

MOVING KING COUNTY RESIDENTS FORWARD

Meeting of the Board of Directors

Monday, April 18, 2016

10:15 AM

King County Housing Authority

Snoqualmie Conference Room

600 Andover Park West

Tukwila, WA 98188

Agenda

- I. Call to Order
- III. Roll Call
- IV. Public Comment
- V. Approval of Minutes - December 14, 2015 Board Meeting Minutes
- VI. Resolutions for Discussion and Possible Action
 - A. Resolution No. 25: Acceptance of the Washington State Auditor's Office Accountability Report for the Period January 1, 2014 through December 31, 2014
- VII. Briefings and Reports
 - a. Fourth Quarter CY 2015 Financial Reports for MKCRF and MKCRF-Owned Properties
- VIII. Board of Directors Comments
- IX. Adjourn

**MINUTES OF THE SPECIAL MEETING OF THE
MOVING KING COUNTY RESIDENTS FORWARD
BOARD OF DIRECTORS**

Monday, December 14, 2015

I. CALL TO ORDER

The special meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was called to order by President Doug Barnes, at 10:26 a.m. at the King County Housing Authority, 700 Andover Park West, Tukwila, WA

II. ROLL CALL

Present: Board of Directors: Doug Barnes, Susan Palmer, TerryLynn Stewart (via Phone), Michael Brown and Secretary of the Corporation, Stephen Norman

Absent: John Welch

III. Public Comment:

No Public Comment.

IV. Approval of the Minutes:

Minutes from the November 16, 2015 Special Board Meeting were presented for approval.

Director Susan Palmer moved for approval of the minutes, with Director Michael Brown seconding the motion. The minutes were approved.

V. Resolutions for Discussion and Possible Action

A. Resolution No. 24: 2016 Budget for MKCRF and MKCRF-Owned Properties
Craig Violante, Director of Finance, briefed the board on the MKCRF budget for Calendar Year 2016. Mr. Violante provided an overview of the proposed budget adjustments.

All questions raised by the Directors were satisfactorily addressed by staff.

Director Michael Brown moved for the approval of Resolution No. 24, with Director Susan Palmer seconding the motion. Resolution No. 24 was unanimously approved.

VI. Board of Director Comments

None

VII. Adjournment

There being no further business, the meeting was officially adjourned at 10:39 a.m.

MOVING KING COUNTY RESIDENTS FORWARD

Douglas J. Barnes
President

Stephen J. Norman
Secretary of the Corporation

DRAFT FOR APPROVAL

MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: April 12, 2016

RE: Resolution No. 25: Acceptance of the Washington State Auditor's Office Accountability Report for the Period January 1, 2012 through December 31, 2014

The Washington State Auditor's Office issued Accountability Audit Report No.1016241 for Moving King County Residents Forward (MKCRF) on March 24, 2016 which covers the period January 1, 2012 through December 31, 2014. A separate financial statement audit is not required as MKCRF is deemed low risk due to its inclusion as a blended component unit in KCHA's annual financial statements.

In the Accountability Audit Report, the auditors found that MKCRF had complied with all state laws and regulations and its own policies and procedures. It also found that internal controls were adequate to safeguard public assets.

There were no negative findings in the report.

When the Board formally accepts the SAO report via resolution, this signifies the Board's review and approval of the information contained within the report.



Washington State Auditor's Office

Government that works for citizens

Accountability Audit Report

Moving King County Residents Forward

For the period April 12, 2012 through December 31, 2014

Published March 24, 2016

Report No. 1016241





Washington State Auditor's Office

March 24, 2016

Board of Directors
Moving King County Residents Forward
Tukwila, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Organization operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Organization's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

JAN M. JUTTE, CPA, CGFM
DEPUTY STATE AUDITOR
OLYMPIA, WA

TABLE OF CONTENTS

Audit Summary.....	4
Information About The Organization	5
About The State Auditor’s Office.....	6

AUDIT SUMMARY

Results in brief

In the areas we audited, Organization operations complied with applicable requirements and provided adequate safeguarding of public resources. The Organization also complied with state laws and regulations and its own policies and procedures in the areas we examined.

About the audit

This report contains the results of our independent accountability audit of the Moving King County Residents Forward from April 12, 2012 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Organization's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Contract compliance
- Open Public Meetings Act
- Restricted funds
- Legal status

INFORMATION ABOUT THE ORGANIZATION

Moving King County Residents Forward (MKCRF) is an affiliate and supporting organization of the King County Housing Authority (KCHA). It provides human services and capital and owns and operates low-income housing in order to support KCHA residents and Section 8 voucher-holders.

The Organization operates in conformance with U.S. Department of Housing and Urban Development and KCHA use agreements, either directly or through contracts. It was formed in 2009 and currently owns 22 subsidized residential housing developments operated under contract by KCHA.

Contact information related to this report	
Address:	Moving King County Residents Forward 600 Andover Park W. Tukwila, WA 98188
Contact:	Craig Violante, Director of Finance
Telephone:	(206) 574-1274
Website:	www.mkcrf.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Moving King County Residents Forward at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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

MOVING KING COUNTY RESIDENTS FORWARD

RESOLUTION NO. 25

**ACKNOWLEDGING RECEIPT OF AUDIT EXAMINATION FOR THE PERIOD
JANUARY 1, 2012 THROUGH DECEMBER 31, 2014**

WHEREAS, the State of Washington, Office of the State Auditor, Division of Audit Services, has conducted an accountability audit of Moving King County Residents Forward for the period January 1, 2012 through December 31, 2014; and

WHEREAS, a formal acceptance of the Audit is required by the Board of Directors; and,

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS
OF MOVING KING COUNTY RESIDENTS FORWARD:**

Receipt of the official examination of the Moving King County Residents Forward Accountability Audit Report No. 1016241 for the period January 1, 2012 through December 31, 2014, prepared and transmitted for filing by the State Auditor's Division of Municipal Corporation pursuant to RCW 43.09.260 is hereby acknowledged and formally accepted by the Board of Directors of Moving King County Residents Forward.

**ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING
KING COUNTY RESIDENTS FORWARD THIS 18th DAY OF APRIL, 2016**

**MOVING KING COUNTY
RESIDENTS FORWARD**

Stephen J Norman
Secretary

DOUGLAS J BARNES
President, Board of Directors

MOVING KING COUNTY RESIDENTS FORWARD

TO: Board of Directors

FROM: Craig Violante

DATE: April 12, 2016

**RE: Financial Reports for Moving King County Residents Forward (MKCRF) and
MKCRF-Owned Properties**

EXECUTIVE SUMMARY

Throughout 2015, the MKCRF-owned Properties (the Properties) generated cash flow sufficient to make all required debt service payments, fully fund replacement reserves, and complete the interior upgrade of 30 units using KCHA's force account.

FOURTH QUARTER 2015 FINANCIAL REPORTS

Attached are financial reports through the fourth quarter of 2015

- Statements of Financial Position for the Properties as reflected on the books of KCHA as operator of the properties, and for MKCRF itself. MKCRF information is in the far right column.
- Working Capital reports for the Properties as reflected on the books of KCHA as operator, and for MKCRF itself. MKCRF information is in the far right column.

KCHA Operations of the Properties

Operating revenues for 2016 exceeded budget by 3.9% while operating expenses, primarily routine maintenance, were 7.6% below budget. In general, budgeted operating expenses not incurred were either not needed to the extent budgeted (e.g. bed bug treatment, new floor coverings) or were deferred to 2016 (e.g. paving).

Throughout the period, the Properties generated net operating cash flow of \$1,166,837 after required debt service payments and additions to replacement reserves:

Operating Revenues	\$6,758,624
Operating Expenses	(3,914,298)
Debt Service	(1,547,979)
Trf to Replacement Reserves	(129,509)
Net Cash Flow	<u>\$1,166,837</u>

This cash flow was used to fund the interior upgrades of 30 units in 2015 versus the budget of 34. Unit availability slightly limited upgrade opportunities.

Since acquiring the Properties, 129 units have been upgraded by KCHA's in-house force account maintenance team. A total of 330 units (64.8%) have been upgraded since inception of the program in 2006.

As part of the disposition application filed with HUD, KCHA committed to performing \$18 million of capital work over five years, and this threshold was met during the second quarter. KCHA

notified HUD on October 12, 2015 of the completion of the required element of the 2012 disposition. Following is a history of rehabilitation work through December 2015:

<i>(In millions of dollars)</i>	2012	2013	2014	2015	Total
Rehabilitation projects-Capital Construction	\$2.1	\$6.1	\$6.6	\$3.5	\$18.3
Unit Upgrades-Housing Management	\$0.4	\$1.8	\$0.7	\$0.9	\$3.8
	\$2.5	\$7.9	\$7.3	\$4.4	\$22.1

As of December 31, 2015, the Properties had combined cash-on-hand and short-term receivables from MKCRF of \$590,000.

Operations of Moving King County Residents Forward

MKCRF had operating expenses totaling \$18,175 in 2015, consisting of appraisal, auditing and tax consulting. Cash was transferred from the Properties to cover these expenses. All required monthly debt service payments to KCHA were made.

Although the December 31, 2015 balance sheet reflects negative working capital of \$762,000, this is primarily the result of minimum loan payments due within the next 12 months that will be funded by cash generated by the properties over the course of the year. Confidence is high that MKCRF will continue to be in full compliance with the terms and conditions of its loan from KCHA.

Operations and Capital of MKCRF Properties

Statements of Financial Position

As of 12/31/2015

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
ASSETS				
Working Capital Assets				
Cash-Unrestricted	\$251,193	(\$35,063)	\$216,130	(\$4,578)
Cash-Restricted Within Program	-	-	-	-
Cash-Restricted for WC Purposes	-	-	-	-
Accounts Receivables	144,348	239,658	384,006	-
Prepaid Assets & Inventory	83,936	-	83,936	-
Total Working Capital Assets	479,477	204,595	684,072	(4,578)
Liabilities Offsetting Working Capital Assets				
Accounts Payable	(2,220)	(161,929)	(164,149)	(239,658) (1)
Payroll Liabilities	(116,876)	-	(116,876)	-
Accrued Liabilities	-	-	-	-
Deferrals	-	-	-	-
Current Portion of Long-term debt	-	-	-	(518,060)
Total Offsetting Liabilities	(119,096)	(161,929)	(281,025)	(757,718)
Working Capital	\$360,381	\$42,666	\$403,047	(\$762,296)
Other Assets				
Cash-Designated	382,644	-	382,644	1,517,916
Cash-Restricted	78,067	-	78,067	-
Receivables	-	-	-	-
Capital Assets	67,723	-	67,723	61,366,456
Work-in-Process	6,293	(0)	6,292	7,822,248
Suspense	-	-	-	-
Other Assets	-	-	-	-
Total Other Assets	534,727	(0)	534,726	70,706,621
TOTAL ASSETS (net of WC offsets)	\$895,108	\$42,665	\$937,773	\$69,944,325
LIABILITIES & EQUITY				
Other Liabilities				
Deferrals-Related to Restr Cash	78,066	-	78,066	-
Debt	-	-	-	16,364,132
Other Liabilities	-	-	-	-
	78,066	-	78,066	16,364,132
Equity				
Equity	817,042	42,665	859,707	53,580,194
	817,042	42,665	859,707	53,580,194
TOTAL LIAB & EQ (net of curr liab)	\$895,108	\$42,665	\$937,773	\$69,944,325

1) Owed to KCHA for capital work performed at MKCRF properties in the fourth quarter. Payment to KCHA is due in January.

**Operations and Capital of MKCRF Properties
Working Capital Budget vs. Actual Report
For the Period Ended 12/31/2015**

	MKCRF Properties Managed by KCHA									
	Year-to-Date					(n/m= not meaningful)	2015	Remainder	(n/m= not meaningful)	MKCRF
	Operations	Capital	Combined	Budget	Variance	Percent YTD Variance	Annual Budget	to Receive/ Spend	Percent of Annual Budget	
Revenues										
Tenant Revenue	\$6,752,449	\$0	\$6,752,449	\$6,489,502	\$262,947	4.1%	\$6,489,502	(\$262,947)	104.1%	\$0
Operating Fund Subsidy from HUD	0	0	0	0	0	n/m	0	0	n/m	0
Section 8 Subsidy from HUD	0	0	0	0	0	n/m	0	0	n/m	0
Other Operating Revenue	6,175	0	6,175	10,866	(4,691)	(43.2%)	10,866	4,691	56.8%	1,806,532
Non-operating Revenue	1,777	(1,080)	697	103	594	576.3%	103	(1,674)	1725.3%	27,017
Total Revenues	6,760,401	(1,080)	6,759,320	6,500,471	258,849	4.0%	6,500,471	(258,849)	104.0%	1,833,549
Expenses										
Salaries & Benefits	890,985	0	890,985	869,231	21,754	2.5%	869,231	(21,754)	102.5%	0
Routine Maintenance, Utilities, Taxes & Insurance	1,813,310	0	1,813,310	2,309,782	(496,472)	(21.5%)	2,309,782	496,472	78.5%	(1)
Direct Social Service Salaries	(5,954)	0	(5,954)	0	(5,954)	n/m	0	5,954	n/m	4
Other Social Service Support Expenses & HAP	1,755	0	1,755	370	1,385	374.2%	370	(1,385)	474.2%	0
Administrative Support Expenses	726,794	0	726,794	734,915	(8,121)	(1.1%)	734,915	8,121	98.9%	18,175
Non-operating Expenses	1,586,064	245,000	1,831,064	1,812,491	18,573	1.0%	1,812,491	(18,573)	87.5%	1,029,921
Total Expenses	5,012,953	245,000	5,257,953	5,726,789	(468,836)	(8.2%)	5,726,789	468,836	87.5%	1,048,099
Net Income	1,747,448	(246,080)	1,501,367	773,682	727,685	94.1%	773,682	(727,685)	225.9%	785,450
Other Sources/(Uses) of Working Capital										
(Increase) in Restricted/Designated Cash	(129,602)	0	(129,602)	(127,830)	(1,772)	1.4%	(127,830)	1,772	101.4%	(2,787)
Decrease in Restricted/Designated Cash	0	0	0	0	0	n/m	0	0	n/m	4,565,086
(Increase) in LT Receivables	0	0	0	0	0	n/m	0	0	n/m	0
Decrease in LT Receivables	0	0	0	0	0	n/m	0	0	n/m	0
Acquisition of Capital Assets	(268,341)	(922,447)	(1,190,787)	(1,140,516)	(50,271)	4.4%	(1,140,516)	(872,175)	23.5%	(3,463,906)
Disposition of Capital Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Suspense	0	0	0	0	0	n/m	0	0	n/m	0
Change in Other Assets	0	0	0	0	0	n/m	0	0	n/m	0
Change in Deferrals	1,742	0	1,742	0	1,742	n/m	0	(1,742)	n/m	0
Increase in LT Debt	0	0	0	0	0	n/m	0	0	n/m	0
(Decrease) in LT Debt	0	0	0	0	0	n/m	0	0	n/m	(518,059)
Change in Other Liabilities	(35,022)	0	(35,022)	0	(35,022)	n/m	0	35,022	n/m	0
Other Non-Working Capital Income/Expense Items	0	0	0	0	0	n/m	0	0	n/m	0
Non Income/Expense Change in Equity	(2,542)	0	(2,542)	0	(2,542)	n/m	0	2,542	n/m	0
Total Other Sources/(Uses) of Working Capital	(433,765)	(922,447)	(1,356,211)	(1,268,346)	(87,865)	6.9%	(1,268,346)	(834,581)	34.2%	580,334
Transfer In from (Out to) Other Funds										
Transfers In from Other Funds	0	1,167,448	1,167,448	1,273,816	(106,368)	(8.4%)	1,273,816	106,368	0.0%	0
Transfers Out to Other Funds	(922,448)	0	(922,448)	(1,028,816)	106,368	(10.3%)	(1,028,816)	(106,368)	89.7%	0
Net Transfer In/(Out)	(922,448)	1,167,448	(2,339,563)	245,000	(2,584,563)	n/m	245,000	0	n/m	0
Net Change in Working Capital	\$391,235	(\$1,079)	\$390,156	(\$249,664)	\$639,820	n/m	(\$249,664)	(\$639,820)	n/m	\$1,365,784
Working Capital, 12/31/2014	(30,854)	43,745	12,891							(2,128,080)
Working Capital, 12/31/2015	\$360,381	\$42,666	\$403,047							(\$762,296)

1) The Kirkwood Terrace paving project cost was less than anticipated in the budgeted. The Bellevue 8 paint project was completed for much less than budget by using internal central maintenance staff.