97000 Excess of Operating Revenue over Operating Expenses	\$124,686	\$0	-\$82,718	\$20,513	\$37,278	\$43,443	\$0	\$1,621,688	\$1,621,688
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments		\$1,530,705		\$20,672	\$37,534			\$1,588,911	\$1,588,911
97350 HAP Portability-In		\$90,625						\$90,625	\$90,625
97400 Depreciation Expense	\$113,897	\$6	\$121,150			\$66,232		\$301,285	\$301,285
97500 Fraud Losses									
97600 Capital Outlays - Governmental Funds									
97700 Debt Proceed Payments - Governmental Funds									
97800 Dwelling Units Rent Expense									
99000 Total Expenses	\$756,015	\$48,398	\$1,851,417	\$312,995	\$41,741	\$329,004	\$0	\$3,361,573	\$3,361,573

HA Of Island County (WA024)  
COUPEVILLE, WA

Entity Wide Revenue and Expense Summary

6/19/2017 3:38 PM

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2016

Project Total	14,896 PH Family Self-Sufficiency Program	14,871 Housing Choice Vouchers	6,1 Component Unit - Discreetly Presented	14,238 Shelter Plus Care	14,239 HOME Investment Partnerships Program	2 State/Local	1 Business Activities	Subtotal	Total
10010 Operating Transfer In									
10020 Operating Transfer Out									
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
10100 Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$10,789	\$0	\$142,850	\$203,868	\$256	\$22,789	\$0	\$359,133	\$359,133
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$35,303	\$0	\$35,303	\$35,303
11030 Beginning Equity	\$1,818,274	\$0	\$37,443	\$216,673	\$9	\$155,003	\$9,543	\$2,237,086	\$2,237,086
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$472		\$2	\$100,004	\$1	\$-1,681		\$98,898	\$98,898
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Unrecognized Pension Transition Liability									
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity		\$-145,046						\$-145,046	\$-145,046
11180 Housing Assistance Payments Equity		\$39,641						\$39,641	\$39,641
11190 Unit Months Available	1302	3468	312	64	84	348		5578	5578
11210 Number of Unit Months Leased	1293	2608	312	64	84	312		4673	4673
11270 Excess Cash	\$116,426							\$116,426	\$116,426
11610 Land Purchases	\$0							\$0	\$0
11620 Building Purchases	\$0							\$0	\$0
11630 Furniture & Equipment - Dwelling Purchases	\$100,000							\$100,000	\$100,000
11640 Furniture & Equipment - Administrative Purchases	\$200							\$200	\$200
11650 Leasehold Improvements Purchases	\$163,940							\$163,940	\$163,940
11660 Infrastructure Purchases	\$0							\$0	\$0
13510 CFPF Debt Service Payments	\$0							\$0	\$0
13901 Replacement Housing Factor Funds	\$0							\$0	\$0

# Actual Modernization Cost Certificate

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

OMB Approval No. 2577-0157 (exp. 01/31/2017)

## Capital Fund Program (CFP)

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

**Do not send this form to the above address.**

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

PHA Name:

Housing Authority of Island County

Modernization Project Number:

WA19P02450113

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

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

A. Funds Approved	\$ 114,128
B. Funds Disbursed	\$ 114,128
C. Funds Expended (Actual Modernization Cost)	\$ 114,128
D. Amount to be Recaptured (A-C)	\$
E. Excess of Funds Disbursed (B-C)	\$

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

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

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

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

6. That for any years in which the grantee is subject to the audit requirements of the Single Audit Act, 31 U.S.C. § 7501 et seq., as amended, the grantee has or will perform an audit in compliance with said requirements.

7. Please mark one:

- ☒ A. This grant will be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act. (FY2016 Audit)
- ☐ B. This grant will not be included in the PHA's next fiscal year audit per the requirements of the Single Audit Act.

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

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

Name & Title of Authorized Signatory (type or print clearly):

Terilyn G. Anania, Executive Director

Signature of Executive Director (or Authorized Designee):

X 

Date:

01/19/2016

For HUD Use Only

The Cost Certificate is approved for audit (if box 7A is marked):

Approved for Audit (Director, Office of Public Housing)

X 

Date:

01-25-2016

The costs shown above agree with HUD verified costs (if box 7A or 7B is marked):

Approved: (Director, Office of Public Housing)

X

Date: